

Stock Code: 4571



KHGEARS INTERNATIONAL LIMITED

2022 Annual Shareholders' Meeting

Meeting Agenda (Translation)

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This is a translation of the agenda for 2022 Annual General Shareholders' Meeting of Khgears International Limited. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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I. Meeting Procedure

KHGEARS INTERNATIONAL LIMITED 2022 Annual Shareholders' Meeting Procedure

1. Call the Meeting to Order
2. Chairman's Address
3. Report Items
4. Recognition
5. Discussion Items
6. Extempore Motions
7. Adjournment

II. Meeting Agenda

KHGEARS INTERNATIONAL LIMITED 2022 Annual Shareholders' Meeting Agenda

Time: 9:00 a.m., May 20, 2022

Place: 3F., No. 1, Sec. 3, Zhongxiao E. Rd., Da'an Dist., Taipei City, Taiwan
(GIS Taipei Tech Convention Center Room 303)

1. Call the Meeting to Order

2. Chairman's Address

3. Report Items

(1) To report the business of 2021

(2) 2021 Audit committee's review report

(3) To report 2021 directors' and employees' remunerations

(4) Amendment to Sustainable Development Best Practice Principles

4. Recognition Items

(1) To accept 2021 Business Report and Consolidated Financial Statements

(2) To accept the proposal for the distribution of 2021 Earnings

5. Discussion Items

(1) Amendment to Memorandum of Association and Articles of Association

(2) Amendment to Regulations Governing the Acquisition and Disposal of Assets

6. Extempore Motions

7. Adjournment

Report Items

1. To report the business of 2021.

Explanation: Please refer to Attachment 1.

2. 2021 Audit Committee's Review Report.

Explanation: Please refer to Attachment 2.

3. To report 2021 directors' and employees' remunerations.

Explanation: Distribution of NT\$35,790,184 and NT\$17,895,092 in cash as remunerations to employees and directors, respectively, have been approved by the meeting of the Board of Directors held on March 30, 2022. Please refer to Attachment 3 for individual directors' remuneration, remuneration policy and correlation with performance evaluation results.

4. Amendment to Sustainable Development Best Practice Principles.

Explanation: In accordance with the announcement of the Taiwan Stock Exchange on December 7, 2021, the name and certain provisions of the Principles of Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies have been amended. The Company's Rule of Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies will be amended in accordance with the announcement of the Taiwan Stock Exchange. Please refer to Attachment 4 for comparison table of amendments to Sustainable Development Best Practice Principles.

Recognition Items

Proposal 1 (Proposed by the Board of Directors)

Purpose: To accept 2021 Business Report and Consolidated Financial Statements.

Explanation:

1. The 2021 Consolidated Financial Statements were audited by the independent auditors, Tzu-Jung Kuo and Chun-Hung Chen of Deloitte & Touche.
2. For the 2021 Business Report, Independent Auditors' Report, and the 2021 consolidated Financial Statements, please refer to Attachments 1 and 5.

Resolution:

Proposal 2 (Proposed by the Board of Directors)

Purpose: To accept the proposal for the distribution of 2021 Earnings.

Explanation:

1. The proposed distribution is allocated from the 2021 earnings available for distribution. The cash dividends for common shares will be distributed a total of NT\$237,190,950, Based on the company's 52,709,090 shares outstanding on March 30, 2022 (after deducting 670,910 shares of restricted stock that have not yet fulfilled the conditions), in which each common share holder will be entitled to receive a cash dividend of NT\$4.5 per share. Subsequent to issuance of common shares, execution of employee stock options, stock buybacks, or transfer and cancellation of treasury shares, resulting in the dividend distribution ratio is adjusted due to change of the company's total number of outstanding common shares. It is proposed to request the board of shareholders to authorize the chairman to deal with it.
2. For 2021 Earnings Distribution, please refer to Attachment 6.

Resolution:

Discussion Items :

Proposal 1 (Proposed by the Board of Directors)

Purpose: Amendments to Memorandum of Association and Articles of Association

Explanation:

1. To better comply with recent amendments to laws and regulations promulgated by the Taiwan Stock Exchange on May 14, 2021, the Company proposed to amend its existing Articles of Association.
2. Please refer to Attachment 7 for the comparison table of amendments.

Resolution :

Proposal 2 (Proposed by the Board of Directors)

Purpose: Amendment to Regulations Governing the Acquisition and Disposal of Assets.

Explanation:

1. To better comply with recent amendments to laws and regulations promulgated by the Taiwan Stock Exchange on January 28, 2022, the Company proposed to amend its existing Regulations Governing the Acquisition and Disposal of Assets.
2. Please refer to Attachment 8 for the comparison table of the amendments.

Extempore Motions

Adjournment

Attachment 1

Business Report

I. Business Report of 2021

a. Business plan implementation results:

Unit : NT\$ thousands

Item	2021	2020	Annual Growth	
			Amount	Rate (%)
Operating Revenue	2,736,873	2,065,404	671,469	32.51%
Operating Costs	1,851,513	1,399,020	452,493	32.34%
Gross Profit	885,360	666,384	218,976	32.86%
Operating Expenses	451,262	319,870	131,392	41.08%
Profit from Operations	434,098	346,514	87,584	25.28%
Non-operating Income and Expense	12,828	(22,229)	35,057	157.71%
Profit before income tax	446,926	324,285	122,641	37.82%
Net Profit for the year	393,691	285,393	108,298	37.95%

b. Budget Execution

The Company did not publicly disclose and financial forecasts for 2021.

c. Analysis of financial revenues and expenditures and analysis of profitability (consolidated statements):

Item			2021	2020
Financial structure analysis	Debt to asset ratio(%)		26.57%	31.73%
	Ratio of long-term capital to PP&E(%)		279.98%	307.75%
Solvency analysis	Current ratio(%)		261.56%	246.99%
	Quick ratio(%)		168.30%	189.02%
Profitability analysis	Return of total assets (%)		13.32%	11.82%
	ROE(%)		18.63%	16.51%
	Ratio to paid-in capital	81. 32%	71.59%	50.92%
		83. 73%	67.00%	58.01%
	Profit ratio(%)		14.38%	13.82%
	EPS(NT\$)		8.18	6.00

d. Research and development status

Since the establishment of KHGEARS Group, the KHGEARS has continued to be realistic and innovative. After more than ten years of unremitting efforts, it has

designed, manufactured and sold services for shafts and gears required by many industries. KHGEARS can manufacture bevel gears, cylindrical gears, powder metallurgy gears, gear boxes, and harmonic reducers. The service industries include power tools, garden tools, industrial sewing machines, yacht industry, automobiles, medical machinery equipment and industrial robots. Our engineers of R&D department participate in the design and development of customer products and achieve a deeper connection with customers. In 2020, KHGEARS established a subsidiary in Taiwan, KHGEARS LIMITED, and set up an R&D center in Taichung, which is responsible for R&D and integration of modular downtube drive system. In 2021 the KHGEARS Group's R&D expenses totaled NT\$147,675 thousand, accounting for 5.40 % of the Group's consolidated revenue. As of the end of 2021, the Group's R&D department had 69 people and obtained 3 invention patents and 73 practical new patents.

II. Summary of the 2020 business plan

a. Business strategy

KHGEARS Group has been deeply involved in the gear industry for many years, adhering to the business philosophy of "integrity, professionalism, innovation, and meeting customer needs". With the niche of high quality, short delivery time and excellent price, KHGEARS successfully became the tier 1 suppliers of major international brands in different industries. We carefully select customers and orders to avoid completely price competition and obtain better profits. Then we can invest more resources in the company's future development of technology, equipment and talents, and strengthen the company's competitiveness, provide customers with better products and services, form a positive relationship with our customers and achieve mutual benefit.

b. Expected sales volume and its basis

KHGEARS mainly sells customized all-steel gear, powdered metal, gear boxes, precision hardware and harmonic drive to customers. To meet the different needs of customers, it usually takes 6 to 18 months to develop and test the product. Some complicated products such as harmonic drive take longer time to develop and customer testing. Based on the global economic outlook, changes in the industrial environment, market supply and demand, and competition. Taking into account the progress of existing customers' businesses and the development of new products, new customers, and other factors, it is estimated that the sales of 2022 will be higher than that of 2021.

c. Production and sales strategies

- i. Continuously optimize the company's production and supply chain system in the context of the new economy, and constantly evaluate and improve the quality of the

supply system in terms of quality, cost, manufacturing process, and fixture optimization. Continuously improve the physique of the company's internal production system in terms of efficiency, wisdom, lean, etc., in order to continuously meet and promote the company's business development.

- ii. Continue to review and improve the company's quality management and strengthen the implementation of quality management from the process of rough mold procurement and manufacturing process.
- iii. The sale persons who are familiar with the full range of products and technical engineers who are proficient in product production, assembly and testing will serve customers coordinately to obtain customer orders and expand the market quickly.
- iv. Established the group's second production base in Vietnam to gradually meet the needs of customers for global supply.

III. Future corporate development strategies

With years of experience in gear design, manufacturing and sales, and excellent customer service, KHGEARS has successfully penetrated into the supply chain of high-end product lines of major international brands in various industries. In addition to the existing products, KHGEARS is also actively developing applications of harmonic reducers such as industrial robots and E-Bike. Established R&D team in Taichung, cooperated and divided the work with the existing R&D department in Zhuhai, and entered into the development of modular downtube drive system. It is expected to increase the sales of new products as soon as possible and become another main product line of the company in the future. KHGEARS's vision is to become the world's most competitive leading manufacturer of gear transmission equipment and core parts for high-end smart products.

IV. Impact from external competition, laws and regulations and business environment factors

a. External competition

KHGEARS has many years of professional experience in the industry. Our excellent products have been recognized by customers. The Group's current operating conditions are good, and the revenue is growing year by year. The Group will continue to develop new products and improve process technology in order to strengthen our competitiveness in response to market demand.

b. Laws and regulations

The registered country of the company is the Cayman Islands. At the end of 2021, the Group's companies are registered and operating in Samoa, Mainland China, Hong Kong, Taiwan and Vietnam. The execution of the business of each company of the

group is carried out in accordance with the important policies and laws of the country where it is located. We always pay attention to the development trends of important policies and changes in laws, take appropriate response measures. In the most recent year and up to the date of publication of the annual report, the Group has not had any significant impact on the company's financial business due to changes in important local policies and laws in the country of operations.

c. Business Environment

The novel coronavirus (COVID-19) is pandemic globally. To curb the spread of the epidemic, at the beginning of the epidemic, countries around the world have issued travel restrictions, quarantine, or suspension of operations in certain industries in epidemic areas, and introduced various monetary easing and fiscal support policies, which have caused impacts on macroeconomics demand and supply. The epidemic has lasted for more than 2 years, and with the emergence of new strains of the virus, the epidemic cannot be effectively contained and will continue to have an impact on people's lifestyles and the restructuring of industrial supply chains.

The KHGEARS's sales customers are all over the world. In order to consider the long-term business strategy of globalization, the company has established a subsidiary in Vietnam as the group's second production base. The global operation layout meets the needs of customers, and also disperses the operational risks that may be caused by geopolitics and the new epidemic.

Chairman: KWOK HING GLOBAL LIMITED

Representative: Ko Kwok Hing

President: Tu, Chun-Hui

Accounting Manager: Chen, Kou-Kang

Attachment 2

Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Consolidated Financial Statements, and Earnings Distribution Proposal for the year of 2021. Tzu-Jung Kuo and Chun-Hung Chen, Certified Public Accountants of Deloitte & Touche, have audited the Financial Statements. The 2021 Business Report, Consolidated Financial Statements, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of KHGEARS INTERNATIONAL LIMITED. We hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

KHGEARS INTERNATIONAL LIMITED
Chair of the Audit Committee: Chou, Tsung-Nan
March 30, 2022

Attachment 3

2021 Directors' Compensation

Amount Unit:NT\$ Thousand

Title	Name	Director's Remuneration								Total amount of (A+B+C+D) and as a % of Net Income		Compensation Earned by a Director Who is an Employee of KHGEARS or of KHGEARS's Consolidated Entities								Total amount of (A+B+C+D+E+F+G) and as a % of Net Income		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Profit Sharing (G)						
		From KHGEARS	From All Consolidated Entities	From KHGEARS	From All Consolidated Entities	From KHGEARS	From All Consolidated Entities	From KHGEARS	From All Consolidated Entities	From KHGEARS	From All Consolidated Entities	From KHGEARS	From All Consolidated Entities	From KHGEARS	From All Consolidated Entities	From KHGEARS		From All Consolidated Entities		From KHGEARS	From All Consolidated Entities	
																Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
Chairman	KWOK HING GLOBAL LIMITED Ko Kowk Hing	-	-	-	-	7,953	7,953	1,428	1,428	9,381 2.38%	9,381 2.38%	-	-	-	-	-	-	-	-	9,381 2.38%	9,381 2.38%	-
Vice Chairman	Wu, Chin-Jung	-	-	-	-	3,977	3,977	1,330	1,330	5,307 1.35%	5,307 1.35%	1,191	2,391	-	-	3,299	-	3,299	-	9,797 2.49%	10,997 2.79%	-
Director	Chung, Chao-Wen	-	-	-	-	2,983	2,983	1,340	1,340	4,323 1.10%	4,323 1.10%	701	2,000	-	-	4,341	-	4,341	-	9,365 2.38%	10,664 2.71%	-
Director	Tu, Chun-Hui	-	-	-	-	2,983	2,983	1,319	1,319	4,302 1.09%	4,302 1.09%	364	1,999	-	-	4,341	-	4,341	-	9,007 2.29%	10,642 2.70%	-
Independent Director	Chou, Tsung-Nan	1,049	1,049	-	-	-	-	22	22	1,071 0.27%	1,071 0.27%	-	-	-	-	-	-	-	-	1,071 0.27%	1,071 0.27%	-
Independent Director	Huang, Sheng-Lung	645	645	-	-	-	-	22	22	667 0.17%	667 0.17%	-	-	-	-	-	-	-	-	667 0.17%	667 0.17%	-
Independent Director	Tu, Kuo-Chiang	645	645	-	-	-	-	22	22	667 0.17%	667 0.17%	-	-	-	-	-	-	-	-	667 0.17%	667 0.17%	-

Note: Policy, criteria, amount and correlation with performance evaluation results of directors' remuneration.

- (1) The Company has established the "Remuneration Policy for Directors and Managers" to regulate the remuneration of directors and managers, and in accordance with the organizational rules of the Remuneration Committee of the Company, the Remuneration Committee meets annually to review the policies, systems, standards and structures of directors' performance evaluation and remuneration, taking into account the results of directors' performance evaluation (evaluation items include: achievement of corporate goals and tasks, directors' awareness of their duties, participation in corporate operations, internal relationship management and communication, directors' professionalism and continuing education, and internal control). The Board of Directors shall consider the evaluation results obtained from the performance evaluation of directors (evaluation items include: mastery of corporate goals and tasks, knowledge of directors' responsibilities, participation in corporate operations, internal relationship management and communication, professional and continuing education of directors, and internal control), consider the

degree of participation and value of each director's contribution to corporate operations, and make recommendations to the Board of Directors for discussion and resolution, so that operational performance and future risks can be fairly and reasonably linked to remuneration.

- (2) The results of the performance evaluation for fiscal 2021 show that the average performance score of the Board of Directors as a whole is 4.79, the average performance score of individual directors is 4.91, the average performance score of the Audit Committee is 4.84, and the average performance score of the Compensation Committee is 4.75. Both the overall performance evaluation and the performance evaluation of individual directors are excellent, and the Company's directors have performed their relevant functions, and the remuneration of directors is still The remuneration of directors is reasonable.

Attachment 4

Comparison Table of Amendments to Sustainable Development Best Practice Principles (Formerly Corporate Social Responsibility Best Practice Principles)

No.	Current Provisions	Proposed Amendments	Explanations
1	Corporate Social Responsibility Best Practice Principles	Sustainable Development Best Practice Principles	In compliance with the Taiwan Stock Exchange's amendment of the name of the Code of Corporate Social Responsibility Practices for Listed Companies to the Code of Sustainable Development Practices for Listed Companies, the name of the Company's Code of Corporate Social Responsibility Practices was amended to the Code of Sustainable Development Practices.
2	1. To fulfill corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company establishes Corporate Social Responsibility Best Practice Principles base on Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and relevant regulations.	1. To fulfill corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company establishes <u>Sustainable Development</u> Best Practice Principles base on Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and relevant regulations.	Ditto.
3	2. To fulfill corporate social responsibility in the course of our business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive advantages built on corporate social responsibility.	2. To fulfill <u>sustainable development</u> in the course of our business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive advantages built on <u>sustainable development</u> .	In compliance with the amendment of Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
4	3. The Company should pay attention to the rights and interests of stakeholders when fulfill its corporation social responsibility. While pursuing sustainable operation and profitability, it should also incorporate the environmental protection, social engagement and corporate governance into the company's management policies and operating	3. The Company should pay attention to the rights and interests of stakeholders when promote its <u>corporate sustainability</u> . While pursuing sustainable operation and profitability, it should also incorporate the environmental protection, social engagement and corporate governance into the company's management policies and operating activities.	Ditto.

No.	Current Provisions	Proposed Amendments	Explanations
	activities. The Company should in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.	The Company should in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.	
5	4. To implement corporate social responsibility initiatives, The Company follow the principles below: 4.1 Exercise corporate governance 4.2 Foster a sustainable environment 4.3 Preserve public welfare. 4.4 Enhance disclosure of corporate social responsibility information.	4. To implement <u>corporate sustainability</u> initiatives, The Company follow the principles below: 4.1 Exercise corporate governance 4.2 Foster a sustainable environment 4.3 Preserve public welfare 4.4 Enhance disclosure of <u>corporate sustainability</u> information.	Ditto.
6	5. The Company shall follow the laws, regulations, articles of association, and take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs.	5. The Company <u>should consider the relevant development trends of sustainability for domestic and foreign as well as the core business of the company for the company itself and the group, also consider the impact of the company's overall operating activities on the stakeholders, etc., and formulate corporate sustainability policies, related management and promotion plans for board of directors' approval. When a shareholder proposes a proposal involving sustainable development, the board of directors of the company may put it as board meeting agenda.</u>	Ditto.
7	6.Board of directors shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies. The board of directors of the company shall fully consider the interests of stakeholders and include the following items when performing corporate social responsibility: 6.1 Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines. 6.2 Making corporate social responsibility the guiding	7.Board of directors should perform the duty of care of a good administrator to urge the company to perform <u>corporate sustainability</u> , and review its implement effectiveness and continuous improvement to ensure the implementation of <u>corporate sustainability</u> policies. The board of directors of the company shall fully consider the interests of stakeholders and include the following items when performing <u>corporate sustainability</u> : 7.1 Propose the company's corporate sustainability mission or vision, and formulate <u>corporate sustainability</u> policies. 7.2 Incorporate <u>corporate sustainability</u> into the company's operating activities and development direction, and approve the company's concrete promotion plan for <u>corporate sustainability</u> . 7.3 Ensure the real-time and correctness of the company's	Ditto and article changes.

No.	Current Provisions	Proposed Amendments	Explanations
	principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives. 6.3 Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information. The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.	<u>corporate sustainability</u> related information disclosure. The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.	
8	7.For the purpose of managing corporate social responsibility initiatives, the company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.	<u>9.In order to improve the management of corporate sustainability, the Company is responsible for promoting corporate sustainability. The dedicated unit responsible for the company's corporate sustainability policy or related management plan and the promotion and implementation of the plan, and regularly report to the board of directors. The Company should formulate a reasonable salary and remuneration policy to ensure that the remuneration plan can meet the organization's strategic goals and the interests of stakeholders. The Company's employee performance appraisal system should be integrated with the corporate sustainability policy, and a clear and effective reward and punishment system should be established.</u>	Ditto and article changes.
9	8.The Company should respect the rights and interests of stakeholders, identify the company's stakeholders, and establish a designated section for stakeholders on our company website. We understand the reasonable expectations and demands of stakeholders through proper communication, and adequately respond to the important corporate social responsibility issues which is concerned by the stakeholders.	<u>10.The Company should respect the rights and interests of stakeholders, identify the company's stakeholders, and set up stakeholder zone on the company's website; through appropriate communication methods, understand the reasonable expectations and needs of stakeholders, and appropriately respond to the importance of their concerns for corporate sustainability issues.</u>	Ditto and article changes.
10	9.The Company should establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.	<u>6.The Company should follow the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies, and the Code of Ethical</u>	Ditto and article changes.

No.	Current Provisions	Proposed Amendments	Explanations
		<u>Conduct for TWSE/TPEX Listed Companies</u> to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.	
11	10.The Company's operating activities shall comply with relevant laws and regulations, and implement the following matters to create a level playing field: 10.1 Avoid engaging in acts of unfair competition. 10.2 To fulfill tax obligations. 10.3 Anti-bribery and corruption. 10.4 Corporate donations shall be made in accordance with the law.		The article is deleted.
12	11. The Company shall regularly organize training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	8. The Company shall regularly organize education and training for fulfilling <u>corporate sustainability</u> .	In compliance with the amendment of Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and article changes.
13	12. The Company follows relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations.	<u>11.</u> The Company <u>shall</u> follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and <u>internal management</u> .	Ditto and article changes.
14	13.Omitted.	<u>12.</u> Omitted.	Article changes.
15	14.The Company shall establish proper environment management systems based on the characteristics of its industries. Such environment management systems shall include the following tasks: 14.1 Collect and evaluate adequate and timely information on the impact of business activities on the natural environment. 14.2 Establish measurable goals and examining whether such goals should be maintained and whether they are still relevant on a regular basis. 14.3 Examine the purpose of the environmental sustainability goals or their achievement on a regular basis.	<u>13.</u> The Company establishes proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks: <u>13.1</u> Collect and evaluate adequate and timely information on the impact of business activities on the natural environment. <u>13.2</u> Establishing measurable goals for <u>environmental sustainability</u> and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis. <u>13.3 Adopting enforcement measures such as concrete plans or action plans and examining the results of their operation</u> on a regular basis.	In compliance with the amendment of Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and article changes.
16	15. The Company should set up dedicated unit or personnel	<u>14.</u> The Company should set up dedicated unit or personnel	Ditto and article changes.

No.	Current Provisions	Proposed Amendments	Explanations
	for environmental management to maintain environmental management-related systems and hold environmental education courses for employees.	for environmental management to <u>formulate, promote and maintain related environmental management systems and action plans</u> , and regularly organize environmental training courses.	
17	16. The Company should engage in operational activities such as R&D, production and services in accordance with the following principles, in order to reduce the impact of the company's operations on the natural environment: 16.1 Reduce resource and energy consumption of their products and services. 16.2 Reduce emission of pollutants, toxins and waste, and dispose of waste properly. 16.3 Improve recyclability and reusability of raw materials or products. 16.4 Maximize the sustainability of renewable resources. 16.5 Enhance the durability of products. 16.6 Improve efficiency of products and services.	15. The Company shall take into account the effect of <u>business operations</u> on ecological efficiency, promote and <u>advocate</u> the concept of sustainable consumption, and conduct research and development, <u>procurement</u>, production, <u>operations</u>, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations: 15.1 Reduce resource and energy consumption of their products and services. 15.2 Reduce emission of pollutants, toxins and waste, and dispose of waste properly. 15.3 Improve recyclability and reusability of raw materials or products. 15.4 Maximize the sustainability of renewable resources. 15.5 Enhance the durability of products. 15.6 Improve efficiency of products and services.	Ditto and article changes.
18	17. To improve water use efficiency, The Company shall properly and sustainably use water resources and establish relevant management measures to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.	16. To improve water use efficiency, The Company shall properly and sustainably use water resources and establish relevant management measures. <u>The Company shall construct and improve environmental protection treatment facilities</u> to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.	Ditto and article changes.
19	18.1 The Company should assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures. 18.2 Adopt domestic and international standards or guidelines to carry out corporate greenhouse gas inventories and disclose them. The scope should include: 18.2.1 Direct greenhouse gas emissions: The source of greenhouse gas emissions is owned or controlled by the	17.1 The Company should assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures. 17.2 Adopt domestic and international standards or guidelines to carry out corporate greenhouse gas inventories and disclose them. The scope should include: 17.2.1 Direct greenhouse gas emissions: The source of greenhouse gas emissions is owned or controlled by the company.	Ditto and article changes.

No.	Current Provisions	Proposed Amendments	Explanations
	company. 18.2.2 Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam. 18.3 The Company should compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The companies' carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of their business operations on natural environment.	<u>17.2.2 Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.</u> <u>17.2.3 Other indirect emissions: The emissions generated by company activities are not indirect energy emissions but come from emission sources owned or controlled by other companies.</u> <u>17.3 The Company should compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The companies' carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of their business operations on climate change.</u>	
20	19.The Company shall comply with relevant labor laws and regulations, protect the legal rights and interests of employees, respect internationally recognized principles of the labor force's human rights, and shall not commit violations against the fundamental labor rights. The human resources policies of the Company shall be founded on the principles of the labor force's human rights and shall contain appropriate management methods and procedures. The Company ensures that all employees are not treated differently based on gender, race, age, marriage, and family status.	<u>18.1 The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.</u> <u>18.2 The Company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:</u> <u>18.2.1 Presenting a corporate policy or statement on human rights.</u> <u>18.2.2 Evaluating the impact of the company's business operations and internal management on human rights and adopting corresponding handling processes.</u> <u>18.2.3 Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.</u> <u>18.2.4 In the event of any infringement of human rights, the company shall disclose the processes for handling of the matter with respect to the stakeholders involved.</u> <u>18.3 The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor,</u>	Ditto and article changes.

No.	Current Provisions	Proposed Amendments	Explanations
		<u>eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.</u> <u>18.4 The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.</u>	
21	20.The Company provides information irregularly for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.	<u>19.</u> The Company <u>shall provide</u> information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.	Ditto and article changes.
22	21.The Company should provide safe and healthful work environments for their employees, including providing necessary health and first aid facilities, and is committed to reducing the hazards to employees' safety and health and to prevent occupational accidents. The Company should organize training on safety and health for their employees on a regular basis.	<u>20.</u> The Company should provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb <u>dangers</u> to employees' safety and health and to prevent occupational accidents. The Company should organize training on safety and health for their employees on a regular basis.	Ditto and article changes.
23	22.Omitted.	<u>21.</u> Omitted.	Article changes.
24	24.Omitted.	<u>22.</u> Omitted.	Article changes.
25	25.Omitted.	<u>24.</u> Omitted.	Article changes.
26	26.Omitted.	<u>25.</u> Omitted.	Article changes.
27	27.Omitted.	<u>26.</u> Omitted.	Article changes.
28	28.Omitted.	<u>27.</u> Omitted.	Article changes.
29	29.Omitted.	<u>28.</u> Omitted.	Article changes.
30	30.The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable	<u>29.</u> The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies and shall fully disclose relevant and reliable information	In compliance with the amendment of Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and article

No.	Current Provisions	Proposed Amendments	Explanations
	information relating to their corporate social responsibility initiatives to improve information transparency.	relating to their corporate social responsibility initiatives to improve information transparency. <u>The relevant information of the company's disclosure of corporate social responsibility is as follows:</u> <u>29. Corporate sustainability policies or related management plans and promotion plans approved by the board of directors.</u> <u>29.2 The risk and impact of factors such as implementing corporate governance, developing a sustainable environment, and maintaining social welfare on the company's operations and financial status.</u> <u>29.3 The fulfillment goals, measures and performance of the company formulated for corporate sustainability.</u> <u>29.4 The main stakeholders and their concerns.</u> <u>29.5 Disclosure of management and performance information on major environmental and social issues by major suppliers.</u> <u>29.6 Other corporate sustainability related information.</u>	changes.
31	31.The Company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include: 31.1 The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives. 31.2 Major stakeholders and their concerns. 31.3 Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development. 31.4 Future improvements and goals.	<u>30.</u> The Company shall adopt internationally widely recognized standards or guidelines when producing <u>corporate sustainability</u> reports, to disclose the status of their implementation of the <u>corporate sustainability</u> policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include: <u>30.1</u> The policy, system, or relevant management guidelines and concrete promotion plans for implementing <u>corporate sustainability</u> initiatives. <u>30.2</u> Major stakeholders and their concerns. <u>30.3</u> Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development. <u>30.4</u> Future improvements and goals.	Ditto.
32	32. The Company shall at all times monitor the development of domestic and foreign corporate social	<u>31.</u> The Company shall at all times monitor the development of domestic and foreign <u>corporate sustainability</u> standards	Ditto.

No.	Current Provisions	Proposed Amendments	Explanations
	responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.	and the change of business environment so as to examine and improve their established <u>corporate sustainability</u> framework and to obtain better results from the implementation of the <u>corporate sustainability</u> policy.	

Attachment 5

Independent Auditors' Report and 2021 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Khgears International Limited

Opinion

We have audited the accompanying consolidated financial statements of Khgears International Limited and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2021, in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

The sales revenue to specific customers

The company's sales revenue growth of specific customers in 2021 is greater than the others, and the amount is significant. Therefore, the authenticity of sales of specific customers is listed as one of the key audit matters.

For accounting policies and related information on sales revenue, please refer to Note 4 of the

consolidated financial statements. The audit procedures that we performed in response to the risk were as follows:

1. We obtained an understanding of the company's sales operation related procedures and internal controls, and test the design and implementation of these controls.
2. We obtained the sales details of specific customers' sales revenue, check the initial customer orders, the delivery receipts or customer receipts, invoices issued, and other relevant sales revenue recognition vouchers and actual receipts to confirm sales revenue recognition Authenticity.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Jung Kuo and Chun-Hung Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated

financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

KHGEARS INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 444,154	14	\$ 575,323	22
Notes receivable (Notes 4 and 8)	3,016	-	1,733	-
Accounts receivable (Notes 4 and 8)	852,131	26	826,305	31
Other receivables (Note 4)	31,511	1	24,331	1
Inventories (Notes 4, 5 and 9)	703,511	21	410,786	16
Other current assets (Notes 14)	103,013	3	54,093	2
Total current assets	<u>2,137,336</u>	<u>65</u>	<u>1,892,571</u>	<u>72</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost (Notes 27)	940	-	-	-
Property, plant and equipment (Notes 4, 11 and 27)	890,546	27	605,283	23
Right-of-use assets (Notes 4, 13 and 27)	67,469	2	58,834	2
Intangible assets (Notes 4 and 12)	5,585	-	4,242	-
Deferred tax assets (Notes 4 and 20)	10,780	-	12,337	1
Prepaid equipment payments (Notes 11)	196,825	6	55,451	2
Refundable deposits	979	-	320	-
Total non-current assets	<u>1,173,124</u>	<u>35</u>	<u>736,467</u>	<u>28</u>
TOTAL	<u>\$ 3,310,460</u>	<u>100</u>	<u>\$ 2,629,038</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 4 and 15)	\$ 41,544	1	\$ -	-
Accounts payable	301,043	9	342,022	13
Other payables (Notes 16)	251,409	8	209,531	8
Current tax liabilities (Notes 4 and 20)	5,140	-	8,897	-
Lease liabilities-current (Note 4 and 13)	12,380	1	10,775	1
Deferred income (Note 4 and 23)	35,823	1	36,095	1
Other current liabilities (Note 16)	169,814	5	158,932	6
Total current liabilities	<u>817,153</u>	<u>25</u>	<u>766,252</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 20)	21,062	1	21,776	1
Lease liabilities - non-current (Notes 4 and 13)	5,340	-	-	-
Long-term deferred income (Notes 4 and 23)	36,043	1	46,150	2
Guarantee deposits	88	-	89	-
Total non-current liabilities	<u>62,533</u>	<u>2</u>	<u>68,015</u>	<u>3</u>
Total liabilities	<u>879,686</u>	<u>27</u>	<u>834,267</u>	<u>32</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 18 and 22)				
Share capital				
Ordinary shares	<u>533,800</u>	<u>16</u>	<u>484,000</u>	<u>18</u>
Capital surplus	<u>1,181,590</u>	<u>36</u>	<u>844,558</u>	<u>32</u>
Retained earnings				
Legal reserve	72,270	2	43,731	2
Special reserve	127,893	4	131,040	5
Unappropriated earnings	<u>673,714</u>	<u>20</u>	<u>476,775</u>	<u>18</u>
Total retained earnings	<u>873,877</u>	<u>26</u>	<u>651,546</u>	<u>25</u>
Other equity				
Exchange differences on translating foreign operations	(129,988)	(4)	(127,893)	(5)
Unearned Compensation	<u>(28,505)</u>	<u>(1)</u>	<u>(57,440)</u>	<u>(2)</u>
Total equity	<u>2,430,774</u>	<u>73</u>	<u>1,794,771</u>	<u>68</u>
TOTAL	<u>\$ 3,310,460</u>	<u>100</u>	<u>\$ 2,629,038</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

KHGEARS INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Notes 4, and 32)	\$ 2,736,873	100	\$ 2,065,404	100
OPERATING COSTS (Notes 4, 9, 17 and 19)	<u>1,851,513</u>	<u>68</u>	<u>1,399,020</u>	<u>68</u>
GROSS PROFIT	<u>885,360</u>	<u>32</u>	<u>666,384</u>	<u>32</u>
OPERATING EXPENSES (Notes 17 and 19)				
Selling and marketing expenses	97,496	4	78,993	4
General and administrative expenses	206,091	7	124,025	6
Research and development expenses	<u>147,675</u>	<u>5</u>	<u>116,852</u>	<u>5</u>
Total operating expenses	<u>451,262</u>	<u>16</u>	<u>319,870</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>434,098</u>	<u>16</u>	<u>346,514</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest incomes	3,306	-	5,085	-
Other incomes-other (Notes 4, 19 and 23)	49,404	2	26,514	1
Other incomes and losses (Notes 4 and 19)	(37,649)	(2)	(52,690)	(2)
Financial costs (Notes 4 and 19)	(<u>2,233</u>)	<u>-</u>	(<u>1,138</u>)	<u>-</u>
Total non-operating income and expenses	<u>12,828</u>	<u>-</u>	(<u>22,229</u>)	(<u>1</u>)
PROFIT BEFORE INCOME TAX	446,926	16	324,285	16
INCOME TAX EXPENSE (Notes 4 and 20)	(<u>53,235</u>)	(<u>2</u>)	(<u>38,892</u>)	(<u>2</u>)
NET PROFIT FOR THE YEAR	<u>393,691</u>	<u>14</u>	<u>285,393</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	(\$ 12,480)	-	\$26,753	1

(Continued)

KHGEARS INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>10,385</u>	<u>-</u>	<u>(23,606)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(2,095)</u>	<u>-</u>	<u>3,147</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 391,596</u>	<u>14</u>	<u>\$ 288,540</u>	<u>14</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 8.18</u>		<u>\$ 6.00</u>	
Diluted	<u>\$ 8.02</u>		<u>\$ 5.94</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

KHGEARS INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unearned Compensation	Total Equity
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	47,600	476,000	795,118	21,648	75,695	425,890	(131,040)	-	1,663,311
Restricted Stock	800	8,000	49,440	-	-	-	-	(57,440)	-
Appropriation of the 2019 earnings									
Legal reserve	-	-	-	22,083	-	(22,083)	-	-	-
Special reserve	-	-	-	-	55,345	(55,345)	-	-	-
Cash dividends distributed	-	-	-	-	-	(157,080)	-	-	(157,080)
Net profit for the year ended December 31, 2020	-	-	-	-	-	285,393	-	-	285,393
Other comprehensive income (loss) for the year ended December 31, 2020 net of income tax	-	-	-	-	-	-	3,147	-	3,147
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	220,831	(55,345)	-	165,486
BALANCE AT DECEMBER 31, 2020	48,400	\$ 484,000	\$ 844,558	\$ 43,731	\$ 131,040	\$ 476,775	(\$ 127,893)	(\$ 57,440)	\$ 1,794,771
Issuance of common stock for cash	5,000	50,000	335,000	-	-	-	-	-	385,000
Share base payment transaction	-	-	7,268	-	-	-	-	27,499	34,767
Cancellation of Restricted Stock.	(20)	(200)	(1,236)	-	-	-	-	1,436	
Issue Costs on Stock	-	-	(4,000)	-	-	-	-	-	(4,000)
Appropriation of the 2020 earnings									
Legal reserve	-	-	-	28,539	-	(28,539)	-	-	-
Special reserve	-	-	-	-	(3,147)	3,147	-	-	-
Cash dividends distributed	-	-	-	-	-	(171,360)	-	-	(171,360)
Net profit for the year ended December 31, 2021	-	-	-	-	-	393,691	-	-	393,691
Other comprehensive income (loss) for the year ended December 31, 2021 net of income tax	-	-	-	-	-	-	(2,095)	-	(2,095)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	393,691	(2,095)	-	391,596
BALANCE AT DECEMBER 31, 2021	<u>53,380</u>	<u>\$ 533,800</u>	<u>\$ 1,181,590</u>	<u>\$ 72,270</u>	<u>\$ 127,893</u>	<u>\$ 673,714</u>	<u>(\$ 129,988)</u>	<u>(\$ 28,505)</u>	<u>\$ 2,430,774</u>

The accompanying notes are an integral part of the consolidated financial statements.

KHGEARS INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 446,926	\$ 324,285
Adjustments for:		
Depreciation expenses	106,304	94,905
Amortization expenses	2,483	1,579
Expected credit impairments turnaround benefits	(66)	885
Interest expense	2,233	1,138
Interest income	(3,306)	(5,085)
Compensation cost of employee share options	34,767	-
Gain on disposal of property, plant and equipment	(1,478)	(1,853)
Write-down (gain)of inventories	2,833	(14,567)
Deferred income	(9,753)	(6,025)
Changes in operating assets and liabilities		
Notes receivable	(1,283)	(1,733)
Accounts receivable	(25,749)	(347,733)
Other receivables	(8,115)	(17,589)
Inventories	(295,183)	607
Other current assets	(48,920)	(16,499)
Accounts payable	(40,979)	170,399
Other payables	33,972	41,394
Other current liabilities	10,882	85,971
Deferred income	-	44,496
Cash generated from operations	205,568	354,575
Interest received	4,241	4,150
Interest paid	(2,215)	(1,617)
Income tax paid	(55,460)	(40,440)
Net cash generated from (used in) operating activities	<u>152,134</u>	<u>316,668</u>

(Continued)

KHGEARS INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(\$ 940)	\$ -
Payments for property, plant and equipment	(381,137)	(74,856)
Proceeds from disposal of property, plant and equipment	1,977	4,850
Increase in refundable deposits	(661)	-
Payments for intangible assets	(3,856)	(1,426)
Payments for right-of-use assets	-	(44,581)
Decrease in other non-current assets	-	1,360
Increase in prepayments for equipment	(141,703)	(45,864)
Net cash used in investing activities	(526,320)	(160,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowing	436,158	71,558
Decrease in short-term borrowing	(388,518)	(142,690)
Repayment of the principal portion of lease liabilities	(766)	-
Cash dividends paid	(171,360)	(157,080)
Issuance of common stock for cash	385,000	-
Payments for share issue cost	(4,000)	-
Net cash generated from financing activities	256,514	(228,212)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	(13,497)	(3,689)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(131,169)	(75,750)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	575,323	651,073
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 444,154	\$ 575,323

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

Attachment 6**Khgears International Limited****2021 Earnings Distribution**

Unit: NT\$	
Unappropriated retained earnings of previous years	280,022,146
Add : Current period net income	393,692,023
Deduct : 10% provisioned as legal reserve	(39,369,202)
Deduct : special reserve	(2,095,211)
Retained Earnings Available for Distribution	632,249,756
Distributable Items	
Cash Dividend (NT\$4.5 per share)	(237,190,950)
Unappropriated retained earnings	395,058,806

Attachment 7 Comparison Table of Amendments to Memorandum of Association and Articles of Association

KHGEARS INTERNATIONAL LIMITED

Comparison Table for MEMORANDUM OF ASSOCIATION

No.	Current Provisions	Proposed Amendments	Explanations
3	Subject to the following provisions of this Memorandum of Association, the objects for which the Company is established are unrestricted, and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as revised).	Subject to the following provisions of this Memorandum of Association, the objects for which the Company is established are unrestricted, and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies <u>Act (2021 Revision)</u> .	Amended the English wording and version of Cayman Companies Act.
4	Subject to the following provisions of this Memorandum of Association, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law (as revised)	Subject to the following provisions of this Memorandum of Association, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies <u>Act (2021 Revision)</u>	Amended the English wording and version of Cayman Companies Act.
9	The share capital of the Company is NT\$2,000,000,000 divided into 200,000,000 ordinary shares of a nominal or par value of NT\$10 each with power for the Company, subject to the provisions of the Companies Law (2020 Revision) and the Articles of Association, to redeem or purchase any of its shares and to sub-divide, increase or reduce the said capital and to issue any part of its capital, original, redeemed, increased or reduced, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether	The share capital of the Company is NT\$2,000,000,000 divided into 200,000,000 ordinary shares of a nominal or par value of NT\$10 each with power for the Company, subject to the provisions of the Companies <u>Act (2021 Revision)</u> and the Articles of Association, to redeem or purchase any of its shares and to sub-divide, increase or reduce the said capital and to issue any part of its capital, original, redeemed, increased or reduced, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be ordinary, preference or otherwise, shall be subject to the	Amended the English wording and version of Cayman Companies Act.

No.	Current Provisions	Proposed Amendments	Explanations
	declared to be ordinary, preference or otherwise, shall be subject to the power hereinbefore contained. Notwithstanding the foregoing, the Company shall reserve a number of 20,000,000 unissued ordinary shares of a nominal or par value of NT\$10 each for the purpose of issue of stock warrant, preferred shares with warrants, and bonds with warrant, and such reserved amount of shares may be issued in installments upon approval by a majority of the Directors present at a meeting of the Board attended by two-thirds or more of the total number of Directors.	power hereinbefore contained. Notwithstanding the foregoing, the Company shall reserve a number of 20,000,000 unissued ordinary shares of a nominal or par value of NT\$10 each for the purpose of issue of stock warrant, preferred shares with warrants, and bonds with warrant, and such reserved amount of shares may be issued in installments upon approval by a majority of the Directors present at a meeting of the Board attended by two-thirds or more of the total number of Directors.	

KHGEARS INTERNATIONAL LIMITED

Comparison Table for ARTICLES OF ASSOCIATION

No.	Current Provisions	Proposed Amendments	Explanations
32	<u>(3) In addition to the circumstance where the Board should have convened a general meeting but does not or is unable to convene a general meeting pursuant to the Law, the Applicable Listing Rules or these Articles, an Independent Director from the audit committee of the Company may also, for the benefit of the Company, call a general meeting when it is deemed necessary.</u>	Delete.	In compliance with the Taiwan Stock Exchange's amendment on May 14, 2021 with the announcement of Taiwan Stock Exchange No. 1101701488, the provisions of Item 3 of Article 32 is deleted.
37	During the Relevant Period, the Company shall prepare a manual for each general meeting, and such manual and relevant materials shall be published on the website designated by the Commission, the TPEX or the TWSE (where applicable) twenty-one (21) days prior to the scheduled date of the relevant annual general meeting and fifteen (15) days prior to the scheduled date of the relevant extraordinary general meeting pursuant to the Applicable Listing Rules.	During the Relevant Period, the Company shall prepare a manual for each general meeting, and such manual and relevant materials shall be published on the website designated by the Commission, the TPEX or the TWSE (where applicable) twenty-one (21) days prior to the scheduled date of the relevant annual general meeting and fifteen (15) days prior to the scheduled date of the relevant extraordinary general meeting pursuant to the Applicable Listing Rules. <u>However, in the event the Company's total paid-in capital as of the close of the most recent financial year reaches NT\$10 billion or more, or when the aggregate number of Shares held by the foreign investors and Mainland Chinese investors reached thirty percent (30%) or more as recorded in the Register at the time of holding of the general meeting in the most recent financial year, the Company shall upload the electronic files of the abovementioned manual and relevant materials thirty (30) days prior to the scheduled date of the relevant annual general meeting.</u>	In compliance with the amendment by the Taiwan Stock Exchange on March 11, 2022 with the announcement No. 1111700674, the proviso of Article 37 is added.

No.	Current Provisions	Proposed Amendments	Explanations
58	In case a Member who has cast his votes by a written instrument or by way of electronic transmission intends to attend the relevant general meeting in person, he shall, at least two (2) day prior to the date of the general meeting, revoke such votes by serving a notice in the same manner as he cast such votes. In the absence of a timely revocation of such votes, such votes shall remain valid. <u>Nonetheless, such Member who attends and votes at a general meeting in person would be deemed to have revoked his prior voting instructions by a written instrument or by way of electronic transmission, notwithstanding that such Member has not submitted a revocation notice in accordance with this Article 58.</u>	In case a Member who has cast his votes by a written instrument or by way of electronic transmission intends to attend the relevant general meeting in person, he shall, at least two (2) day prior to the date of the general meeting, revoke such votes by serving a notice in the same manner as he cast such votes. In the absence of a timely revocation of such votes, such votes shall remain valid.	In compliance with the requirements, the proviso of this Article is deleted.
61	In case a Member who has served a proxy intends to attend the relevant general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of the general meeting, revoke such proxy by serving a separate written notice to the Company or Shareholder Service Agent. Otherwise, the votes cast by the proxy at the general meeting shall prevail. <u>Nonetheless, such Member who attends and votes at a general meeting in person would be deemed to have revoked his proxy appointment, notwithstanding that such Member has not submitted a revocation notice in accordance with this Article 61.</u>	In case a Member who has served a proxy intends to attend the relevant general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of the general meeting, revoke such proxy by serving a separate written notice to the Company or Shareholder Service Agent. Otherwise, the votes cast by the proxy at the general meeting shall prevail.	In compliance with the requirements, the proviso of this Article is deleted.
77	During the Relevant Period, the number of Independent Directors of the Company shall not be less than three (3) or one-fifth of the total number of Directors at any time, whichever is greater. <u>One (1)</u> of the Independent Directors shall have resident status of the R.O.C. (such resident status being registered with local government authorities). Subject to the foregoing, the number of Independent Directors to be elected and hold the office shall be stated in the	During the Relevant Period, the number of Independent Directors of the Company shall not be less than three (3) or one-fifth of the total number of Directors at any time, whichever is greater. <u>Two (2)</u> of the Independent Directors shall have resident status of the R.O.C. (such resident status being registered with local government authorities). Subject to the foregoing, the number of Independent Directors to be elected and hold the office shall be stated in the notice of the general	The provisions of Article 77 is amended to comply with the revised provisions of the Taiwan Stock Exchange.

No.	Current Provisions	Proposed Amendments	Explanations
	notice of the general meeting in which an election of Independent Directors will be held. When an Independent Director ceases to act, resulting in a number of Independent Directors then in office lower than the prescribed minimum number, an election for an Independent Director shall be held at the next general meeting. When all Independent Directors cease to act, the Company shall convene an extraordinary general meeting to hold an election of Independent Directors within sixty (60) days from the date on which the situation arose.	meeting in which an election of Independent Directors will be held. When an Independent Director ceases to act, resulting in a number of Independent Directors then in office lower than the prescribed minimum number, an election for an Independent Director shall be held at the next general meeting. When all Independent Directors cease to act, the Company shall convene an extraordinary general meeting to hold an election of Independent Directors within sixty (60) days from the date on which the situation arose	
82.2	(2) The members of the remuneration committee of the Company shall be appointed by the Board and shall not be fewer than three members, <u>one</u> of whom shall be the <u>convener</u> .	(2) The members of the remuneration committee of the Company shall be appointed by the Board and shall not be fewer than three members, <u>a majority</u> of whom shall be the <u>Independent Directors</u> .	The provisions of Article 82.2 (2) is amended by reference to the reference example of the Taiwan Stock Exchange Corporation on June 3, 2020.
88	A Director may, and the Secretary on the requisition of a Director shall, summon a Board meeting by, during the Relevant Period, at least seven (7) days' notice in writing, or at any time other than during the Relevant Period, at least forty eight hours' notice in writing, to every Director which notice shall set forth the general nature of the business to be considered PROVIDED HOWEVER, without prejudice to the prescribed notice, in the event of emergency, as determined by the Board in its sole discretion, a Board meeting may be called at any time <u>if this has been agreed to by a majority of the Directors at such meeting</u> . Notwithstanding the forgoing, at any time other than during the Relevant Period, a notice of Board meeting may be waived by all the Directors at, before or retrospectively after the relevant Board meeting is held. Any notice or waiver thereof may be given by email, telex or telefax.	A Director may, and the Secretary on the requisition of a Director shall, summon a Board meeting by, during the Relevant Period, at least seven (7) days' notice in writing, or at any time other than during the Relevant Period, at least forty eight hours' notice in writing, to every Director which notice shall set forth the general nature of the business to be considered PROVIDED HOWEVER, without prejudice to the prescribed notice, in the event of emergency, as determined by the Board in its sole discretion, a Board meeting may be called at any time <u>upon a written notice given in accordance with the Applicable Listing Rules</u> . Notwithstanding the forgoing, at any time other than during the Relevant Period, a notice of Board meeting may be waived by all the Directors at, before or retrospectively after the relevant Board meeting is held. Any notice or waiver thereof may be given by email, telex or telefax.	In compliance with Article 204, Paragraph 3 of the Company Act, the provisions of Article 88 shall be adjusted as appropriate.

No.	Current Provisions	Proposed Amendments	Explanations

*The English version of the Company's Memorandum of Association and Articles of Association shall prevail over the revised version. Errata to the Memorandum of Association and Articles of Association, updates to the Cayman Islands Company Law, coding corrections that do not involve substantive changes, or textual adjustments to the Chinese translation only, shall not be included.

Attachment 8

Comparison Table of Amendments to Regulations Governing the Acquisition and Disposal of Assets

No.	Current Provisions	Proposed Amendments	Explanations
1	3.3 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters who provide appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be related parties.	3.3 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>Should follow the provisions of the relevant laws and regulations.</u>	In compliance with the revision of Regulations Governing the Acquisition and Disposal of Assets by Public Companies. The Company also refers to the procedures for the acquisition or disposal of assets of other listed companies and adjusts the content of the provisions to comply with the requirements of laws and regulations.
2	5.1.6.1 Trading of domestic government bonds. 5.1.6.2 Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.	5.1.6.1 Trading of domestic government bonds or foreign government bonds <u>with a rating that is not lower than the sovereign rating of Taiwan.</u> 5.1.6.2 Where done by professional investors—securities trading on securities exchanges or OTC markets, or <u>subscription of foreign government bonds</u> , or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, <u>or subscription or redemption of exchange traded notes</u> , or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.	In compliance with the revision of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
3	6. The Company and its subsidiaries may further invest in purchase of real property or securities not for	6.Total amounts of real property and <u>right-of-use assets</u> thereof or securities acquired by the company and each subsidiary for business	1. The right-to-use assets are included in the limitation

No.	Current Provisions	Proposed Amendments	Explanations
	business operation needs within the following amounts and limits: 6.1 Total amount of investment in real property not for business operation purposes: Not exceed 50% of the Company's shareholders equity as audited and certified by certified public accountant. 6.2 The total amount of all security investments of the Company shall not exceed 100% of the Company's net worth. 6.3 The amount of investment of the Company in each individual security shall not exceed 50% of the Company's net worth.	use, and limits on individual securities. 6.1 The total amount of the Company's acquisition of real estate or <u>right-to-use assets</u> not for business use shall not exceed 50% of the net value of <u>the Company's most recent financial statements</u>, and <u>the total amount of the acquisition of real estate or right-to-use assets not for business use by each of the Company's subsidiaries shall not exceed 50% of the net value of the Company's most recent financial statements.</u> 6.2 The total amount of securities acquired by <u>the Company</u> shall not exceed 100 percent of the net value of <u>the Company's most recent financial statements</u>; <u>the total amount of securities acquired by the Company's subsidiaries shall not exceed 60 percent of the net value of the Company's most recent financial statements.</u> 6.3 The limit on the acquisition of individual securities by <u>the Company</u> shall not exceed 50% of the net value of <u>the Company's most recent financial statements</u>; <u>the limit on the acquisition of individual securities by the Company's subsidiaries shall not exceed 30% of the net value of the Company's most recent financial statements.</u>	provisions. 2. Referring to the procedures of other listed companies in acquiring or disposing of assets, the limitation amounts for the Company and its subsidiaries are separately set for clarity.
4	8. Penalties for violations of these Guidelines or the Company's Standing Rules for the Acquisition or Disposal of Assets by Relevant Personnel. If the Company's personnel violate the provisions of this procedure, the relevant personnel shall be given warnings or penalties depending on the circumstances of the violation.	<u>8. Acquisition or Disposal of Major Assets</u> <u>8.1 If the acquisition or disposal of assets is required to be approved by the Audit Committee, the Board of Directors, or the shareholders' meeting in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, these Regulations, or other laws, each executive unit shall evaluate the terms of the transaction in accordance with the Company's relevant internal operating procedures, and then obtain the approval of at least one-half of all members of the Audit Committee and submit it to the Board of Directors for approval or the shareholders' meeting for approval. The Company may do so</u>	1. The penalties for violation of these Regulations are set forth in Article 12. 2. In accordance with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and with reference to the procedures for the treatment of assets acquired or disposed of by other listed companies, the

No.	Current Provisions	Proposed Amendments	Explanations
		<u>only after the Board of Directors' approval or the shareholders' meeting.</u> <u>8.2 If the acquisition or disposal of the former assets is not approved by more than one-half of all members of the Audit Committee, it may be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be set forth in the agenda of the Board of Directors.</u>	provisions of the Article are added.
5	9.1.2 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters who provide appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be related parties.		Explicitly set forth in Article 3.3, the Article is deleted.
6		<u>9.5 In the event that the Company and its subsidiaries enter into a transaction as described in 9.2 and the transaction amount reaches 10% of the Company's total assets in the most recent financial statements, the Company shall submit the information listed in 9.2.1 to 9.2.7 to the shareholders' meeting for approval before entering into the transaction agreement and making payment. However, this shall not apply to transactions between the Company and its subsidiaries, or between subsidiaries and each other.</u> <u>9.6 The calculation of the transaction amount in 9.2 and 9.5 shall be made in accordance with the provisions of 5.2, and the reference to within one year shall be based on the date of occurrence of the transaction and shall be projected one year in advance, and the part that has been submitted to the shareholders' meeting and the board of directors for approval in accordance with the provisions of these Regulations shall not be counted.</u>	In compliance with the revision of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, new provisions are added.
7	12.Any violation of this procedure shall be disciplined in accordance with the relevant laws and regulations.	<u>12.The Company's personnel shall follow the provisions of these Regulations when handling matters related to the acquisition or</u>	Adjust the relevant provisions to comply with the reality of the

No.	Current Provisions	Proposed Amendments	Explanations
		<u>disposal of assets, and any violation of the relevant laws and regulations or the provisions of these Regulations shall be punished in accordance with the provisions of the Company's relevant personnel regulations.</u>	situation.

Appendix 1

THE CAYMAN ISLANDS
THE COMPANIES LAW (AS REVISED)
COMPANY LIMITED BY SHARES

FIFTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION
OF

KHGEARS INTERNATIONAL LIMITED
鈞興機電國際股份有限公司

(as adopted by a Special Resolution passed on [23]rd [6] 2020)

1. The name of the Company is KHGEARS INTERNATIONAL LIMITED 鈞興機電國際股份有限公司.
2. The Registered Office of the Company shall be situated at the offices of Portcullis (Cayman) Ltd., The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands or such other place within the Cayman Islands as the Board may from time to time decide, being the registered office of the Company.
3. Subject to the following provisions of this Memorandum of Association, the objects for which the Company is established are unrestricted, and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as revised).
4. Subject to the following provisions of this Memorandum of Association, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law (as revised).
5. Nothing in this Memorandum of Association shall permit the Company to carry on a business of a bank or trust company without being licensed in that behalf under the Banks and

Trust Companies Law (as revised) or to carry on insurance business from within the Cayman Islands or the business of an insurance manager, agent, sub-agent or broker without being licensed in that behalf under the Insurance Law (as revised) or to carry on the business of company management without being licensed in that behalf under the Companies Management Law (as revised).

6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. When conducting business, the Company shall comply with the laws and regulations as well as business ethics, and may take actions that will promote public interests in order to fulfil its social responsibilities.
8. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
9. The share capital of the Company is NT\$2,000,000,000 divided into 200,000,000 ordinary shares of a nominal or par value of NT\$10 each with power for the Company, subject to the provisions of the Companies Law (2020 revision) and the Articles of Association, to redeem or purchase any of its shares and to sub-divide, increase or reduce the said capital and to issue any part of its capital, original, redeemed, increased or reduced, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be ordinary, preference or otherwise, shall be subject to the power hereinbefore contained. Notwithstanding the foregoing, the Company shall reserve a number of 20,000,000 unissued ordinary shares of a nominal or par value of NT\$10 each for the purpose of issue of stock warrant, preferred shares with warrants, and bonds with warrant, and such reserved amount of shares may be issued in installments upon approval by a majority of the Directors present at a meeting of the Board attended by two-thirds or more of the total number of Directors.
10. Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company and the interpretations section of the Articles of Association of the Company shall apply to this Memorandum of Association.

THE CAYMAN ISLANDS
THE COMPANIES LAW (AS REVISED)
COMPANY LIMITED BY SHARES

FIFTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

KHGEARS INTERNATIONAL LIMITED
鈞興機電國際股份有限公司

(as adopted by a Special Resolution passed on [23]rd [6] 2020)

INTERPRETATION

1. The Regulations contained or incorporated in Table A of the First Schedule of the Companies Law of the Cayman Islands (as amended, supplemented or otherwise modified from time to time) shall not apply to this Company.
2. (1) In these Articles the following terms shall have the meanings set opposite unless the context otherwise requires:

Applicable Listing Rules	the relevant laws, regulations, rules and codes as amended, from time to time, applicable as a result of the original and continued trading or listing of any shares on any Taiwan stock exchange or securities market, including, without limitation the relevant provisions of the Securities and Exchange Act of the R.O.C., the Company Act of the R.O.C., the Business Mergers And Acquisitions Act of the R.O.C., the Act Governing Relations Between Peoples of the Taiwan Area and the Mainland Area, and any similar laws, statutes and the rules and regulations of the R.O.C. authorities thereunder, and the rules and regulations promulgated by the Financial Supervisory Commission, the TPEx and the TWSE (where applicable);
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Articles	these Articles of Association of the Company in their
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	present form, as amended, substituted or supplemented from time to time by a Special Resolution;
Auditors	the certified public accountant (if any) retained by the Company to audit the accounts of the Company, to audit and/or certify the financial statements of the Company or to perform other similar duties as assigned or requested by the Company for the time being;
Board	the board of Directors of the Company comprising all the Directors;
Capital Reserve	means (1) the Share Premium Account, (2) income from endowments received by the Company and (3) other items generated and treated as capital reserve pursuant to the Applicable Listing Rules or generally accepted accounting principles;
Chairman	has the meaning given thereto in Article 69;
Class or Classes	any class or classes of Shares as may from time to time be issued by the Company in accordance with these Articles;
Commission	the Financial Supervisory Commission of the R.O.C. or any other authority for the time being administering the Securities and Exchange Act of the R.O.C.;
Company	KHGEARS INTERNATIONAL LIMITED 鈞興機電國際股份有限公司;
Consolidation	the combination of two or more constituent companies into a consolidated company which is the new company that results from the consolidation of the constituent companies and the vesting of the undertaking, property and liabilities of such companies in the consolidated company within the meaning of the Law and the Applicable Listing Rules;
Director	a director of the Company or an Independent Director (if any) for the time being who collectively form the Board, and “Directors” means 2 or more of them

	(including any and all Independent Director(s));
Discount Transfer	has the meaning set out in Paragraph (4) of Article 23;
Electronic	shall have the meaning given to it in the Electronic Transactions Law (as revised) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force including every other law incorporated therewith or substituted therefore;
Emerging Market	the emerging market board of the TPEx in Taiwan;
Employees	employees of the Company and/or any of the Subordinate Companies of the Company, as determined by the Board from time to time in its sole discretion, and “Employee” shall mean any one of them;
Financial Statements	has the meaning set out in Article 104;
Independent Directors	those Directors designated as "Independent Directors" who are elected by the Members at a general meeting and appointed as "Independent Directors" for the purpose of these Articles and the requirements of the Applicable Listing Rules, and “Independent Director” means any one of them;
Juristic Person	a firm, corporation or other organization which is recognised by the Law and the Applicable Listing Rules as a legal entity;
Law	the Companies Law (2020 Revision) of the Cayman Islands and any amendment or other statutory modification thereof and every other act, order, regulation or other instrument having statutory effect (as amended from time to time) for the time being in force in the Cayman Islands applying to or affecting the Company, the Memorandum and/or these Articles, and where in these Articles any provision of the Law is referred to, the reference is to that provision as modified by any law for the time being in force;
Member or Shareholder	a Person who is duly registered as the holder of any

	Share or Shares in the Register for the time being, including persons who are jointly so registered and “Members” or “Shareholders” means 2 or more of them;
Memorandum	the memorandum of association of the Company, as amended or substituted from time to time;
Merger	the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company within the meaning of the Law and the Applicable Listing Rules;
Month	a calendar month;
NTD	New Taiwan Dollars;
Ordinary Resolution	a resolution:- (a) passed by a simple majority of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Members being Juristic Persons, by their respective duly authorised representatives or, where proxies are allowed, by proxy, present at a general meeting of the Company held in accordance with these Articles; (b) at any time other than during the Relevant Period, approved in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being Juristic Persons by their duly authorized representatives); or (c) where the Company has only one Member, approved in writing by such Member signed by such Member and the effective date of the resolution so adopted shall be the date on which the instrument is executed;
Person	any natural person, firm, company, joint venture, partnership, corporation, association or other entity

	(whether or not having a separate legal personality) or any of them as the context so requires;
Preferred Shares	has the meaning given thereto in Article 4;
Private Placement	an offer by the Company of its Shares, bonds and other securities approved by the Commission to specific persons pursuant to the Applicable Listing Rules;
Register	the register of Members of the Company maintained in accordance with the Law at such place within or outside the Cayman Islands;
Registered Office	the registered office of the Company for the time being as required under the Law;
Relevant Period	the period commencing from the date on which any of the securities of the Company first become public offering or registered or listed on the Emerging Market, the TPEx, the TWSE or any Taiwan stock exchange or securities market to and including the date immediately before the day on which none of such securities are so registered or listed (and so that if at any time registration or listing of any such securities is suspended for any reason whatsoever and for any length of time, they shall nevertheless be treated, for the purpose of this definition, as registered or listed);
R.O.C. or Taiwan	the Republic of China, its territories, its possessions and all areas subject to its jurisdiction;
R.O.C. Courts	the Taiwan Taipei District Court or any other competent courts in the R.O.C.;
Seal	the common seal of the Company;
Secretary	any Person for the time being appointed by the Directors to perform any of the duties of the secretary of the Company and including any assistant, deputy, acting or temporary secretary;
Share	any share in the capital of the Company. All

	references to "Shares" herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression "Share" shall include a fraction of a Share;
Share Premium Account	the share premium account of the Company established in accordance with these Articles and the Law;
Shareholder Service Agent	the agent licensed by the R.O.C. authorities and having its offices in the R.O.C. to provide shareholder services, in accordance with the Applicable Listing Rules and the Regulations Governing the Administration of Shareholder Services of Public Companies of the R.O.C. (as revised), to the Company;
signed	bearing a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a Person with the intent to sign the electronic communication;
Special Reserve	has the meaning set out in Article 95;
Special Resolution	a special resolution of the Company passed in accordance with the Law, being a resolution: (a) passed by a majority of at least two-thirds of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Members being Juristic Persons, by their respective duly authorised representatives or, where proxies are allowed, by proxy, present at a general meeting of the Company held in accordance with these Articles, of which notice, specifying (without prejudice to the power contained in these Articles to amend the same) the intention to propose the resolution as a Special Resolution, has been duly given; (b) at any time other than during the Relevant Period, approved in writing (in one or more

counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being Juristic Persons by their duly authorized representatives); or

- (c) where the Company has only one Member, approved in writing by such Member signed by such Member and the effective date of the special resolution so adopted shall be the date on which the instrument is executed.

A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of these Articles;

Spin-off

an act wherein a transferor company transfers all of its independently operated business or any part of it to an existing or a newly incorporated company as consideration for that existing transferee company or newly incorporated transferee company to give shares, cash or other assets to the transferor company or to shareholders of the transferor company;

Statutory Reserve

a reserve set aside in an amount equal to ten percent (10%) of the total amount of after-tax net profit for the period and other items adjusted to the then-current year's undistributed earnings other than after-tax net profit for the period as calculated by the Company under the Applicable Listing Rules;

Subordinate Company

any company (a) of which a majority of the total outstanding voting shares or the total amount of the capital stock is held by the Company; (b) in which the Company has a direct or indirect control over the management of the personnel, financial or business operation of that company; (c) of which a majority of directors in such company are contemporarily acting as directors in the Company; or (d) of which a majority of the total outstanding voting shares or the total amount of the capital stock of such companies and that of the Company are held by the same Members;

TDCC	the Taiwan Depository & Clearing Corporation;
TPEx	the Taipei Exchange in Taiwan;
Treasury Shares	Shares that have been purchased by the Company and have not been cancelled but have been held continuously by the Company since they were purchased in accordance with the Law; and
TWSE	the Taiwan Stock Exchange Corporation.
Vice Chairman	has the meaning given thereto in Article 69.

- (2) Unless the context otherwise requires, expressions defined in the Law and used herein shall have the meanings so defined.
- (3) In these Articles unless the context otherwise requires:
 - (a) words importing the singular number shall include the plural number and vice-versa;
 - (b) words importing the masculine gender shall include the feminine gender and neuter genders;
 - (c) a notice provided for herein shall be in writing unless otherwise specified and all reference herein to "in writing" and "written" shall include printing, lithography, photography and other modes of representing or reproducing words in permanent visible form; and
 - (d) "may" shall be construed as permissive and "shall" shall be construed as imperative.
- (4) Headings used herein are intended for convenience only and shall not affect the construction of these Articles.

SHARES

3. Subject to these Articles and any resolution of the Members to the contrary, the Board may, in respect of all Shares for the time being unissued:
 - (a) offer, issue and allot of such Shares to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to

time determine, but so that no Share shall be issued at a discount, except in accordance with the provisions of the Law and, if during the Relevant Period, the Applicable Listing Rules; and

- (b) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto, in accordance with the provisions of the Law and, if during the Relevant Period, the Applicable Listing Rules; and, for such purposes, the Board may reserve an appropriate number of Shares for the time being unissued.
4. Subject to Article 5 and the sufficiency of the authorised share capital of the Company, the Company may issue Shares of different Classes with rights which are preferential or inferior to those of ordinary Shares issued by the Company (“**Preferred Shares**”) with the approval of a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors.
5. (1) Where the Company is to issue Preferred Shares, the following shall be expressly set out in these Articles:
- (a) the total number of Preferred Shares that have been authorised to be issued and the numbers of the Preferred Shares already issued;
 - (b) the order, fixed amount or fixed ratio of allocation of dividends, bonuses and other distributions on such Preferred Shares;
 - (c) the order, fixed amount or fixed ratio of allocation of surplus assets of the Company, upon its liquidation, to the holders of the Preferred Shares;
 - (d) the order of or restrictions on the voting right(s) (including, where applicable, a statement that such Preferred Shares have no voting rights whatsoever) of the holders of such Preferred Shares;
 - (e) other matters concerning rights and obligations incidental to the Preferred Shares; and
 - (f) the method by which the Company is authorised or compelled to redeem the Preferred Shares, or a statement that redemption rights shall not apply.
- (2) Subject to the Law, the Memorandum and these Articles shall be amended with the sanction of a Special Resolution to stipulate the rights, benefits and restrictions of such Preferred Shares and the number of the Preferred Shares the Company is authorised to issue.
6. During the Relevant Period, subject to the sufficiency of the authorised share capital of the Company and these Articles, the issue of new ordinary Shares in the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors.

7. (1) The Company shall issue Shares without printing share certificates, provided that the Register shall be conclusive evidence of the entitlement of a Person to Shares recorded against his/her/its name. During the Relevant Period, whenever the Company issues Shares, the Company shall, in compliance with the Law and the Applicable Listing Rules and subject to receipt of the subscription price from each subscriber, deliver or cause the Shareholder Service Agent to deliver Shares by advising TDCC to record the number of Shares against the name of each subscriber within thirty (30) days from the date the Board resolves to issue Shares. The Company shall make a public announcement in accordance with the Applicable Listing Rules prior to the delivery of such Shares.
- (2) When the total number of Shares in every issuance has been subscribed to in full, the Company shall immediately request each of the subscribers for payment. Where the Company issues Shares at a premium, the amount in excess of par value shall be collected at the same time with the payment for Shares. Where a subscriber delays payment for Shares as mentioned above, the Company shall prescribe a period of not less than one (1) month and call upon each subscriber to pay up, declaring that in case of default of payment within that prescribed period the subscriber's right shall be forfeited. After the Company have made the aforesaid call, the subscribers who fail to pay accordingly shall forfeit their rights and the Shares subscribed to by them shall be otherwise sold. Under such circumstances, the Company may hold the subscriber liable for compensating the damage, if any, resulting from such default in payment.
- (3) The Company shall not issue bearer Shares.
- (4) The Company shall not issue any unpaid Shares or partial paid-up Shares to any Person. For the avoidance of doubt, a subscriber who fails to pay up the Shares pursuant to Paragraph (2) of this Article will not be considered a Member until the Shares to be subscribed are paid in full, and only if the Shares the subscriber subscribed have been paid in full may the subscriber's name be entered in the Register.
- (5) The Company shall neither issue Shares without par value nor convert its Shares from Shares with par value to Shares without par value.
8. During the Relevant Period:
- (a) upon each issuance of new Shares, the Board may reserve not more than fifteen percent (15%) of the new Shares for subscription by the Employees pursuant to the Law and the Applicable Listing Rules; and
- (b) where the Company issues new Shares for cash consideration, after the Board reserving certain percentage of the new Shares for subscription by the Employees pursuant to Subparagraph (a) of this Article, the Company shall allocate ten percent (10%) (or such greater percentage as the Company by an Ordinary Resolution determines) of the total number of the new Shares to be issued for offering in the R.O.C. to the public unless (i) the Commission, the TPEx and/or the TWSE (where applicable) considers such public offering unnecessary or inappropriate or (ii) the Applicable Listing Rules provide otherwise.

9. During the Relevant Period, subject to an Ordinary Resolution, upon each issuance of new Shares for cash consideration, the Company shall, after reserving the portion of new Shares for subscription by the Employees and public offering in the R.O.C. pursuant to Article 8, first offer such remaining new Shares, by a public announcement and a written notice to each existing Member respectively, stating that in case any such existing Member fails to confirm his/her/its subscription within the prescribed period his/her/its subscription right shall be forfeited, for the subscription of each such existing Member in proportion to the number of Share(s) held by him/her/it, provided that:
- (a) where any fractional Share held by a Member is insufficient to subscribe for one new Share, the fractional Shares being held by several Members may be combined for joint subscription of one or more integral new Shares or for subscription of new Shares in the name of a single Member;
 - (b) the existing Member(s) may assign and transfer his subscription right to other Persons independently of his original Shares; and
 - (c) new Shares left unsubscribed may be offered to the public or to specific Persons through negotiation.
10. (1) Subparagraph (a) of Article 8 and Article 9 shall not apply whenever the new Shares are issued due to the following reasons:
- (a) in connection with a Merger or a Consolidation of the Company or a Spin-off of the Company's business, or pursuant to any reorganisation of the Company save as otherwise provided by these Articles;
 - (b) in connection with meeting the Company's obligation under Share subscription warrants and/or options granted to the Employees;
 - (c) in connection with distribution of the Employees' compensation;
 - (d) in connection with meeting the Company's obligation under corporate bonds which are convertible bonds or vested with rights to acquire Shares;
 - (e) in connection with meeting the Company's obligation under share subscription warrant or Preferred Shares vested with rights to acquire Shares; or
 - (f) in connection with issuance of new Shares to the existing Members by capitalisation of the Company's reserves in accordance with these Articles.
- (2) Article 8 and Article 9 shall not apply to any of the following circumstances:
- (a) the Company, as the surviving company, issues new Shares for a Merger, or the Company issues new shares for the Merger between its subsidiary and other companies;

- (b) all new Shares are issued as consideration for being acquired by the other company with the intention of takeover;
- (c) all new Shares are issued as consideration for the acquisition of issued shares, business, or assets of other companies;
- (d) new Shares are issued for the share exchange entered into by the Company,
- (e) new Shares are issued for a Spin-off effected by the transferor company;
- (f) new Shares are issued in connection with any Private Placement conducted pursuant to Article 13; or
- (g) new Shares are issued in connection with any other event otherwise prohibited, limited, restricted or exempted to so apply pursuant to the Law and/or the Applicable Listing Rules.

(3) New Shares issued for any of the circumstances in the preceding Paragraph may be paid up in cash or assets as required for the business of the Company.

11. During the Relevant Period, subject to the Applicable Listing Rules, the Company may, upon adoption of a resolution passed by a majority of the Directors present at a meeting of the Board attended by two-thirds or more of the total number of Directors, enter into a share subscription right agreement with the Employees whereby such Employees may subscribe, within a specific period of time, for a specific number of Shares of the Company at an agreed subscription price. Upon execution of the said agreement, the Company shall issue to each of such Employees a share subscription warrant. Such issued share subscription warrant shall be non-assignable, except for transfer by inheritance or intestacy.
12. During the Relevant Period, the Company may, subject to approval of Shareholders by way of Special Resolution, issue new Shares with restricted rights as approved by such Special Resolution to Employees of the Company and/or its Subordinate Companies, provided that Articles 8 and 9 shall not apply. In respect of the issuance of Shares to Employees in the preceding sentence, the number of Shares to be issued, issue price, issue conditions, restrictions and other matters shall be subject to the Applicable Listing Rules and the Law.
13. (1) During the Relevant Period and subject to the Applicable Listing Rules, the Company may, with the sanction of a Special Resolution, conduct a Private Placement with any of the following Persons in the R.O.C.:
 - (a) banks, bills finance enterprises, trust enterprises, insurance enterprises, securities enterprises, or other Juristic Persons or institutions approved by the Commission;

(b) natural persons, Juristic Persons, or funds meeting the conditions prescribed by the Commission; or

(c) directors, supervisors, officers and managers of the Company or its affiliated enterprises.

(2) Subject to the preceding Paragraph, the Board may resolve by a majority of the Directors presents at a meeting attended by two-thirds or more of the total numbers of the Directors that a Private Placement of ordinary corporate bonds be carried out by installments within one year of the date of such resolution.

14. The Company may by a Special Resolution reduce its share capital in the manner authorised, and subject to any conditions prescribed, by the Law and the Applicable Listing Rules.
15. During the Relevant Period, any issuance, conversion or cancellation of the Shares or any other equity securities (including but not limited to warrants, options or bonds), capitalisation and shareholder services, shall comply with the Law, the Applicable Listing Rules and the Regulations Governing the Administration of Shareholder Services of Public Companies of the R.O.C. (as revised).

MODIFICATION OF RIGHTS

16. Whenever the share capital of the Company is divided into different Classes of Shares, including where Preferred Shares are issued, subject to Article 46 and in addition to a Special Resolution, the special rights attached to any Class shall be varied or abrogated with the sanction of a Special Resolution passed at a separate general meeting of the holders of the Shares of such Class. To every such separate general meeting and all adjournments thereof, all the provisions of these Articles relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply.
17. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that Class, be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of Shares of any Class by the Company.

REGISTER

18. Subject to the Law, the Board shall cause to be kept the Register at such place within or outside the Cayman Islands as it deems fit. During the Relevant Period, the Register shall be entered therein the particulars required under the Law and the Applicable Listing Rules, and shall be made available at its Shareholder Service Agent's office in the R.O.C. The Board or

any other authorized conveners of general meetings of the Company may request that the Company or the Company's Shareholder Service Agent provide a copy of the Register for inspection.

19. Notwithstanding anything contained in these Articles and subject to the Law, during the Relevant Period, the relevant information of the Members shall be recorded by TDCC, and the Company shall recognize each person identified in the records provided by TDCC to the Company as a Member and such records shall form part of the Register as at the date of receipt of such records by the Company.

REDEMPTION AND REPURCHASE OF SHARES

20. (1) Subject to the Law and these Articles, Shares may be issued on the terms that they are, or at the option of the Company or the holder are, to be redeemed on such terms and in such manner as the Company, before the issue of the shares, may by Special Resolution determine.

(2) All Preferred Shares may be redeemed in accordance with the provisions of the Law, provided that the privileges accorded to holders of the Preferred Shares by these Articles shall not be impaired under the Law and the Applicable Listing Rules.
21. (1) Subject to the Law, the Applicable Listing Rules and these Articles, upon the approval of a majority of the Directors present at a Board meeting attended by two-thirds or more of Directors, the Company may purchase its own Shares.

(2) During the Relevant Period:
 - (a) The number of Shares to be purchased by the Company from time to time shall not exceed ten percent (10%) of the total number of issued and outstanding Shares and the total amount of the Shares to be purchased by the Company shall not exceed the aggregate amount of retained profits, premium on capital stock, and realized Capital Reserve.
 - (b) Such resolutions of the Board approving purchases of Shares and the implementation thereof (including the failure of any purchase of Shares as approved by such resolutions, if any) shall be reported to the Shareholders at the next general meeting of the Company.
22. (1) Shares repurchased, redeemed or acquired (by way of surrender or otherwise) by the Company shall be cancelled immediately or held as Treasury Shares, upon such terms and manner and subject to such conditions as the Board thinks fit.

- (2) During the Relevant Period, all matters relating to the Company's redemption and repurchase of Shares shall be subject to the Law and the Applicable Listing Rules.
23. (1) Subject to the Law, for so long as the Company holds Treasury Shares, the Company shall be entered in the Register as the holder of the Treasury Shares, provided that:
- (a) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
 - (b) the Treasury Shares shall not be pledged or encumbered in any manner whatsoever;
 - (c) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued Shares at any given time, whether for the purposes of these Articles or the Law; and
 - (d) no dividend/bonus may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company, in respect of a Treasury Share.
- (2) Subject to the Law and these Articles, any or all Treasury Shares may at any time be canceled or transferred to any person (including the Employees; the qualifications of such employees shall be determined by the Board, subject to Paragraph (5) of this Article) upon such terms and manner and subject to such conditions as the Board thinks fit. The Board may determine, at its discretion, the terms and conditions (including a lock-up period restricting the transfer of any Treasury Shares transferred to the Employees pursuant to this Paragraph (2) for a term of up to two (2) years) of such transfer.
- (3) A sum equal to the consideration (if any) received by the Company pursuant to the transfer of Treasury Share(s) shall be credited in accordance with the Law.
- (4) Subject to Paragraph (5) of this Article and the Law, the Company may, by way of a Special Resolution passed at the next general meeting of the Company, transfer the Treasury Shares to the Employees for a price that is below the average price that the Company has paid to purchase such Treasury Shares (the "**Discount Transfer**"), provided that the following matters shall be specified in the notice of such general meeting with the description of their major contents, and shall not be proposed as ad hoc motions:
- (a) the transfer price of the Treasury Shares as determined by the Board, the discount rate used for the Discount Transfer, and the calculation basis of the Discount

Transfer, and the basis of such determination;

- (b) the amount of the Treasury Shares to be transferred pursuant to, and the purpose of, the Discount Transfer, and the basis of such determination;
 - (c) the qualification and terms of the Employees to whom the Treasury Shares are transferred and the amount of Treasury Shares for which such Employees may subscribe pursuant to the Discount Transfer;
 - (d) matters that the Board is of the opinion that may affect Shareholders' equity, including:
 - (i) any expenses that may be incurred and dilution of per share profit, if any, due to the Discount Transfer in accordance with the Applicable Listing Rules; and
 - (ii) any burden on the Company caused by the Discount Transfer in accordance with the Applicable Listing Rules.
- (5) The total aggregate amount of the Treasury Shares to be transferred to the Employees pursuant to the Discount Transfer in accordance with Paragraph (4) of this Article shall not exceed five percent (5%) of the total number of issued and outstanding Shares of the Company, and each Employee shall not subscribe for more than point five percent (0.5%) of the total issued and outstanding Shares of the Company in aggregate.
24. (1) Notwithstanding anything to the contrary contained in these Articles but subject to the Law, the Company may carry out a compulsory purchase and cancellation of its Shares on a pro rata basis (rounded up or down to the nearest whole number) among the Shareholders in proportion to the number of Shares held by each such Shareholder subject to approval by a Special Resolution. The purchase price payable to the Shareholders in connection with a purchase of Shares described in the preceding sentence may be paid in cash or in kind. Where any purchase price is paid in kind, the type of such payment in kind and the corresponding amount of such substitutive distribution shall be subject to approval by a Special Resolution as well as individual consent by the Shareholder(s) receiving such payment in kind. Prior to convening the general meeting for approving such purchase of Shares, the Board shall determine the monetary equivalent value of any purchase price to be paid in kind and have such value audited and certified by a certified public accountant in the R.O.C.
- (2) For the avoidance of doubt, where the proposed purchase and cancellation of Shares is not on a pro rata basis, subject to the Law and the Applicable Listing Rules, the Board is empowered to authorize and carry out such repurchase without approval by Special Resolution in accordance with the preceding Paragraph.

TRANSFER AND TRANSMISSION OF SHARES

25. Subject to the Law and the Applicable Listing Rules and unless otherwise provided by these Articles, the Shares shall be freely transferable.
26. The Company shall not be obligated to recognize any transfer or assignment of Shares unless the name/title and residence/domicile of the transferor and transferee have been recorded in the Register. The registration of transfers may be suspended when the Register is closed in accordance with Article 28.

NON-RECOGNITION OF TRUSTS

27. Except as required by Law or the Applicable Listing Rules, no person shall be recognised by the Company as holding any Share upon any trust, and the Company shall not, unless required by Law or the Applicable Listing Rules, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or actual interest in any Share (except only as otherwise provided by these Articles, the Law or the Applicable Listing Rules otherwise requires or under an order of a court of competent jurisdiction) or any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder.

CLOSING REGISTER OR FIXING RECORD DATE

28. (1) The Board may fix in advance the record date(s) for (a) determining the Members entitled to receive any dividend/bonus, distribution or issue; (b) determining the Members entitled to receive notices of, attend or vote at any general meeting or any adjournment thereof in person, by proxy, way of a written ballot or by way of electronic transmission; and (c) any other purposes as determined by the Board. In the event the Board designates the record date(s) for (b) in accordance with this Article, such record date(s) shall be date(s) prior to the general meeting.
- (2) During the Relevant Period, subject to the Law, for the purposes of (a) determining the Members entitled to receive any dividend/bonus, distribution or issue; and (b) determining the Members entitled to receive notices of, attend or vote at any general meeting or any adjournment thereof, the Board shall fix the period that the Register shall be closed for transfers (the “**Book Closure Period**”) at least for a period of sixty (60) days before the date of each annual general meeting, thirty (30) days before the date of each extraordinary general meeting and five (5) days before the target date for a dividend, bonus or other distribution. For the purpose of calculating the Book Closure Period, the respective convening date of the general meeting or the relevant target date shall be included.

GENERAL MEETINGS

29. The Company shall in each year hold a general meeting as its annual general meeting, and the day and the time of an annual general meeting shall be determined by the Board PROVIDED HOWEVER that during the Relevant Period, an annual general meeting shall be convened within six months after close of each financial year or such other period as may be permitted by the Commission, the TPEX or the TWSE (where applicable). The annual general meeting shall be convened by the Board.
30. All general meetings other than annual general meetings shall be called extraordinary general meetings. The Board may, whenever they think fit, convene an extraordinary general meeting of the Company.
31. During the Relevant Period, all general meetings shall be held in the R.O.C. At any time other than during the Relevant Period, the Board may convene any general meeting at such place as it deems fit.
32.
 - (1) Any one or more Member(s) may, by depositing the requisition notice specifying the proposals to be resolved and the reasons thereof, request the Board to convene an extraordinary general meeting, provided that such Member or Members continuously holds at least three percent (3%) of the issued Shares of the Company as at the date of deposit of the requisition notice for a period of at least one year immediately prior to that date. If the Board does not give notice to Members to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing Member(s) may convene a general meeting.
 - (2) Any one or more Member(s) continuously holding more than half of the total issued Shares of the Company for a period of no less than three (3) months may convene an extraordinary general meeting. The number of Shares held by such Member or Members and the holding period of which such Member or Members hold such Shares shall be calculated and determined based on the Register as of the first day of the Book Closure Period.
 - (3) In addition to the circumstance where the Board should have convened a general meeting but does not or is unable to convene a general meeting pursuant to the Law, the Applicable Listing Rules or these Articles, an Independent Director from the audit committee of the Company may also, for the benefit of the Company, call a general meeting when it is deemed necessary.
33. During the Relevant Period, the Company shall engage a Shareholder Service Agent within the R.O.C. to handle the administration of general meetings, including but not limited to, the voting matters.

NOTICE OF GENERAL MEETING

34. (1) During the Relevant Period, at least thirty (30) days' notice of an annual general meeting and fifteen (15) days' notice of an extraordinary general meeting shall be given to each Member, and subject to the Law and the Applicable Listing Rules, the Company may make a public announcement of a notice of general meeting to Members holding less than 1,000 Shares instead of delivering the same to each Member. The period of notice shall be exclusive of the day on which it is served and of the day on which the general meeting is to be held. Such notice shall be in writing, shall specify the place, the day and the time of meeting and the agenda and the proposals to be resolved at the general meeting and shall be given in the manner hereinafter described or be given via electronic communications if previously consented by the Members and permitted by the Law and the Applicable Listing Rules.
- (2) At any time other than the Relevant Period, at least seven (7) days' notice in writing shall be given of an annual general meeting or any other general meeting PROVIDED HOWEVER that notice may be waived by all the Member either at or before the meeting is held PROVIDED FURTHER that notice or waiver thereof may be given by email, telex or telefax. At any time other than the Relevant Period, a general meeting may be convened by such shorter notice with the consent of a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five percent (95%) in nominal value of the Shares giving that right.
35. (1) During the Relevant Period, the Company shall make public announcements with regard to notice of general meeting, proxy form, summary information and details about items to be proposed at the meeting for approval, discussion, election or dismissal of Directors at least thirty (30) days prior to any annual general meeting or at least fifteen (15) days prior to any extraordinary general meeting.
- (2) During the Relevant Period, if the Company allows the Shareholders to exercise the votes and cast the votes in writing or by way of electronic transmission in accordance with Article 57, the Company shall also send to the Shareholders the information and documents as described in the preceding Paragraph, together with the voting right exercise forms.
36. The following matters shall not be considered, discussed or proposed for approval at a general meeting unless they are specified in the notice of general meeting with the description of their major contents; the major contents may be posted on the website designated by the R.O.C. competent authorities or the Company, and such website shall be indicated in the notice:
- (a) any election or removal of Director(s);
- (b) any alteration of the Memorandum and/or these Articles;

- (c) any capital reduction or compulsory purchase and cancellation of Shares pursuant to Paragraph (1) of Article 24;
 - (d) applying for the approval of ceasing the status as a public company;
 - (e) any dissolution, voluntary winding-up, Merger, share exchange, Consolidation or Spin-off of the Company;
 - (f) entering into, amending, or terminating any contract for lease, management or regular joint operation of the Company's whole business;
 - (g) the transfer of the whole or any material part of the Company's business or assets;
 - (h) the acquisition of the whole business or assets of a Person, which has a material effect on the operation of the Company;
 - (i) carrying out a Private Placement of any equity-type securities issued by the Company;
 - (j) granting a waiver to a Director's non-competition obligation or approving a Director to engage in activities in competition with the Company;
 - (k) distributing dividends, bonuses or other distributions payable on or in respect of the Share in whole or in part by way of issuance of new Shares; and
 - (l) capitalisation of the Company's Statutory Reserve, the Share Premium Account and/or the income from endowments received by the Company in the Capital Reserve, by issuing new Shares and/or cash to its existing Members.
37. During the Relevant Period, the Company shall prepare a manual for each general meeting, and such manual and relevant materials shall be published on the website designated by the Commission, the TPEX or the TWSE (where applicable) twenty-one (21) days prior to the scheduled date of the relevant annual general meeting and fifteen (15) days prior to the scheduled date of the relevant extraordinary general meeting pursuant to the Applicable Listing Rules.
38. The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any Member entitled to receive notice shall not invalidate the proceedings of that general meeting.

PROCEEDINGS AT GENERAL MEETINGS

39. No business, other than the appointment of a chairman of the meeting, shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles, at least two Members present in person or by proxy or (in the case of a Member being a corporation) by its duly authorised representative representing more than one-half of the total issued and outstanding Shares with voting rights shall be a quorum of Members for all purposes.
40. (1) During the Relevant Period, one or more Member(s) holding one percent (1%) or more of the total issued Shares of the Company may submit to the Company not more than one proposal in writing or by way of electronic transmission for resolution at an annual general meeting.
- (2) During the Relevant Period, prior to the commencement of the period in which the Register is closed for transfers before an annual general meeting, the Company shall make a public announcement of the place and the period for Members to submit proposals; provided that the period for submitting such proposals shall not be less than ten (10) days.
- (3) The Member who has submitted a proposal shall attend, in person or by a proxy, such general meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.
- (4) The Board shall include a proposal submitted by Member(s) unless:
- (a) the proposal involves matters which cannot be settled or resolved at a general meeting under the Law, the Applicable Listing Rules and these Articles;
 - (b) the number of Shares held by the proposing Member(s) is less than one percent (1%) of the total issued Shares in the Register upon commencement of the Book Closure Period before the relevant annual general meeting of the Company;
 - (c) the proposal contains more than one matter;
 - (d) the proposal contains more than three hundred (300) words; or
 - (e) the proposal is submitted after the expiration of the specified period announced by the Company for submitting proposals.
- (5) If a proposal submitted by Member(s) is intended to urge the Company to promote public interests or fulfil its social responsibilities, the Board may include the proposal notwithstanding that the circumstances set forth in the Subparagraph (a) of the preceding Paragraph (4) of this Article applies.
- (6) The Company shall, prior to the despatch of a notice of the relevant annual general

meeting, inform all the proposing Members of whether their proposals are accepted or not, and shall list in the notice of the relevant annual general meeting all the accepted proposals. The Board shall explain at the relevant annual general meeting the reasons for excluding any proposal submitted by Members.

41. The Chairman shall preside as chairman at every general meeting of the Company convened by the Board. For a general meeting convened by any Person other than the Board, such Person shall act as the chairman of that meeting; provided that if there are two or more Persons jointly convening such meeting, the chairman of the meeting shall be elected from those Persons.
42. If at any general meeting the Chairman is not present or is unwilling to act as chairman, he shall appoint one of the Directors to act on his behalf. In the absence of such appointment, the Directors present may choose one of them to be the chairman of that general meeting.
43. A general meeting may be adjourned by the Company by an Ordinary Resolution from place to place within five (5) days, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for more than five (5) days, notice of the time and location of the adjourned meeting shall be given as in the case of an original meeting.
44. At any general meeting, a resolution put to the vote of the meeting shall be decided on a poll.
45. Unless otherwise expressly required by the Law, the Applicable Listing Rules or these Articles, any matter proposed for approval by the Members at a general meeting shall be passed by an Ordinary Resolution.
46. (1) Subject to the Law and the Applicable Listing Rules, the Company may by a Special Resolution:
 - (a) enter into, amend, or terminate any contract for lease, management or regular joint operation of its whole business;
 - (b) transfer the whole or any material part of its business or assets;
 - (c) acquire the whole business or assets of a Person, which has a material effect on the operation of the Company;
 - (d) distribute dividends, bonuses or other distributions in whole or in part by way of issuance of new Shares;

- (e) effect any Spin-off of the Company;
- (f) enter into any share exchange;
- (g) authorise a plan of Merger or Consolidation involving the Company;
- (h) resolve that the Company be wound up voluntarily for reasons other than the reason provided in Article 47;
- (i) carry out a Private Placement;
- (j) grant a waiver to a Director's non-competition obligation, or approve a Director to engage in activities in competition with the Company;
- (k) change its name;
- (l) change the currency denomination of its share capital;
- (m) increase the share capital by such sum, to be divided into new Shares of such Classes of such par value, as the resolution shall prescribe;
- (n) consolidate and divide all or any of its share capital into Shares of a larger par value than its existing Shares;
- (o) subdivide its existing Shares, or any of them, into Shares of a smaller par value than is fixed by the Memorandum;
- (p) cancel any Shares that, at the date of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its share capital by the amount of the Shares so cancelled;
- (q) subject to these Articles (including without limitation Articles 16 and 17), alter or amend the Memorandum or these Articles, in whole or in part;
- (r) reduce its share capital and any fund of the capital redemption reserve in any manner authorised by the Law and the Applicable Listing Rules;

- (s) appoint an inspector to examine the affairs of the Company under the Law;
 - (t) issue new Shares to Employees of the Company and/or its Subordinate Companies subject to any restrictions and conditions in accordance with Article 12; and
 - (u) apply for the approval of ceasing the status as a public company.
- (2) Notwithstanding anything contained in these Articles, unless otherwise provided by the Law and the Applicable Listing Rules, in case the Company is dissolved after participating in the merger/consolidation or the Company is delisted from the TPEx or TWSE due to the general transfer (or the assignment of all rights and delegation of all duties of the Company), the transfer of business or assets of the Company, any share exchange or any Spin-off entered into or carried out by the Company while the surviving, transferee, existing or newly incorporated company is not a listed company (including TWSE/TPEx listed company), any such action aforementioned shall be approved by the affirmative vote of at least two-thirds (2/3) of the total votes cast by the Members of the Company.
47. Subject to the Law and the Applicable Listing Rules, the Company may by an Ordinary Resolution resolve that the Company be wound up voluntarily if the Company is unable to pay its debts as they fall due.
48. (1) Subject to the compliance with the Law, in the event any of the resolutions with respect to the matter(s) as set out in Subparagraph (a), (b) or (c) of Paragraph (1) of Article 46 is adopted at a general meeting, a Member who has notified the Company in writing of his objection to such proposal prior to that meeting and subsequently raised his objection at the meeting may request the Company to purchase all of his Shares at the then prevailing fair price; provided, however, that no Member shall have the abovementioned appraisal right if the resolution to be adopted is in relation to the matter(s) set out in Subparagraph (b) of Paragraph (1) Article 46 and at the same meeting the resolution for the winding up of the Company is also adopted.
- (2) Subject to the compliance with the Law, in the event that the Company resolves to carry out any Spin-Off, Consolidation, Merger, acquisition or share exchange (collectively, the "**Merger and Acquisition**"), a Member expressing his dissent in accordance with the Applicable Listing Rules may request the Company to purchase all of his Shares at the then prevailing fair price.
- (3) Without prejudice to the Law, in the event the Company and a Member making a request pursuant to Paragraphs (2) of this Article fail to reach an agreement on the purchase price within sixty (60) days following the date of the resolution, the Company shall, within thirty (30) days after such sixty (60) days period, file a petition against all Members who fail to reach such an agreement (collectively, the "**Dissenting Members**") with the R.O.C. Courts for a ruling on the appraisal price, and may designate Taiwan Taipei District Court of the R.O.C. as the court of first instance.
- (4) Without prejudice to the Law, a Member making a request pursuant to Paragraphs (1) or (2) of this Article shall make such request in writing within twenty(20) days after the

date of the general meeting adopting resolutions with respect to the matter(s) as set out in Subparagraph(a), (b) or (c) of Paragraph (1) of Article 46 or the Merger and Acquisition, and specify the repurchase price. If the Member and the Company reach an agreement on the repurchase price, the Company shall pay for the Shares to be repurchased within ninety (90) days after the date of the general meeting adopting such resolutions. In case no agreement is reached, the Company shall pay the fair repurchase price determined at its discretion to the Dissenting Members with whom the Company fail to reach an agreement within ninety (90) days after the date of the general meeting adopting such resolutions. If the Company fails to pay the price, it shall be considered to have accepted the repurchase price proposed by such Dissenting Members.

- (5) Notwithstanding Paragraphs(2), (3) and (4) of this Article, nothing under this Article shall restrict or prohibit a Member from exercising his right under section 238 of the Companies Law of the Cayman Islands and any amendment or other statutory modification thereof to payment of the fair value of his shares upon dissenting from a Consolidation or Merger.
49. In case the procedure for convening a general meeting in which a resolution is adopted or the method of adopting a resolution is in violation of the Law, the Applicable Listing Rules or these Articles, a Member may, if and to the extent permitted under the Law, within thirty (30) days from the date of the resolution, submit a petition to the Taiwan Taipei District Court of the R.O.C., as applicable, for an appropriate remedy, including but not limited to, requesting the court to invalidate and cancel the resolution adopted therein.
50. Notwithstanding anything to the contrary provided for in these Articles, at any time other than during the Relevant Period, a resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being Juristic Persons by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.
51. The proceedings regarding general meetings and the voting in general meetings not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by the Company by an Ordinary Resolution from time to time; during the Relevant Period, such internal rules shall be in compliance with the Law and the Applicable Listing Rules.

VOTES OF MEMBERS

52. Subject to any rights and restrictions as to voting for the time being attached to any Share by or in accordance with these Articles, at any general meeting, every Member present in person (or in the case of a Member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his/her/its name in the Register.

53. In the case of joint Members, the joint Members shall select a representative among them to exercise their voting powers and the vote cast by such representative, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Members.
54. A Shareholder who holds Shares for the benefit of others need not use all his votes or cast all the votes he holds in the same way as he uses his votes in respect of Share he holds for himself. The qualifications, scope, methods of exercise, operating procedures and other requirements for separate votes shall be in compliance with the Applicable Listing Rules.
55. Any corporation which is a Member of the Company may, by resolution of its board or other governing body, authorise such natural person as it thinks fit to act as its representative at any general meeting or at any meeting of a Class of Members of the Company.
56. (1) Subject to the Law and the Applicable Listing Rules, Shares held by the following persons shall not be counted in the total number of issued Shares of the Company which are entitled to vote for when calculating the quorum at a general meeting and Members belonging to the following persons shall abstain from voting in respect of all Shares held by them:
- (a) the Company itself (if such holding is permitted by the Law);
 - (b) any entity in which the Company is legally or beneficially interested in more than fifty percent (50%) of its issued and voting share capital or equity capital; or
 - (c) any entity in which the Company and (i) its holding company, and (ii) its Subordinate Company are legally or beneficially, directly or indirectly, interested in more than fifty percent (50%) of its issued and voting share capital or equity capital.
- (2) Any Member who bears a personal interest that may conflict with and impair the interest of the Company in respect of any matter proposed for consideration and approval at a general meeting shall abstain from voting in respect of all the Shares that such Member should otherwise be entitled to vote, on his behalf or as a proxy or corporate representative, with respect to the said matter. Any and all votes cast by such Member(s) shall not be counted in determining the number of votes for or against such matter.
- (3) Where any Director, who is also a Shareholder of the Company, creates or has created any charge, mortgage, encumbrance or lien in respect of Shares held by such Director (the "**Charged Shares**") exceeding fifty percent (50%) of total Shares held by such Director at the time of his/her latest appointment as Director, such Director shall refrain from exercising its voting rights on the Shares representing the difference between the Charged Shares and fifty percent (50%) of total Shares held by such Director at the time of his/her latest appointment as Director, and such Shares shall not carry the voting rights and shall not be counted toward the number of votes represented by the Shareholders present at a general meeting but shall be included in the quorum.
57. To the extent permitted by the Law, the Board may resolve that the voting power of a Member

at a general meeting may be exercised by way of a written ballot or by way of electronic transmission. The method for exercising such voting power shall be described in the general meeting notice to be given to the Members if the voting power may be exercised by way of a written ballot or electronic transmission. Notwithstanding the foregoing, during the Relevant Period, subject to the Applicable Listing Rules, the Company shall adopt the electronic transmission as one of the methods for exercising the voting power of a Member. Any Member who intends to exercise his voting power by way of a written ballot or by way of electronic transmission shall serve the Company with his voting decision at least two (2) days prior to the date of such general meeting. Where more than one voting decision are received from the same Member by the Company, the first voting decision shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous voting decision in the later-received voting decision. A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his Shares at the general meeting only in the manner directed by his written instrument or electronic document. The chairman of the general meeting as proxy shall not have the power to exercise the voting rights of such Members with respect to any matters not referred to or indicated in the written or electronic document, impromptu proposal and/or any amendment to resolution(s) proposed at the said general meeting. For the purpose of clarification, such Members voting in such manner shall be deemed to have waived their voting rights with respect to any extemporary matters or amendment to resolution(s) proposed at the general meeting.

58. In case a Member who has cast his votes by a written instrument or by way of electronic transmission intends to attend the relevant general meeting in person, he shall, at least two (2) day prior to the date of the general meeting, revoke such votes by serving a notice in the same manner as he cast such votes. In the absence of a timely revocation of such votes, such votes shall remain valid. Nonetheless, such Member who attends and votes at a general meeting in person would be deemed to have revoked his prior voting instructions by a written instrument or by way of electronic transmission, notwithstanding that such Member has not submitted a revocation notice in accordance with this Article 58.

PROXY

59. (1) A Member may appoint a proxy to attend a general meeting on his behalf by executing a proxy form produced by the Company stating therein the scope of power authorized to the proxy. A proxy need not be a Member.
- (2) During the Relevant Period, subject to the Law and unless otherwise provided in these Articles, forms of instrument of proxy for use at a general meeting shall be produced by the Company specifying therein (a) the instructions for filling out the form, (b) the matters to be entrusted by the Member or to be voted upon pursuant to such proxy, and (c) the basic information of the Member as appointor, the proxy and the proxy solicitor (if any) and shall be sent out together with the notice of general meeting to all Members on the same day.

60. A Member may only appoint one proxy for each general meeting irrespective of how many Shares he holds and shall serve an executed proxy in compliance with the preceding Article to the Company or its Shareholder Service Agent as the case may be no later than five (5) days prior to the date of the general meeting. In case the Company receives two or more proxies from one Member, the one received first by the Company shall prevail unless an explicit statement by the Member to revoke such proxy is made in the subsequent proxy, provided this subsequent proxy is received no later than five (5) days prior to the date of the general meeting.
61. In case a Member who has served a proxy intends to attend the relevant general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of the general meeting, revoke such proxy by serving a separate written notice to the Company or Shareholder Service Agent. Otherwise, the votes cast by the proxy at the general meeting shall prevail. Nonetheless, such Member who attends and votes at a general meeting in person would be deemed to have revoked his proxy appointment, notwithstanding that such Member has not submitted a revocation notice in accordance with this Article 61.
62. A Member who has served the Company with his voting decision in accordance with Article 57 for the purpose of exercising his voting power by way of a written ballot or by way of electronic transmission may appoint a person as his proxy to attend the meeting in accordance with these Articles, in which case the vote cast by such proxy shall be deemed to have revoked his previous voting decision served on the Company and the Company shall only count the vote(s) cast by such expressly appointed proxy at the meeting.
63. During the Relevant Period, except for trust enterprises or shareholder service agencies duly licensed under the R.O.C. competent authorities or the chairman of a general meeting who is deemed appointed as proxy pursuant to Article 57, where a Person acts as a proxy for two or more Members, the number of voting Shares that the proxy may vote in respect thereof shall not exceed three percent (3%) of the total number of issued and outstanding voting Shares; otherwise, such number of voting Shares in excess of the aforesaid threshold shall not be counted towards the number of votes cast for or against the relevant resolution or the number of voting Shares present at the relevant general meeting but shall be included in the quorum. Upon such exclusion, the number of voting Shares being excluded and attributed to each Member represented by the same proxy shall be determined on a pro-rata basis based on the total number of voting Shares being excluded and the number of voting Shares that such Members have appointed the proxy to vote for.
64. The use and solicitation of proxies not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by the Board from time to time, which shall be in compliance with the Law and the Applicable Listing Rules (in particular, the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of R.O.C. Public Companies (as amended, supplemented or otherwise modified from time to time)).

DIRECTORS AND THE BOARD

65. (1) The Board shall consist of not less than five (5) Directors (including Independent Directors). Subject to the foregoing, the number of Directors to be elected and hold the office shall be stated in the notice of the general meeting in which an election of Directors will be held.
- (2) A Director can be a natural person or a Juristic Person. Where a Director is a Juristic Person, it shall designate a natural person as its authorized representative to exercise, on its behalf, the powers of a Director and may replace such representative from time to time so as to fulfil its remaining term of the office. A Director shall not be required to hold any Shares in the Company.
- (3) Directors shall be elected by Members at general meetings. Any Juristic Person which is a Member shall be entitled to appoint a natural person or natural persons as its representative(s) to be nominated for election as Director in accordance with these Articles.
- (4) The principle of cumulative voting shall apply in any election of Directors pursuant to this Article. Each Member entitled to vote in such election shall have a number of votes equal to the product of (a) the number of votes conferred by such Member's Shares and (b) the number of Directors to be elected at the general meeting. Each Member may divide and distribute such Member's votes, as so calculated, among any one or more candidates for the directorships to be filled, or such Member may cast such Member's votes for a single candidate. At such election, the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected. Notwithstanding anything to the contrary in these Articles, at any time other than the Relevant Period, the Company may by Ordinary Resolution appoint any Person to be a Director or remove any Director from office.
- (5) The proceedings and the voting regarding the election of Directors not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by an Ordinary Resolution from time to time, which shall be in compliance with the Law and the Applicable Listing Rules.
66. The Company may, whenever it thinks fit, adopt and apply a candidate nomination mechanism for election of any of the Directors in accordance with the Applicable Listing Rules. Notwithstanding the foregoing, during the Relevant Period, a candidate nomination mechanism shall be adopted for election of all Directors. Upon adoption of candidate nomination mechanism, the Directors and Independent Directors shall be elected by the Members at a general meeting from among the nominees listed in the respective rosters of director candidates and independent director candidates. Subject to the Law and the Applicable Listing Rules, the Board may establish detailed rules and procedures for such candidate nomination.
67. Subject to these Articles, each Director shall be appointed to a term of office not exceeding three (3) years and is eligible for re-election. In case no election of new Directors is effected

prior to the expiration of the term of office of existing Directors, the term of office of such existing Directors shall be extended until the time such Directors are re-elected or new Directors are duly elected and assume their office subject to these Articles. In the event of any vacancy in the Board, the new Director elected in the general meeting shall fill the vacancy for the residual term of office.

68. (1) Unless otherwise provided by these Articles, a Director may be removed from office at any time by a Special Resolution adopted at a general meeting.
- (2) Without prejudice to other provisions of these Articles, the Directors may be put up for re-election at any time before the expiration of the term of office of such Directors. In the event where all Directors are subject for re-election at a general meeting before the expiration of the term of office of such Directors, subject to the successful election of the new Directors at the same meeting, the term of office of all current Directors is deemed to have expired on the date of the re-election if the Members do not resolve that all current Directors will only retire at the expiration of their present term of office or any other date as otherwise resolved by the Members at the general meeting.
69. A chairman of the Board (the “**Chairman**”) shall be elected from among the Directors and appointed in term by a majority of the Directors present at a Board meeting attended by at least two-thirds of all of the Directors then in office, and a vice chairman of the Board (the “**Vice Chairman**”) may also be elected and appointed in the same manner. The Chairman shall externally represent the Company and internally preside as the chairman at every Board meeting and at every general meeting convened by the Board. In the event the Chairman is not present at a meeting or cannot or will not exercise his power and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman or the Vice Chairman is also unable to present at a meeting or cannot or will not exercise such power and authority for any cause, the Chairman shall designate one of the Directors to act on his behalf. In the absence of such designation, the Directors present at the meeting shall elect from among themselves an acting chairman.
70. The remuneration of a Director may differ from other Directors, and shall be determined by the Board, regardless of the Company profits or losses of respective years, based on (a) the extent of a Director's involvement with the operations of the Company, (b) the contribution of a Director to the Company, (c) the prevailing industry standard and (d) such other relevant factors.
71. When the number of Directors then in office falls below five (5) due to any Director(s) vacating his office for any reason, the Company shall hold an election for such number of Directors at the next general meeting to fill the vacancy for the remainder of the term of such outgoing Director(s). When the number of Directors then in office falls short by one-third of the total number of Directors initially constituting the existing Board, the Company shall convene an extraordinary general meeting within sixty (60) days of the occurrence of that fact for the purposes of electing such number of Directors to fill the casual vacancy.

72. Subject to these Articles, a Director other than an Independent Director may hold any other office (except that of Auditor) or place of profit under the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine, and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.
73. (1) Without prejudice to the duties owed by a Director to the Company under common law of the Cayman Islands and subject to the Law, the Directors shall assume fiduciary duties to the Company and without limitation, the due care of a good administrator, exercise due care and skill and act in the best interest of the Company in conducting the business operation of the Company, including matters in connection with Spin-off, Consolidation, Merger, or acquisition of the Company. A Director may be liable to the Company if he acts contrary to his duties. In circumstances where a Director breaches any of such duties and acts for his/her or other Person's interest, the Company may, with the sanction of an Ordinary Resolution, take all such actions and steps as may be appropriate and to the maximum extent legally permissible to seek to recover any and all earnings derived from such act as if such misconduct is done for the benefit of the Company.
- (2) If a Director violates any law in the course of conducting the business of the Company, he shall be jointly and severally liable with the Company for the damages resulting from such violation.
- (3) The preceding two Paragraphs of this Article shall apply, *mutatis mutandis*, to the officers of the Company who are authorised to act on its behalf in a senior management capacity.
74. Subject to these Articles, a Director other than an Independent Director may act by himself or his firm in a professional capacity for the Company (except that of Auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
75. To the extent permitted by the Law, the Company may pay, or agree to pay, a premium in respect of a contract insuring each of the following persons against risks determined by the directors, other than liability arising out of that person's negligence and/or dishonestly: an existing or former director (including alternate director), secretary or officer or Auditor of: the Company; a company which is a subsidiary of the Company; and a company in which the Company has or had an interest (whether direct or indirect).
76. During the Relevant Period, the qualifications, election, removal, power, authority and other

requirements for Directors (including Independent Directors), which are not covered by these Articles, shall be in compliance with the Applicable Listing Rules.

INDEPENDENT DIRECTORS

77. During the Relevant Period, the number of Independent Directors of the Company shall not be less than three (3) or one-fifth of the total number of Directors at any time, whichever is greater. One (1) of the Independent Directors shall have resident status of the R.O.C. (such resident status being registered with local government authorities). Subject to the foregoing, the number of Independent Directors to be elected and hold the office shall be stated in the notice of the general meeting in which an election of Independent Directors will be held. When an Independent Director ceases to act, resulting in a number of Independent Directors then in office lower than the prescribed minimum number, an election for an Independent Director shall be held at the next general meeting. When all Independent Directors cease to act, the Company shall convene an extraordinary general meeting to hold an election of Independent Directors within sixty (60) days from the date on which the situation arose.
78. Independent Directors shall possess professional knowledge and shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company. The professional qualifications, restrictions on shareholdings and concurrent positions held by the Independent Directors shall be as prescribed by the Applicable Listing Rules, and the assessment of independence of such Independent Directors shall be in compliance with the Applicable Listing Rules. The Board or other Persons calling a general meeting at which an election for Independent Directors is proposed shall ensure that the requirements of this Article have been satisfied and complied with in relation to any candidate for Independent Director.

POWERS AND DUTIES OF THE BOARD

79. (1) Subject to the Law, these Articles, the Applicable Listing Rules and any resolutions passed
- in a general meeting, the business of the Company shall be managed by the Board in such manner as it shall think fit, which may pay all reasonable expenses in connection with business management, including but not limited to expenses incurred in forming and registering the Company and may exercise all powers of the Company.
- (2) If the Board fails to comply with the Applicable Listing Rules, these Articles and any resolutions passed in a general meeting in dealing with matters in connection with Spin-off, Consolidation, Merger, or acquisition of the Company, as a result of which the Company suffers damages, any Director involved in decision-making related thereto shall be liable to the Company in respect of the damages suffered by the Company. However, a Director may be exempted from the liability if the minutes of the Board meeting or written statement demonstrates such Director's dissent.

- (3) Except as otherwise provided by these Articles, the compensation to be paid to the Directors shall be determined by the Board in accordance with the standard prevalent in the industry by reference to recommendation made by the remuneration committee (if established). Such compensation shall be deemed to accrue from day to day, and the Directors shall also be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from Board meetings of the Directors, or any committee established under Article 82, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Board from time to time, or a combination partly of one such method and partly the other.
80. The Board may from time to time appoint any Person to hold such office in the Company as the Board may think necessary for the management of the Company, including but not limited to officers and managers, and for such term and at such remuneration as the Board may think fit. Any Person so appointed by the Board may be removed by the Board.
81. The Board may appoint a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as the Board thinks fit. Any Secretary or assistant Secretary so appointed by the Board may be removed by the Board. The Secretary shall attend all general meetings and shall keep correct minutes of such meetings. Subject to the Applicable Listing Rules, the Secretary shall also perform such other duties as are prescribed by the Law or as may be prescribed by the Board.

COMMITTEES

82. Subject to the Law and the Applicable Listing Rules, the Board may, or the Company may by an Ordinary Resolution, establish any committee(s) and delegate any of their powers, authorities and discretions to such committee(s) (including but not limited to an audit committee and a remuneration committee) consisting of such member or members of their body or any other Persons as the Board thinks fit. Any committee(s) so formed shall, in the exercise of the powers, authorities and discretions so delegated, and in conducting its proceedings, conform to any regulations that may be imposed on it by the Board pursuant to the Applicable Listing Rules. If no regulations are imposed by the Board, the proceedings of a committee with two (2) or more members shall be, as far as is practicable, governed by these Articles regulating the proceedings of the Board.
- 82.1(1) During the Relevant Period, unless otherwise provided by the Law and the Applicable Listing Rules, the Company shall establish an audit committee; regulations governing the professional qualifications for its members, the formation of audit committee, the exercise of their powers of office, and related matters shall be prescribed and amended from time to time by the Board in accordance with the Applicable Listing Rules.
- (2) The audit committee of the Company shall be composed of all the Independent Directors. The audit committee shall not be fewer than three Persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial

expertise. A resolution of the audit committee shall have the concurrence of one-half or more of the members of the audit committee.

- (3) The following matters shall be subject to the consent of one-half or more of all members of the audit committee of the Company and shall be thereafter submitted to the Board for a resolution:
- (a) Adoption or amendment of an internal control system.
 - (b) Assessment of the effectiveness of the internal control system.
 - (c) Adoption or amendment of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
 - (d) A matter bearing on the personal interest of a Director.
 - (e) A material asset or derivatives transaction.
 - (f) A material monetary loan, endorsement, or provision of guarantee.
 - (g) The offering, issuance, or Private Placement of any equity-type securities.
 - (h) The hiring or dismissal of an Auditor, or the compensation given thereto.
 - (i) The appointment or discharge of a financial, accounting, or internal auditing officer.
 - (j) Annual and semi-annual financial reports.
 - (k) Any other material matter so required by the Company or the competent authority.
- (4) With the exception of Subparagraph (j) above, any matter under a subparagraph of the preceding Paragraph that has not been approved with the consent of one-half or more of all members of the audit committee of the Company may be undertaken upon the approval of two-thirds or more of the Directors, without regard to the restrictions of the preceding Paragraph, and such resolution of the audit committee of the Company shall be recorded in the minutes of the Board meeting.

82.2(1) During the Relevant Period, unless otherwise provided by the Law and the Applicable

Listing Rules, the Company shall establish a remuneration committee; regulations governing the professional qualifications for its members, the formation of remuneration committee, the exercise of their powers of office, and related matters shall be prescribed and amended from time to time by the Board in accordance with the Applicable Listing Rules. Remuneration referred to in this Paragraph shall include salary, stock options, and any other substantive incentive measures for Directors and managerial officers under the Law or the Applicable Listing Rules.

- (2) The members of the remuneration committee of the Company shall be appointed by the Board and shall not be fewer than three members, one of whom shall be the convener.
- (3) The remuneration committee of the Company shall exercise the care of a good administrator and in good faith when performing the official powers listed below, and shall submit its recommendations for deliberation by the Board:
 - (a) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for Directors and officers.
 - (b) Periodically evaluate and prescribe the remuneration of Directors and officers.
 - (c) Any other material matter so required by the Company or the competent authority.

- 82.3(1) During the Relevant Period, prior to any resolution of the Merger and Acquisition by the Board, the audit committee of the Company shall review the fairness and reasonableness of the plan and transaction of the Merger and Acquisition, and then submit review results to the Board and the general meeting of the Company. However, the audit committee of the Company may elect not to submit the aforesaid review results to the Members at a general meeting if the Law provides that the Merger and Acquisition to be resolved requires no approval by the Members.
- (2) When reviewing the abovementioned matters, the audit committee of the Company shall seek opinions from an independent expert on the reasonableness of the share exchange ratio or the distribution of cash or other assets.
 - (3) The Company shall send the review results of the audit committee of the Company and opinions of independent experts to all Members together with the notice of general meeting in which the Merger and Acquisition is to be resolved. However, the Company shall report the Merger and Acquisition to the Members at the most recent general meeting if the Law provides that the Merger and Acquisition to be resolved requires no approval by the Members.
 - (4) If the Company posted the aforesaid review results and opinions of independent experts on a website designated by the R.O.C. competent authorities and arranged for the same documents to be made available at the venue of the general meeting of the Company for inspection by Members, those documents shall be deemed as having been sent to all Members.

DISQUALIFICATION AND VACATION OF OFFICE OF DIRECTORS

83. (1) During the Relevant Period, a person who is under any of the following circumstances shall not act as a Director of the Company; if he has already held office of a Director, he shall cease to act as a Director and be removed from the position of Director automatically:
- (a) commits a felony (including but not limiting to an offence under Statute for Prevention of Organizational Crimes of the R.O.C.) and has been convicted thereof, and either (i) he has not started serving the sentence, (ii) he has not completed serving the sentence, or (iii) the time elapsed after completion of serving the sentence, expiration of the probation, or pardon is less than five (5) years;
 - (b) has been imposed a final sentence involving imprisonment for a term of more than one year for commitment of fraud, breach of trust or misappropriation, and either (i) he has not started serving the sentence, (ii) he has not completed serving the sentence, or (iii) the time elapsed after completion of serving the sentence, expiration of the probation, or pardon is less than two (2) years;
 - (c) has been imposed a final sentence due to violation of the Anti-corruption Act, and either (i) he has not started serving the sentence, (ii) he has not completed serving the sentence, or (iii) the time elapsed after completion of serving the sentence, expiration of the probation, or pardon is less than two (2) years;
 - (d) becomes bankrupt or is adjudicated of commencement of liquidation proceeding by a court under the laws of any jurisdiction, and has not been reinstated to his rights and privileges;
 - (e) has allowed cheques and other negotiable instruments to be dishonoured and the records thereof have not been cancelled or expunged by the relevant regulatory authorities;
 - (f) dies or an order has been made by any competent court or authority on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and such order has not been revoked, or his legal capacity is restricted according to the applicable laws;
 - (g) ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under any provisions of the Law and/or Applicable Listing Rules;
 - (h) ceases to be a Director by virtue of Article 84;
 - (i) resigns his office by notice in writing to the Company;
 - (j) is removed from office pursuant to these Articles; or
 - (k) has been ordered to be removed from office by the R.O.C. Courts on the

grounds that such Director, in the course of performing his duties, committed serious violations of the Law, Applicable Listing Rules or these Articles, or acts resulting in material damage to the Company, upon a petition by the Company or Member(s) to the R.O.C. Courts.

- (2) During the Relevant Period, in case a Director (other than Independent Director) has transferred some or all his Shares during the term of his office as a Director, such that the remaining Shares held by him are less than one half of the Shares being held by him at the time he was elected, he shall, ipso facto, cease to act as a Director and be removed from the position of Director automatically.
 - (3) During the Relevant Period, if a Director (other than Independent Director), (a) after having been elected and before his inauguration of the office of a Director, has transferred some or all his Shares held by him such that the remaining Shares are less than one half of the Shares held by such Director at the time of his election or, (b) within the Book Closure Period fixed by the Board in accordance with Paragraph (2) of Article 28 prior to the general meeting for the election of such Director, has transferred some or all his Shares held by him such that the remaining Shares are less than one half of the Shares held at the commencement of the Book Closure Period, his election as a Director shall be deemed invalid and void.
84. Except as approved by the Commission, the TPEx or the TWSE (where applicable), the following relationships shall not exist among half or the majority of the Directors: (a) a spousal relationship; or (b) a familial relationship within the second degree of kinship as defined under the Civil Code of Taiwan. If any of the foregoing relationships exists among half or the majority of the elected Directors, the election with respect to the one who received the lowest number of votes among those related Directors shall be deemed invalid and void; and if he has already held office of a Director, he shall cease to act as a Director and be removed from the position of Director automatically. For the remaining Directors, if the foregoing requirements are still not satisfied, the same procedure set out above shall be applied again to the remaining related Directors, until such time as the foregoing requirements can be complied with.
85. In case a Director has, in the course of performing his/her/its duties, committed any act resulting in material damage to the Company or in serious violation of the Law, the Applicable Listing Rules or these Articles, but has not been removed from office by a resolution in a general meeting, one or more Members holding three percent (3%) or more of the total number of issued Shares of the Company may, within thirty (30) days after that general meeting, submit a petition to a competent court, including the Taiwan Taipei District Court of the R.O.C., but only if and to the extent permitted under the Law and the Applicable Listing Rules, for removing such Director from office.
86. Subject to the Law, one or more Members holding one percent (1%) or more of the total number of the issued Shares continuously for a period of six months or a longer time may request in writing any Independent Director of the audit committee to file, on behalf of the Company, an action against a Director who has, in the course of performing his/her duties, committed any act resulting in damage to the Company or in violation of the Law, the

Applicable Listing Rules or these Articles, with a competent court, including the Taiwan Taipei District Court of the R.O.C. In case the Independent Director fails to file such action within thirty (30) days after receipt of such request, to the extent permitted under the laws of the Cayman Islands, the Members making such request may file the action for the Company.

PROCEEDINGS OF THE BOARD

87. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate and shall from time to time establish internal rules in this regard, which shall be in compliance with the Law and the Applicable Listing Rules. During the Relevant Period, the Board meetings shall be held at least once in each quarter or within such period and frequency as may be prescribed by the Applicable Listing Rules. The quorum necessary for the transaction of the business of the Board shall be a majority of the Directors. Subject to the Law, the Applicable Listing Rules and these Articles, any matter proposed for consideration and approval at a Board meeting shall be decided by a majority of votes entitled so to do.
88. A Director may, and the Secretary on the requisition of a Director shall, summon a Board meeting by, during the Relevant Period, at least seven (7) days' notice in writing, or at any time other than during the Relevant Period, at least forty eight hours' notice in writing, to every Director which notice shall set forth the general nature of the business to be considered PROVIDED HOWEVER, without prejudice to the prescribed notice, in the event of emergency, as determined by the Board in its sole discretion, a Board meeting may be called at any time if this has been agreed to by a majority of the Directors at such meeting. Notwithstanding the forgoing, at any time other than during the Relevant Period, a notice of Board meeting may be waived by all the Directors at, before or retrospectively after the relevant Board meeting is held. Any notice or waiver thereof may be given by email, telex or telefax.
89. A Director may participate in a meeting of Board, or of any committee appointed by the Board of which such Director is a member, by means of visual communication facilities which permit all Persons participating in the meeting to see and communicate with each other simultaneously and instantaneously, and such participation shall be deemed to constitute presence in person at the meeting.
90. A Director may appoint another Director as his proxy to attend a meeting of the Board in writing with regard to a particular meeting, and state therein the scope of authority with reference to the subjects to be discussed at such meeting, in which event the presence and vote of the proxy shall be deemed to be that of the Director appointer. No Director may act as proxy for two (2) or more other Directors. Subject to these Articles, if a Director attends a Board

meeting on his behalf and as the proxy of another Director, he is entitled to vote both as a proxy and for his own.

91. A Director who is in any way, whether directly or indirectly, interested in a matter discussed, considered or proposed in a meeting of the Board shall declare the nature of his interest and its essential contents at such relevant meeting. When the Company conducts any Spin-Off, Consolidation, Merger, or acquisition, a Director who bears any interest in the transaction shall explain the essential contents of such personal interest and the reason of approval or disapproval of the resolution in connection with the transaction in a meeting of the Board and the general meeting of the Company. Where the spouse, a blood relative within the second degree of kinship of a Director as defined under the Civil Code of Taiwan, or any company which has a controlling or subordinate relation with a Director bear any interest in the matter under discussion at a Board meeting, such Director shall be deemed to bear a personal interest in the matter. Any Director who bears a personal interest that may conflict with and impair the interest of the Company in respect of any matter proposed for consideration and approval at a meeting of Board shall abstain from voting, on his own behalf or as a proxy or corporate representative, with respect to the said matter. Any and all votes cast by such Director(s) shall not be counted in determining the number of votes for or against such matter.
92. Subject to these Articles, the continuing Directors may act notwithstanding any vacancy in their body.
93. Notwithstanding anything to the contrary provided for in these Articles, at any time other than during the Relevant Period, a resolution in writing signed by all of the Directors then in office or all of the members of a committee of Directors, including a resolution signed in counterpart or by way of signed email, telex or telefax transmission, shall be as valid and effectual as if it had been passed at a Board meeting or of a committee of Directors duly called and constituted.
94. The proceedings regarding Board meetings not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by the Board and reported to the Members at a general meeting from time to time, which shall be in compliance with the Law and the Applicable Listing Rules (in particular, the Regulations Governing Procedure for Board of Directors Meetings of Public Companies of the R.O.C.).

RESERVES AND CAPITALISATION

95. During the Relevant Period, the Company shall set aside out of the profits of the Company for each financial year: (a) a reserve for payment of tax for the relevant financial year; and (b) an amount to offset losses incurred in previous year(s); and (c) a Statutory Reserve in accordance with the Applicable Listing Rules, and after the aforesaid sums as set aside from the profits for such relevant financial year for any purpose to which the profits of the Company may be

properly applied, the Board shall, before recommending any dividend or bonuses, set aside the remaining profits of the Company in whole or in part for the relevant financial year as a special reserve or reserves in accordance with the order from the Commission, and the Company may also, under these Articles or by Special Resolution of the general meeting, set aside another sum as a special reserve or reserves (collectively, the "**Special Reserve**").

96. Unless otherwise provided in the Law, the Applicable Listing Rules and these Articles, neither the Statutory Reserve nor the Capital Reserve shall be used except for offsetting the losses of the Company. The Company shall not use the Capital Reserve to offset its capital losses unless the Statutory Reserve and Special Reserve set aside for purposes of loss offset is insufficient to offset such losses.
97. (1) During the Relevant Period, subject to the Law, where the Company incurs no loss, it may, by a Special Resolution, distribute its Statutory Reserve, the Share Premium Account and/or the income from endowments received by the Company, which are in the Capital Reserve which are available for distribution, in whole or in part, by issuing new, fully paid Shares and/or by cash to its Members.
- (2) At any time other than during the Relevant Period, subject to the Law, the Board may capitalise any sum for the time being standing to the credit of the Share Premium Account or any of the other Company's reserve accounts which are available for distribution or any sum standing to the credit of the profit and loss account or otherwise available for distribution and to appropriate such sums to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend//bonus and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid.
98. Where any difficulty arises in regard to any declaration of share dividends or share bonuses or other similar distributions under these Articles due to any fraction held by Member(s), the Board may determine that cash payments should be made to any Members in full, or part thereof, as may seem expedient to the Board. Such decision of the Board shall be effective and binding upon the Members.

COMPENSATION, DIVIDENDS AND BONUSES

99. At any time other than during the Relevant Period, subject to the Law and these Articles and except as otherwise provided by the rights attaching to any Shares, the Board may from time to time declare dividends/bonuses (including interim dividends/bonuses), and other distributions to the Members by issuing new, fully paid Shares and/or by cash in proportion to the number of Shares held by them respectively and authorise payment of the same out of the funds of the Company lawfully available therefore. The Directors may, before declaring any dividends,

bonuses or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business or investments of the Company.

- 100.(1) As the Company is in the growing stage, the dividend/bonuses of the Company may be distributed in the form of cash dividends/bonuses and/or stock dividends/bonuses. The Company shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development needs in assessing the amount of dividends/bonuses the Company wishes to distribute.
- (2) During the Relevant Period, subject to the Law, the Applicable Listing Rules and these Articles, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the Directors present at a meeting attended by at least two-thirds or more of the total number of the Directors, the Company may distribute not less than five percent (5%) of the profits for such year to the Employees as the Employees' compensation in the form of shares and/or in cash and may distribute not more than five percent (5%) hereof to the Directors as the Directors' compensation, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and Directors in the proportion set out above. A report of such distribution of Employee and Directors' compensation shall be submitted to the general meeting of the Company. Except otherwise set forth by the Applicable Listing Rules, any Directors' compensation shall not be paid in the form of shares. The term "annual profits" as used herein shall mean the annual profits for such year before tax without deducting the amount of compensation distributed to the Employees and Directors as prescribed in this Paragraph (2) of this Article.
- (3) During the Relevant Period, subject to the Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the Statutory Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Statutory Reserve does not apply if the aggregate amount of the Statutory Reserve amounts to the Company's total paid-in capital), and setting aside the Special Reserve (if any), the Company may distribute not less than ten percent (10%) of the remaining balance (including the amounts reversed from the Special Reserve), plus accumulated undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the Members as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends/bonuses shall not be less than ten percent (10%) of the total amount of dividends/bonuses to Members.
- (4) During the Relevant Period, unless otherwise resolved by the general meeting of the

Company, the Employees and Directors' compensations and dividends, bonuses or other forms of distributions payable to the Members shall be declared in NTD.

- (5) The Board may deduct from the dividends, bonuses or any other amount payable to the Member in respect of the Share any amount (if any) due by such Member to the Company on account of calls or otherwise in relation to the Share.
 - (6) Any dividend, bonus or other monies payable on or in respect of the Share may be paid by wire transfer to the bank account nominated by the Member or by cheque or warrant sent through a post to the registered address of the Member, or to such Person and to such address as the holder may nominate in writing. In the case of joint Members, any of them may give a valid receipt for the dividend, bonus or other monies payable on or in respect of the Share.
 - (7) Subject to the Law and the Applicable Listing Rules, any Special Reserve may be reversed to undistributed profits of the Company.
101. During the Relevant Period, subject to the Law, the Applicable Listing Rules and these Articles, the Company may by a Special Resolution distribute any part or all of the dividends or bonuses to the Members declared in accordance with the preceding Article by way of applying such sum in paying up in full unissued Shares for allocation and distribution to the Members.
102. No dividend, bonus or other distribution shall be paid otherwise than out of profits or out of monies otherwise available for dividend, bonus or other distribution in accordance with the Law. No dividend, bonus or other distribution or other money payable by the Company on or in respect of any Share shall bear interest against the Company.

ACCOUNTS, AUDIT, AND ANNUAL RETURN AND DECLARATION

103. (1) The Directors shall cause to be kept accounting records and books of account sufficient to give a true and fair view of the state of the Company's affairs and to show and explain the transactions of the Company and otherwise in accordance with the Law, at the Registered Office or at such other place(s) in such manner as may be determined from time to time by the Board and shall always be open to the inspection by the Directors.
- (2) If the Company keeps its accounting records and books of account at any place outside the Cayman Islands in accordance with the preceding paragraph, it shall, upon service of an order or notice pursuant to the Tax Information Authority Law and any amendment or other statutory modification thereof, make available, in electronic form or any other medium at its Registered Office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.
104. During the Relevant Period, at the end of each financial year, the Board shall prepare: (a) the business report; (b) the financial statements which include all the documents and information as required by the Law and the Applicable Listing Rules (the "**Financial Statements**"); and (c) any proposal relating to the distribution of net profit and/or loss offsetting in accordance

with these Articles, for adoption by the annual general meeting of the Company. Upon adoption at the annual general meeting of the Company, the Board shall distribute to each Member copies of the Financial Statements and the resolutions relating to profit distribution and/or loss offsetting. However, during the Relevant Period, the Company may make a public announcement of the abovementioned statements and resolutions instead of distributing those to each Member.

105. During the Relevant Period, the documents prepared by the Board in accordance with the preceding Article shall be made available at the Shareholder Service Agent's office in the R.O.C. for inspection during normal business hours by the Members, ten (10) days prior to the annual general meeting.
106. Subject to the Law and the Applicable Listing Rules, the Board may determine (or revoke, alter or amend any such determination) that the accounts of the Company be audited and the appointment of the Auditors.
107. During the Relevant Period, the Board shall keep copies of the Memorandum, these Articles, the minutes of every general meeting, the Financial Statements, the Register and the counterfoil of corporate bonds issued by the Company at its Shareholder Service Agent's office in the R.O.C. Any Member may request at any time, by submitting evidentiary document(s) to show his interests involved and indicating the scope of requested matters, access to inspecting, transcribing and making copies of the above documents; the Company shall make Shareholder Service Agent provide the above documents.
108. The Board in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

TENDER OFFER

109. Subject to the Law and the Applicable Listing Rules, during the Relevant Period, within fifteen (15) days after receipt of the copy of the public tender offer report form, the public tender offer prospectus, and relevant documents, the Company shall make a public announcement of the following:
 - (a) the types, number and amount of shares held by the Directors and any Member holding more than ten percent (10%) of the total issued and outstanding Shares;
 - (b) the recommendations made by the Board to the Members on such tender offer, which shall set forth the identity and financial status of the tender offeror, fairness of the tender offer conditions, verification on rationality of source of fund for tender offer, and the names of the Directors who abstain or object to the tender offer and the reason(s)

therefore;

- (c) whether there is any material change in the financial condition of the Company after the delivery of its most recent financial report and the contents of such change, if any;
- (d) the types, number and amount of the shares of the tender offeror or its affiliates held by the Directors and the Members holding more than ten percent (10%) of the total issued and outstanding Shares; and
- (e) other relevant significant information.

WINDING UP

110. Subject to the Law, the Company may be wound up by a Special Resolution passed by the Members. If the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the number of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the number of the Shares held by them at the commencement of the winding up. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.
111. Subject to the Law, if the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Law, divide and distribute amongst the Members the whole or any part of the property of the Company (whether they shall consist of property of the same kind or not) in cash or asset and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different Classes. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any asset whereon there is any liability.
112. The Company shall keep all statements, records of account and documents for a period of ten (10) years from the date of the completion of liquidation, and the custodian thereof shall be appointed by the liquidator or the Company by an Ordinary Resolution.

NOTICES

113. Subject to the Law and except as otherwise provided in these Articles, any notice or document may be served by the Company to any Member either personally, or by facsimile, or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to such Member at his address as appearing in the Register, or, to the

extent permitted by the Law and the Applicable Listing Rules, by posting it on a website designated by the Commission, the TPEX or the TWSE (where applicable) and/or the Company's website, or by electronic means by transmitting it to any electronic mail number or address such Member may have positively confirmed in writing for the purpose of such service of notices. In the case of joint Members, all notices shall be given to that one of the Members whose name stands as their representative in the Register in respect of the joint holding.

114. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting including the purpose for which such meeting was convened.

115. Any notice or other document, if served by:

- (a) post, shall be deemed to have been served on the day following that on which the letter containing the same is posted or delivered to the courier;
- (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
- (c) courier service, shall be deemed to have been served forty-eight (48) hours after the time when the letter containing the same is delivered to the courier service; or
- (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail, subject to the Law.

116. Any notice or document served to the registered address of any Member in accordance with these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Member as sole or joint Member.

REGISTERED OFFICE OF THE COMPANY

117. The Registered Office of the Company shall be at such address in the Cayman Islands as the Board shall from time to time determine.

FINANCIAL YEAR

118. Unless the Board otherwise prescribes, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

SEAL

119. The Company shall adopt a Seal by resolution of the Board and, subject to the Law, the Company may also have a duplicate Seal or Seals for use in any place or places outside of the Cayman Islands. The use and management of the Seal (or duplicate Seals) may be determined by the Board from time to time pursuant to the adoption of any regulation governing the use and management of seals of the Company in accordance with the Applicable Listing Rules.

LITIGATION AND NON-LITIGATION AGENT IN THE R.O.C.

- 120.(1) Subject to the provisions of the Applicable Listing Rules, the Company shall, by a resolution of the Directors, appoint or remove a person as its litigation and non-litigation agent and such agent will be deemed as the responsible person of the Company in the R.O.C. under the Applicable Listing Rules.
- (2) The preceding agent shall have residence or domicile in the R.O.C.
- (3) The Company shall report the name, residence/domicile of the preceding agent and power of attorney to the competent authority in the R.O.C. This reporting requirement shall also apply if there is any change.

CHANGES TO CONSTITUTION

121. Subject to the Law and the Applicable Listing Rules, the Company may, by Special Resolution, alter or amend the Memorandum or these Articles, in whole or in part.

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Appendix 2

Khgears International Limited **Rules of Procedures for Shareholders' Meetings**

1. Purpose

To establish a strong governance system and sound supervisory capabilities for this Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

2. The rules of procedures for this Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

3.1 There are two types of shareholders' meeting: annual general meeting and other general meeting. The annual general meeting is convened at least once a year, and it should be held within six months after the end of each fiscal year. All shareholders' meetings that are not annual general meetings are other general meeting s. Unless otherwise provided by law or regulation, this Company's shareholders meetings shall be convened by the board of directors. If the board of directors or other convening right holders convene the shareholders' meeting, they may request the company or its professional stock agency to provide a shareholder register.

3.2 During the Relevant Period, the Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. At any time other than the Relevant Period, at least seven (7) days' notice in writing shall be given of an annual general meeting or any other general meeting.

3.3 With the consent of the addressee, the meeting notice may be given in electronic form.

3.4 Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital or compulsory purchase and cancellation of Shares pursuant to Paragraph (1) of Article 24, application for the approval of ceasing its status as a public company, dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the corporation, and such website shall be indicated in the above notice.

3.5 During the Relevant Period, any shareholder holding more than one (1) percent of the issued shares may submit a motion via correspondence to this Company for the annual shareholders' meeting. However, only up to one (1) motion may be accepted. Any additional motions proposed will not be included in the agenda. For a motion proposed by a shareholder that meets any of the circumstances provided in any subparagraph of Article

172-1 Paragraph 4 of the Company Act, the Board of Directors may choose not to list the motion in the agenda. But if the proposal provided by shareholder is for urging the corporation to promote public interests or fulfill its social responsibilities, the proposal may still be included in the agenda by the board of directors.

3.6 Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce its acceptance of shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

3.7 The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

3.8 Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

4.1 For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

4.2 A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

4.3 After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

5. The venue for a shareholders meeting shall be within the territory of the Republic of China or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

6.1 The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

6.2 The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

6.3 Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

6.4 The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

6.5 The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

6.6 When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

7.1 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired

by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

7.2 When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

7.3 It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

7.4 If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

7.5 The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

8.1 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

8.2 The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit on the grounds that the convening procedure of the shareholders' meeting or the method of their resolutions violates laws or regulations, the recording shall be retained until the conclusion of the litigation.

9.1 Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

9.2 The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

10.1 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

10.2 The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.

10.3 If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

10.4 The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a

vote, the chair may announce the discussion closed, call for a vote.

- 11.1 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.
- 11.2 A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
- 11.3 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- 11.4 When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
- 11.5 When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
- 11.6 After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- 12.1 Voting at a shareholders meeting shall be calculated based the number of shares.
- 12.2 With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
- 12.3 When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
- 12.4 The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.
- 12.5 With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.
- 13.1 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article of Association or related regulations.
- 13.2 During the Relevant Period, when the Company holds a shareholder meeting, it may adopt exercise of voting rights by correspondence or electronic means (Company that adopt electronic voting in accordance with Paragraph 1, Article 177-1 of the Company Law should adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.
- 13.3 A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made

to cancel the earlier declaration of intent.

13.4 After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

13.5 Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.(applicable During the Relevant Period)

13.6 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

13.7 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

13.8 Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

14.1 The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

14.2 The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit on the grounds that the convening procedure of the shareholders' meeting or the method of their resolutions violates laws or regulations, the ballots shall be retained until the conclusion of the litigation.

15.1 Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

15.2 During the Relevant Period, the Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

15.3 The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results. The minutes shall be retained for the duration of the existence of the Company.

16.1 On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

16.2 During the Relevant Period, if matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock

Exchange Corporation (or GreTai Securities Market) regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

17.1 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

17.2 The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

17.3 At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

17.4 When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

18.1 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

18.2 If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

18.3 A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

19. These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

20. The rules of procedure were formulated on August 11, 2018.

The rules of procedure were first revised on April 03, 2019.

Appendix 3

Khgears International Limited **Regulations Governing the Acquisition and Disposal of Assets** **(Before amendment)**

1. Purpose

The Company's acquisition or disposal of assets shall be made in accordance with these Procedures. Any other matters not set forth in these Procedures shall be governed by applicable laws, rules, and regulations.

2. Scope

2.1. Assets" used herein means:

- 2.1.1. securities investments (including equities, bonds, corporate bonds, bank indentures, security interest in funds, depository receipts, warrants, beneficiary securities, asset-backed securities, etc.).
- 2.1.2. real estate (including lands, plants and buildings and investment property) and equipment.
- 2.1.3. Memberships.
- 2.1.4. patents, copyrights, trademarks, franchise rights as intangible assets.
- 2.1.5. right-of-use assets.
- 2.1.6. derivatives products.
- 2.1.7. assets that are acquired or disposed through mergers, spin-offs, acquisitions or share Transfers.
- 2.1.8. other major assets.

2.2. Terms used in these Regulations are defined as follows:

- 2.2.1. Derivatives: 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.
- 2.2.2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- 2.2.3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 2.2.4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- 2.2.5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the

above date or the date of receipt of approval by the competent authority shall apply.

- 2.2.6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

3. Appraisal Procedures

3.1. The means of price determination

- 3.1.1. The securities obtained or disposed through the Centralized Trading Market or Taipei Exchange of the Republic of China shall be priced based on the trading price at that time.
- 3.1.2. For the securities not obtained or disposed through the Centralized Trading Market or GTSM, the prices shall be determined after taking into account the net worth per share, profitability, potential of future development and with reference to the trading prices at that time; or to be determined after taking account the interest rate prevalent in the market, interest rate on face of the bonds as well as the debtors' creditability.
- 3.1.3. The prices of real property acquired or disposed shall be determined based on the current official land prices, the values appraised and the trading prices of nearby real property.
- 3.1.4. The prices of equipment acquired or disposed shall be determined through any manner among price competition under restricted tendering, price negotiation under single tendering or open tendering.
- 3.1.5. The prices of memberships acquired or disposed shall be determined through either manner of price competition under restricted tendering or price negotiation under single tendering.
- 3.1.6. The prices of intangible assets acquired or disposed shall be determined in accordance with the related laws and regulations and contract(s).
- 3.1.7. The prices of derivatives acquired or disposed shall be determined through the manner as the Company's procedures for handling derivative transactions.
- 3.1.8. The prices of assets acquired or disposed through mergers, spin off, acquisitions, or transfer of shares shall be determined through the manner as set forth in Article 11 under the Procedures.

3.2. Basis for reference of pricing

3.2.1. Securities

To acquire or dispose securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the target company for the most recent period that was certified or reviewed by a certified public accountant as a reference in appraising the transaction price. If the dollar amount of the transaction reaches 20% of the Company's paid in capital or exceeds NT\$300 million or more, the Company shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use a report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF"). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the government authorities.

3.2.2. Real property, equipment or right of use assets

In acquiring or disposing of real property, equipment or right of use assets where the transaction amount reaches 20% of the Company's paid in capital or NT\$300 million or more, the Company, except for transacting with a local

government agency , engaging others to build on Company's own land, engaging others to build on rented land, or acquiring or disposing of equipment or right of use assets for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- 3.2.2.1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- 3.2.2.2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- 3.2.2.3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 3.2.2.3.1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 3.2.2.3.2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- 3.2.2.4. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided however, that where the publicly announced current value of the real property for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.
- 3.2.3. Intangible assets, right of use assets or memberships
In acquiring or disposing of intangible assets, right of use assets or memberships where the transaction amount reaches 20% of the Company's paid in capital or NT\$300 million or more, except in transactions with a local government agency , the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- 3.2.4. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Article 7.2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
- 3.2.5. Derivatives: To be duly handled in accordance with the procedures set forth in Article 10.
- 3.2.6. The prices of assets acquired or disposed through mergers, spin off, acquisitions, or transfer of shares shall be handled in accordance with the

procedures set forth in Article 11.

- 3.3. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters who provide appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be related parties.
- 3.4. Where the Company acquires or disposes assets through the court auction procedures, the evidentiary documentation issued by the court may be used to substitute appraisal report or CPA opinion.

4. Operating Procedures

The acquisition or disposal of the Company's assets shall be handled in accordance with the following limits and procedures.

- 4.1. Portfolio investment: Accounting department.
- 4.2. Real estate and equipment and their right-to-use assets: The department that uses them and the related responsible units.
- 4.3. Acquisition or disposal of memberships and intangible assets: The same as those for real estate and equipment and their right-to-use assets.
- 4.4. Acquisition or disposal of derivative products: The finance department is responsible for the evaluation and execution of such acquisition or disposal.
- 4.5. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares, and other important assets: The chairman of the board of directors shall instruct the person in charge or set up a task force to evaluate and execute.

5. Public Announcement and Declaration

- 5.1. Under any of the following circumstances, the Company acquired or disposed of assets shall publicly announce and report in accordance with relevant regulations in the appropriate format as prescribed by the regulations within two days from the date of occurrence of the event.
 - 5.1.1. Acquisition or disposal of real property or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided however, that this shall not apply to trading of local government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
 - 5.1.2. Merger, spin off, acquisition, or transfer of shares.
 - 5.1.3. Losses from derivative trading reaching the limits on aggregate losses or losses on individual contracts set forth in the Procedures adopted by the Company.
 - 5.1.4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - 5.1.4.1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - 5.1.4.2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
 - 5.1.5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
 - 5.1.6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following

circumstances:

- 5.1.6.1. Trading of domestic government bonds.
 - 5.1.6.2. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 - 5.1.6.3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- 5.2. The amount of transactions above shall be calculated as follows:
 - 5.2.1. The amount of any individual transaction.
 - 5.2.2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
 - 5.2.3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
 - 5.2.4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
 - 5.2.5. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
- 5.3. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- 5.4. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- 5.5. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
- 5.6. Where any of the following circumstances occurs with respect to a transaction that a public company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
 - 5.6.1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 - 5.6.2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - 5.6.3. Change to the originally publicly announced and reported information.
6. The Company and its subsidiaries may further invest in purchase of real property or

securities not for business operation needs within the following amounts and limits:

- 6.1. Total amount of investment in real property not for business operation purposes: Not exceed 50% of the Company's shareholders equity as audited and certified by certified public accountant.
- 6.2. The total amount of all security investments of the Company shall not exceed 100% of the Company's net worth.
- 6.3. The amount of investment of the Company in each individual security shall not exceed 50% of the Company's net worth.
7. Procedures to Control over Acquisition or Disposal of Assets by Subsidiaries
 - 7.1. A public company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Regulations.
 - 7.2. The Company should supervise its subsidiaries to check whether the established procedures for the acquisition or disposal of assets comply with the provisions of the treatment standards and whether the transactions of acquisition or disposal of assets are handled in accordance with the provisions of the treatment standards.
 - 7.3. The Company's internal auditors shall regularly review the reports of the subsidiaries' self-inspections and other related matters.
 - 7.4. In the event that a subsidiary of the Company is not a domestic public company and is required to make public announcement and declaration as required under Article 5.1 for the assets acquired or disposed, the Company shall conduct public announcement and declaration on its behalf.
 - 7.5. Where a subsidiary is required to make public announcement and declaration in accordance with Article 5 of the Procedures, the paid in capital or total assets used in Article 5.1 of the Procedures shall refer to the Company's paid in capital or total assets.
8. Penalties for violations of these Guidelines or the Company's Standing Rules for the Acquisition or Disposal of Assets by Relevant Personnel

If the Company's personnel violate the provisions of this procedure, the relevant personnel shall be given warnings or penalties depending on the circumstances of the violation.
9. Related Party Transactions
 - 9.1. Basis for determination
 - 9.1.1. When a public company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
 - 9.1.2. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters who provide appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be related parties.
 - 9.2. Resolution Procedure

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction

contract or make a payment until the following matters have been approved by the board of directors.

- 9.2.1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 9.2.2. The reason for choosing the related party as a transaction counterparty.
- 9.2.3. The information regarding appraisal of the reasonableness of the transaction terms.
- 9.2.4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- 9.2.5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 9.2.6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- 9.2.7. Restrictive covenants and other important stipulations associated with the transaction.

To be conducted between the Company and its parent or subsidiaries, the Company's board of directors may pursuant to the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

9.3. Assessment of the reasonableness of transaction costs

Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding do not apply: The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift. ; More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land. The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

- 9.3.1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- 9.3.2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- 9.3.3. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

9.4. Calculation of transaction costs below the transaction price

9.4.1. The results of appraisals conducted in accordance with the preceding articles are uniformly lower than the transaction price, the following steps shall be taken:

- 9.4.1.1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- 9.4.1.2. The board of directors shall comply with Article 218 of the Company Act.
- 9.4.1.3. Actions taken pursuant to the preceding subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- 9.4.1.4. In the event that the exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, the provisions may be waived.

9.4.2. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

- 9.4.2.1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
- 9.4.2.2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

9.4.3. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real

property or obtainment of the right-of-use assets thereof.

10. The Company's financial derivatives transactions shall be in compliance with the Company's "Procedures for Financial Derivatives Transactions".

11. Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

- 11.1. Evaluation and operating procedures

- 11.1.1. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

- 11.1.2. The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

- 11.2. Other Noticeable Items

- 11.2.1. Date of the Board of Directors

- The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

- 11.2.2. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

- 11.2.3. The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- 11.2.3.1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- 11.2.3.2. An action, such as a disposal of major assets, that affects the company's financial operations.
- 11.2.3.3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- 11.2.3.4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- 11.2.3.5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- 11.2.3.6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 11.2.4. The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
 - 11.2.4.1. Handling of breach of contract.
 - 11.2.4.2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - 11.2.4.3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - 11.2.4.4. The manner of handling changes in the number of participating entities or companies.
 - 11.2.4.5. Preliminary progress schedule for plan execution, and anticipated completion date.
 - 11.2.4.6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 11.2.5. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- 11.2.6. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 11.2.7, Article 11.2.8, and the preceding article.
- 11.2.7. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:
 - 11.2.7.1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of

foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

11.2.7.2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

11.2.7.3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors' meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Article 11.2.7.1 and 11.2.7.2 of the preceding paragraph to the FSC for recordation.

12. Any violation of this procedure shall be disciplined in accordance with the relevant laws and regulations.

13. Implementation and revision

13.1. With the approval of one-half of all members of the Audit Committee, the resolution shall be submitted to the Board of Directors for approval and submitted to the shareholders' meeting for implementation. If approval of one-half or more of all audit committee members are not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

13.2. When the procedures are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Appendix 4

Shareholdings of All Directors

March 22, 2022

Title	Name	Shareholdings	%
Chairman	KWOK HING GLOBAL LIMITED	6,637,963	12.44%
Representative	Ko Kowk Hing	Note 1	Note 1
Vice Chairman	Wu, Chin-Jung	414,000(Note2)	0.78%(Note2)
Director	Chung, Chao-Wen	3,000(Note3)	0.01%(Note3)
Director	Tu, Chun-Hui	100,000(Note4)	0.19% (Note4)
Independent Director	Chou, Tsung-Nan	-	-
Independent Director	Huang, Sheng-Lung	-	-
Independent Director	Tu, Kuo-Chiang	-	-

Note1: Ko Kowk Hing holds 52% of KWOK HING GLOBAL LIMITED, KWOK HING GLOBAL LIMITED holds 6,638 thousand shares of KHGEARS(12.44%)

Note2: Wu, Chin-Jung holds 100% of Henry & Helen Company Limited, Henry & Helen Company Limited holds 3,972 thousand shares of KHGEARS(7.44%)

Note3: Chung, Chao-Wen holds 100% of Jibulu Company Limited, Jibulu Company Limited holds 3,344 thousand shares of KHGEARS(6.26%)

Note4: Tu, Chun-Hui holds 100% of Jinjee Investment Company Limited, Jinjee Investment Company Limited holds 1,758 thousand shares of KHGEARS(3.29%)