

Airtac

AIRTAC INTERNATIONAL GROUP

General Manager Office

Rule of Corporate Governance

Doc. No. **AO-GM-MR-012**

Version **B-2**

1. Purpose

To assist Airtac International Group (the “Company”) in establishing a sound corporate governance system, the Rule of Corporate Governance (the “Rule”) is hereby adopted and followed.

2. Scope

The Company shall comply with the Rule in addition to complying with applicable laws and regulations, Articles of Association, as well as agreements and related regulatory matters as entered into with the Stock Exchange. Any uncovered matters of this Rule or in the event of subsequent changes to the applicable laws and regulations shall be handled in accordance with the applicable laws and regulations then in effect.

3. Responsibilities

3.1 General Manager Office: assist in the preparation, interpret, and revision of this Rule.

4. Definitions

None

5. Procedures

None

6. Contents**6.1 General****6.1.1 Principles of Corporate Governance of the Company**

The principles of corporate governance of the Company, in addition to complying with applicable laws and regulations, Articles of Association, as well as agreements and related regulatory matters as entered into with stock exchanges, shall comply with the following:

- (1) Protect the interest of the shareholders
- (2) Strengthen the functions of the Board of Directors
- (3) Respect the rights of the stakeholders
- (4) Increase the transparency of information

6.1.2 Establish Internal Control System

The Company shall, in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies”, consider the overall operating activities of the Company and its subsidiaries to design and implement its internal

control system, and review the system from time to time in response to the Company's internal and external changes in order to ensure the continuous and effective design and implementation of the system.

In addition to self-assessment of the internal control system, the Board of Directors and management shall also review the results of the self-assessment of various departments at least once a year and check the audit reports of the auditing units quarterly, and the audit committee shall pay close attention to and supervise the above. The directors of the Company shall have regular discussions with internal auditors regarding the review of deficiencies to the internal control system, and shall record, track, and implement improvements, and submit reports to the Board of Directors. The Company shall establish channels of communication and mechanisms between independent directors, audit committees, and internal audit supervisors. The evaluation of the effectiveness of the internal control system shall be approved by over half of the members of the audit committee, and proposed as a resolution to the Board of Directors.

The management of the Company should attach importance to internal auditing units and personnel, and give full authority to the foregoing, urge them in checking and evaluating the deficiencies of the internal control system and measure the efficiency of operations so as to ensure the continuous and effective implementation of the system and assist the Board of Directors and management in performing its responsibilities to implement the corporate governance system. The appointment, dismissal, evaluation, and salary of the Company's internal auditors should be submitted for the Chairman's approval by the audit supervisor.

In order to implement the internal control system and strengthen the professional capabilities of the internal auditors as agents, and to enhance and maintain the quality and effects of implementation of audits, the Company shall set up deputies for internal auditors.

6.1.3 Competent and appropriate numbers of corporate governance personnel may be hired based on the Company's size, business, and management needs, and a corporate governance director as the highest-level director in charge of corporate governance matters shall be designated in accordance with the instructions of the

competent authority and stock exchange. The director shall have obtained professional qualifications of a lawyer, accountant, or shall have been in charge of legal affairs, legal compliance, internal audits, finance, stock affairs, or matters related to corporate governance for more than three years in public companies or institutions relating to securities, finance, and futures.

The aforementioned matters relating to corporate governance shall at least include:

- (1) Handling of matters relating to the Board of Directors and Shareholders meetings in accordance with applicable laws
- (2) Preparation of the meeting minutes of Board of Director and Shareholders meetings
- (3) Assist directors (including independent directors) in their appointment and continued education
- (4) Provide information necessary for directors (including independent directors) to perform their responsibilities
- (5) Assist directors (including independent directors) in complying with laws and regulations
- (6) Other matters as stipulated in the Company's Articles of Association or as stipulated by other agreements.

6.2 Protect the Interests of Shareholders

6.2.1 Encourage Shareholders to participate in corporate governance

6.2.1.1 Protect the interests of Shareholders

The corporate governance system of the Company should treat all Shareholders fairly and protect the interests of the Shareholders.

The Company should establish a corporate governance system which ensures that the Shareholders would have full knowledge of, participate in, and decision-making rights regarding material matters of the Company.

6.2.1.2 Convene a Shareholder meeting and formulate complete rules of procedure

The Company shall convene Shareholder meeting in accordance with the provisions of the Company Act and relevant laws and regulations, and formulate complete rules of procedure for such meetings. Matters which should be resolved

by the Shareholder meeting shall be implemented in accordance with such rules of procedure.

The resolutions of the Shareholder meeting of the Company shall comply with applicable laws and the Company's Articles of Association.

6.2.1.3 The Board of Directors shall properly arrange the issues and procedures for the Shareholders meeting

The Board of Directors of the Company shall properly arrange the issues and procedures of the Shareholders meeting, formulate the principles and operating procedure for Shareholders to nominate directors (including independent directors) and proposals for Shareholders meeting, and properly handle the proposals proposed in accordance with the laws by the Shareholders. The Shareholders meeting shall be arranged at a convenient location and shall be supported by visual communication network, with ample time to be reserved, appoint adequate and competent personnel to handle the registration procedures, and shall not arbitrarily add other supporting documents to those required for Shareholders attendance; further, reasonable time should be allocated for discussion for various issues, and Shareholders should be given appropriate opportunities to speak.

The Chairman of the Board of Directors should personally preside over the Shareholders meeting convened by the Board of Directors, and more than one-half of the directors (including at least one independent director) shall be in attendance. The attendance shall be recorded in the minutes of the Shareholders meeting.

6.2.1.4 Encourage Shareholders to participate in corporate governance

The Company shall encourage the Shareholders to participate in corporate governance, and should appoint a professional shareholder services agent to handle the affairs of the Shareholders meeting, to ensure that the Shareholders meeting is convened under the premises of legal, effective, and safe. The Company may use various methods and channels to fully adopt technological information disclosure methods, and simultaneously upload the Mandarin and English versions of the annual report, annual financial report, notice of

Shareholders meeting, meeting handbook, and supplemental materials for the meeting. Electronic voting shall be adopted to improve the ratio of Shareholders attending the meeting, so as to ensure that Shareholders can exercise their rights during such meeting in accordance with the laws.

The Company should avoid proposing interim motions and amendments to original proposals at the Shareholders meeting.

The Company shall arrange for Shareholders to vote on the each of the proposals of the Shareholders meeting, and input the results of the Shareholders approval, opposition, or abstention into the internet information reporting system designated by the Company on the day of the Shareholders meeting.

6.2.1.5 Minutes of the Shareholders meeting

The Company shall record the year, month, day, location, name of the chairman, and methods of resolution in the meeting minutes of the Shareholders meeting in accordance with the Company Act and relevant laws, and shall also records the main points and results of the deliberations. The election of directors (including the independent director) shall specify the method of voting and the number of votes each elected director (including the independent director) has received.

The minutes of the Shareholders meeting shall be kept properly and permanently during the existence of the Company, and shall be fully disclosed on the Company's website.

6.2.1.6 The chairman of the Shareholders meeting should fully understand and abide by the Company's rules of procedure

The chairman of the Shareholders meeting should fully understand and abide by the Company's rules of procedure, maintain a smooth agenda, and not arbitrarily announce the adjournment of the meeting.

To protect the rights and interests of the majority of the Shareholders, in the event the chairman violates the rules of procedure and announces the adjournment of the meeting, other members of the Board of Directors shall promptly assist the Shareholders attending the meeting to elect by a majority vote of those Shareholders in attendance, in accordance with the procedures stipulated by law,

one person as the chairman to continue the meeting.

6.2.1.7 Value the right to information of the Shareholders and prevent Insider Trading

The Company shall value the information rights of the Shareholders, and comply with the relevant regulations on disclosure of information, and regularly and promptly provide information regarding the Company's finances, business, insider shareholding, and corporate governance through either the Market Observation Post System or the Company website to the Shareholders.

To treat the Shareholders equally, the release of the aforementioned information shall be simultaneously disclosed in English.

To protect the rights of and to implement the equal treatment of Shareholders, the Company shall formulate internal regulations to prohibit insiders from using undisclosed information to buy and sell securities on the market. The foregoing regulation shall include the stock trading control measures to be taken on the day insiders of the public company receives information regarding the company's financial report or related performances, including (but not limited to) no trading of shares by the directors during the blackout period of 30 days before the publication of the annual financial report and 15 days before the publication of the quarterly financial report.

6.2.1.8 Reporting the Remuneration of the Directors at the Shareholders meeting

The Company may report the remuneration received by directors at the Shareholders meeting, including the remuneration policy, the content and amount of the individual remuneration, and its correlation to the results of the performance evaluation.

6.2.1.9 Shareholders shall have the right to share in the surplus of the Company

Shareholders shall have the right to share in the surplus of the Company. To ensure the investment rights and interests of the Shareholders, the Shareholders meeting may, in accordance with Article 184 of the Company Act, audit the lists and charts prepared by the Board of Directors and reports by the audit committee, and determine the distribution of surplus or compensate for losses. For the foregoing audit, an inspector may be appointed by the Shareholders meeting.

Shareholders may, in accordance with Article 245 of the Company Act, request

the Court to appoint an inspector to inspect the Company's business accounts, condition of assets, specific matters, and specific transaction documents and records.

The Board of Directors, audit committee, and manager of the Company shall not evade, obstruct, or refuse, and must fully cooperate with the inspection as mentioned in the two foregoing paragraphs by the inspector.

6.2.1.10 Material financial business activities shall be approved by the Shareholders meeting

To protect the rights and interests of Shareholders, relevant operating procedures shall be formulated and submitted to the Shareholders meeting for approval, and material financial business activities of the Company, such as the acquisition or disposal of assets, capital loans, and endorsements and guarantees shall be handled in accordance with relevant laws.

When the Company undergoes mergers or public acquisitions, in addition to handling the matters in accordance with applicable laws and regulations, attention should be paid to the fairness and reasonableness of the merger and acquisition or public acquisition plans and transactions, as well as the disclosure of information and the integrity of the Company's financial structure following such merger and acquisition.

The Company personnel handling the foregoing matters should pay attention to and avoid conflicts of interest.

6.2.1.11 Dedicated personnel to properly handle Shareholders' suggestions

To ensure the rights and interests of the Shareholders, the Company shall appoint dedicated personnel to properly handle the suggestions, doubts and disputes of the Shareholders.

In the event the Shareholders meeting or the resolutions of the Board of Director violates the laws or the Articles of Association of the Company, or if the directors (including the independent directors) or managers violate the laws or the Articles of Association of the Company during the performance of their duties, resulting in damages to the Shareholders' rights and interests, the Company must properly

handle any claims brought by the Shareholders in accordance with laws.

The Company shall formulate internal operating procedures to properly handle the two preceding matters, keep written records for future reference and incorporate them into the control of the internal control system.

6.2.2 Establish a mechanism to interact with Shareholders

6.2.2.1 The Board of Directors shall be responsible to establish a mechanism to interact with Shareholders

The Board of Directors of the Company shall be responsible to establish a mechanism to interact with Shareholders to enhance the mutual understanding of the parties regarding the Company's development purposes.

6.2.2.2 Communicate with Shareholders in an efficient matter and obtain support

In addition to communicating with Shareholders through the Shareholders meeting and encouraging the Shareholders to participate in the Shareholders meeting, the Board of Directors of the Company shall communicate with the Shareholders through an efficient manner, and cooperate with the managers and independent directors in understanding the opinions and issues of concerns of the Shareholders, to clearly explain the policies of the Company in order to obtain the support of the Shareholders.

6.2.3 Corporate governance relationship between the Company and its affiliates

6.2.3.1 Establish a firewall

The management objectives and responsibilities of the personnel, assets, and finances between the Company and its affiliates should be clarified, risk assessment shall be properly performed and proper firewalls be established.

6.2.3.2 The managers should not act as manager of affiliated companies concurrently

Unless otherwise stipulated by laws, the managers of the Company shall not serve as managers of affiliated companies concurrently.

Directors (including independent directors) shall explain the main points of their actions and obtain the permission of the Shareholders meeting if they act within the scope of business of the Company for themselves or others.

6.2.3.3 Establish sound management systems for financials, business, and accounting

The Company shall establish sound management objectives and systems for

financials, business, and accounting in accordance with applicable laws, and shall properly conduct comprehensive risk assessments with affiliated companies on major banks, customers, and suppliers, and to implement necessary control mechanisms to reduce credit risks.

6.2.3.4 Business dealings with affiliated companies shall be based on the principle of fairness and reasonableness

The Company's business dealings with affiliated companies shall be based on the principle of fairness and reasonableness, and written regulations on the financial business-related operations between the parties shall be formulated. Pricing conditions and payment methods shall be clearly set for contracts, and unconventional transactions shall be eliminated.

Transactions or contracts between the Company and its affiliates and Shareholders shall be handled in accordance with the preceding principles, and tunneling shall be strictly prohibited.

6.2.3.5 Matters the Company's corporate shareholders with controlling powers should comply with:

- (1) The obligation of good faith to other Shareholders, and shall not directly or indirectly cause the unconventional or other unprofitable operations of the Company
- (2) The representative shall comply with the relevant regulations set forth by the Company regarding the exercising of rights and participation in resolutions, and shall exercise their voting rights based on the principle of good faith and act on the best interests of all Shareholders when participating in the Shareholders meeting, and be able to fulfill the duty of loyalty and care of directors.
- (3) The nomination of the directors of the Company shall be handled in accordance with applicable laws and the Articles of Association of the Company, and shall not exceed the scope of authority of the Shareholders meeting and the Board of Directors.
- (4) Shall not interfere with the decisions of the Company or to hinder the business

 Airtac International Group	Rule of Corporate Governance					No.	AO-GM-MR-012
	Prepared on	Dec. 17, 2014	Revised	May 6, 2022	Version	B-2	Page

activities of the Company

(5) Shall not restrict or hinder the Company’s production and operations through unfair competition, such as monopolistic procurement or closing channels of sales.

(6) The legal representative appointed as a result of being elected director shall meet the professional qualifications required by the Company and shall not be arbitrarily reassigned.

6.2.3.6 List of major shareholders and ultimate controllers of the major shareholders

The Company should keep a list of the major shareholders holding a large proportion of shares, major shareholders who can actually control the Company, and the ultimate controllers of the major shareholders.

The Company shall regularly disclose the pledges, increases or decreases in shareholding, or other material matters that may cause changes to the shareholding by shareholders holding more than 10% of the shares so other shareholders may supervise.

The “major shareholder” as described in the preceding paragraphs shall refer to shareholders with a shareholding ratio of more than 5%, or those whose shareholding ratio is on the top ten of all shareholders. The Company may decide on a lower share ratio based on the Company’s actual shareholdings.

6.3 Strengthen the functions of the Board of Directors

6.3.1 Structure of the Board of Directors

6.3.1.1 The required abilities of the Board of Directors

The Board of Directors of the Company shall guide the strategies of the Company, supervise the management, and be responsible to the Company and the Shareholders. The operations and arrangements of the corporate governance system shall ensure that the Board of Directors exercises its powers in accordance with the applicable laws, the Articles of Association of the Company, or the resolutions of the Shareholders meeting.

The structure of the Company’s Board of Directors shall, considering the development scale of the Company, the shareholding of major shareholders, and

the practical operational needs, determine the appropriate number of directors seats, which shall be more than five.

The composition of the Board of Directors shall be diversified. Other than that the directors who also serve as managers of the Company shall not exceed one-third of the number of directors, the Company shall formulate appropriate diversification policies based on its operations, types of operations, and development needs, which shall include but not be limited to the two major standards below:

- (1) Basic conditions and values: gender, age, nationality, and culture, etc., and the ratio of female directors should reach one-third of the number of board seats
- (2) Professional knowledge and skills: professional background (i.e., law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc. .

The members of the Board of Directors shall generally possess the knowledge, skills, and attainments necessary to perform their duties. To achieve the ideal goals of corporate governance, overall, the Board of Directors should possess the following capabilities:

- (1) Operational judgement
- (2) Analysis of accounting and financials
- (3) Management
- (4) Crisis management
- (5) Knowledge of the industry
- (6) View of the international market
- (7) Leadership abilities
- (8) Decision making abilities

6.3.1.2 Formulate a fair, just, and open procedure for the selection of directors

The Company shall, in accordance with the principles of protecting the rights and interests of the Shareholders, and to treat Shareholders equally, formulate a fair, just and open procedure for the selection of directors, encourage the

Shareholders to participate, and shall adopt a cumulative voting system in accordance with the Company Act to fully reflect the opinions of the Shareholders.

Unless otherwise approved by the competent authority, more than one-half of the seats of directors of the Company shall not have any kinship relationships within the scope of spouses or second-degree kinship with each other.

In the event directors are dismissed for reason, causing there to be less than five directors, such seats shall be elected through by-election at the next Shareholders meeting. In the event the vacant number of directors reached one-third of the seats as specified in the Articles of Association, a by-election shall be held within 60 days from the date of occurrence through an extraordinary Shareholders meeting.

The total shareholding ratio of all directors of the Board of Directors of the Company shall comply with the law, and the restrictions on the transfer of shares and the creation or cancellation or of pledges or changes to the shares held by the directors shall be handled in accordance with applicable laws and all information shall be fully disclosed.

6.3.1.3 The Articles of Association shall specify using the system of nomination of candidates to elect directors

The Company shall, in accordance with the provisions of the Company Act, stipulate in the Articles of Association that the system of nomination of candidates shall be adopted for the election of directors, evaluate carefully the qualifications of the nominees and whether there are any matters listed in Article 30 of the Company Act, and handle such matter in accordance with Article 192-1 of the Company Act.

6.3.1.4 The responsibilities of the Chairman and general manager should be clearly divided

The responsibilities of the Chairman and general manager of the Company shall be clearly divided.

The Chairman and general manager or equivalent positions shall not be held by the same person. Responsibilities should be clearly assigned in the event a

functional committee is set up.

6.3.2 The independent director system

6.3.2.1 Independent directors to be established in accordance with the Articles of Association

The Company shall, in accordance with the Articles of Associations, have no less than three independent directors, and such independent directors may be no less than one-third of the total number of directors. The term of the independent directors may not exceed three consecutive terms.

The independent director shall have professional knowledge and be restricted in their shareholding. Other than in accordance with the applicable laws, the director should not serve as the director (including independent directors) or supervisors of more than five listed companies at the same time, and shall maintain independence during the performance of business scopes, and must not have direct or indirect interests in the Company.

In the event the Company, group companies and organizations and other companies, group companies and organizations mutually nominate the directors, supervisors, or managers of the other party as a candidate for the independent director, the Company shall disclose this information when accepting the nomination of candidates for independent directors, and explain the competence of such candidate. If such candidate is elected as an independent director, the number of votes received shall be disclosed.

The “group companies and organizations” referred to in the preceding paragraphs shall be applicable to the subsidiaries of the Company, foundations whose direct or indirect donation funds exceed 50%, and other institutions or legal entities with substantial controlling capabilities.

During their tenure, the independent director and non-independent directors shall not change their identities.

The professional qualifications, restrictions on shareholding and part-time employment, determination of independence, methods of nomination, and other measures to be followed shall be handled in accordance with the Securities and Exchange Act, Regulations Governing Appointment of Independent Directors

and Compliance Matters for Public Companies, and regulations set forth by the Stock Exchange.

6.3.2.2 Matters to be passed by the Board of Directors

The Company shall, in accordance with the Securities and Exchange Act, submit the following matters for the resolution of the Board of Directors; in the event independent directors have any objections or reservations, such objections and reservations shall be recorded in the minutes of the Board of Directors meeting:

- (1) Formulate or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (2) Formulate or amend the procedures for the processing of major financial business activities such as the acquisition or disposition of assets, engaging in transactions of derivative products, loaning funds to others, endorse or provide guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.
- (3) Matters involving the interests of directors (including independent directors).
- (4) Major transactions involving assets or derivative products.
- (5) Material loans to others, endorsements, or guarantees.
- (6) The raising, issuance, or private placement of securities having the nature of equity.
- (7) The appointment, dismissal of or remuneration to certified accountants.
- (8) The appointment and removal of financial, accounting, or internal audit supervisors.
- (9) Other material matters as stipulated by the competent authority.

6.3.2.3 The responsibilities of independent directors shall be clearly defined

The Company shall clearly define the scope of the duties of the independent directors, and the relevant personnel and resources authorized to exercise their powers. The Company and other members of the Board of Director shall not hinder, refuse or avoid the performance of duties by the independent director.

The Company shall clearly specify the compensation of directors in the Articles of Association. The compensation shall fully reflect the personal performance of the director and the Company's long-term operating performance, as well as

consider the comprehensive operating risks of the Company. Independent directors may be subject to a reasonable compensation different from that of ordinary directors.

6.3.3 Functional committee

6.3.3.1 Establishing functional committees

To strengthen and improve the supervision and management functions, the Board of Directors shall consider the Company's size, nature of business, number of directors on the Board of Directors and establish functional committees for auditing, salary, nomination, risk management and other functions, and may, based on the philosophy of corporate social responsibility and sustainability, establish environmental protection, corporate social responsibility, or other committees, and clearly stipulate the above in the Articles of Association.

The functional committees shall be accountable to the Board of Directors, and shall submit proposals to the Board of Directors for resolution. Notwithstanding the foregoing, the aforementioned shall not be applicable to the audit committee exercising the supervisory powers in accordance with Paragraph 4, Article 14-4 of the Securities and Exchange Act.

The functional committees shall formulate organization rules to be passed by the resolution of the Board of Directors, The organizational rules shall include the numbers of members of the committee, term of office, duties, rules of procedure, and the resources that should be provided by the Company during the exercising of their responsibilities.

6.3.3.2 Establishing an auditing committee

The Board of Directors of the Company shall establish an audit committee.

Such committee shall be comprised of all independent directors, to be no less than three members in total, with one to be the convener, and at least one of which shall possess expertise in finances or accounting.

The exercise of powers and related matters by the audit committee and its independent director members shall be in accordance with the Securities and Exchange Act, Regulations Governing Appointment of Independent Directors

and Compliance Matters for Public Companies, and regulations set forth by the Stock Exchange.

6.3.3.3 A committee shall be established for salary and remuneration

The Company shall establish a salary and remuneration committee, whereby over one-half of the members shall be independent directors; the professional qualifications, exercise of authority, formulation of the regulations of the organization and other related matters shall be handled in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.

6.3.3.4 Reporting system

The Company shall set up and announce reporting channels for internal and external personnel, and establish a protection system for the reporter; the acceptance unit shall be independent, and shall encrypt, protect, and appropriately restrict the rights to access the files provided by the reporter, and shall formulate internal operating procedures and be included in the control of the internal control system.

6.3.3.5 Strengthen and improve the quality of financial reports

To improve the quality of the financial reports, the Company shall set up a deputy for the position of the accounting supervisor.

The deputy for the accounting supervisor in the preceding paragraph shall, like the accounting supervisor, continue education annually in order to strengthen the professional ability of as a deputy of the accounting supervisor.

Accounting personnel related to the preparation of financial reports shall take more than six hours of professional courses each year. The training may be through participation in the Company's internal education and training or through professional courses organized by the training institution of the accounting supervisor.

The Company shall choose a professional, responsible, and independent certified accountant to regularly audit the Company's financial status and internal control.

The Company shall review and improve upon the irregularities or deficiencies discovered and exposed by the accountants during the audit, as well as any specific suggestions for improvement or prevention of fraud in a timely manner. The Company shall also establish communication channels or mechanisms for independent directors, the audit committee and certified accountants, and formulate internal operating procedures and incorporate the foregoing into the internal control system. The Company shall regularly (at least once annually) assess the independency of the hired accountant. If the Company has not changed the accountant for seven consecutive years or if the accountant has been punished or there has been damages to his independency, the Company shall consider whether it is necessary to change the accountant, and report such results to the Board of Directors.

6.3.3.6 Provide the Company with appropriate legal services

The Company shall engage professional and competent lawyers to provide the Company with appropriate legal consultation services, or assist in improving the legal literacy of the Board of Directors and the management to prevent the Company and relevant personnel from violating any laws or regulations and to promote the operation of corporate governance under the relevant legal framework and procedures.

In the event directors (including independent directors) and management are involved in litigation or disputes with Shareholders during the performance of the business in accordance with applicable laws, the Company shall, depending on the situation engage lawyers for assistance.

The audit committee or its independent directors may engage lawyers, accountants, or other professionals on behalf of the Company to perform necessary inspections or provide consultations on matters relating to the performance of duties, of which the expenses incurred shall be borne by the Company.

6.3.3.7 The Company should establish a nomination committee

The Company may establish a nomination committee and formulate the organization rules. Independent directors shall serve as over one-half of the

members, and the chairman shall be assumed by an independent director.

6.3.4 Rules of procedure and decision-making procedure of the Board of Directors

6.3.4.1 Convening a meeting of the Board of Directors

The meeting of the Board of Directors of the Company shall convene at least once every quarter, and may convene at any time in case of emergency. The reason for convening of the meeting of the Board of Directors must be specified and all directors (including independent directors) must be notified seven days in advance. Sufficient meeting materials shall be sent along with the meeting notice. In the event the meeting materials are insufficient, the directors shall have the right to request supplementation, or may postpone the meeting after so resolved by the Board of Directors.

The Company shall formulate rules of procedure for the Board of Directors; the main contents to be discussed at the meeting, operating procedures, items to be recorded in the minutes, announcements and other matters shall be handled in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

6.3.4.2 Directors should uphold a high level of self-discipline

Directors should uphold a high level of self-discipline. If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. Matters for recusal of the director shall be clearly stipulated in the rules of procedure for the Board of Directors.

6.3.4.3 Independent directors and the Board of Directors

The independent directors of the Company must attend in person for matters stipulated in Article 14-3 of the Securities and Exchange Act, and may not be represented by non-independent directors. Any objections or reservations of the independent director shall be recorded in the meeting minutes; if the independent

director cannot personally attend the meeting to express their objections or reservations, unless a legitimate reason exists, a written opinion should be issued in advance and recorded in the meeting minutes.

If there are any of the following matters in the Board of Directors' resolutions, other than being clearly recorded in the meeting minutes, such matters shall also be declared on the Market Post Observation System two hours before the start of trading on the next business day following the day of the meeting of the Board of Directors:

- (1) There are objections or reservations from the independent directors, and such objections or reservations was recorded or exist as written statements.
- (2) Matters not approved by the audit committee, if approved by over two-thirds of all directors.

During the proceedings of the meeting, managers from the relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make report on the current business conditions and respond to inquiries raised by the directors. Where necessary, CPA, legal counsel or other professionals may be invited to sit in at the meetings to assist the directors in understanding the conditions of the company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

6.3.4.4 Meeting minutes of the Board of Directors meeting

The members of the Board of Directors of the Company shall accurately record the meeting and summary of each proposal, resolution, and results in accordance with applicable laws.

The minutes of the board meetings must be signed or stamped by the Chairman and recording personnel, and be distributed to all directors (including independent directors) within 20 days after the meeting. The attendance book of the Board of Directors is a part of the meeting minutes, and shall be included in the important files of the Company to be kept permanently and properly during the existence of the Company.

The production, distribution, and preservation of the meeting minutes may be done electronically.

The Company shall record the entire proceeding of the meeting of the Board of Director through video or audio recordings, and shall keep such recordings for at least five years, the preservation of which may be done electronically.

Prior to the expiry of the preservation period in the preceding paragraph, in the event a lawsuit concerning the matters discussed during the Board of Directors meeting occurs, the relevant video or audio recordings shall be kept continuously, and the provisions of the preceding paragraph shall not apply.

If video conference is used to convene the Board of Directors meeting, the audio and video materials shall be part of the proceedings of the meeting and shall be kept permanently.

Where the resolution of the Board of Directors violates applicable laws, the Articles of Association, or the resolutions of the Shareholders meeting, and causes damage to the Company, the director expressing dissent and can present records or written statements as evidence of such dissent shall be exempted from liability for compensation.

6.3.4.5 Matters to be discussed by the Board of Directors

The following matters of the Company shall be submitted to the discussion by the Board of Directors:

- (1) The plan of operation of the Company
- (2) Annual financial and semi-annual financial reports. Where the semi-annual financial report is not required to be verified by an accountant according to law, such reports shall be exempt.
- (3) Formulate or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act, and the evaluation of the effectiveness of the internal control system.
- (4) Adoption or amendment, pursuant to Article 36-1, 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.
- (5) The offering, issuance, or private placement of any equity-type securities.
- (6) The performance evaluation standards and emolument standards for

managers.

- (7) The structure and system of the remuneration of directors.
- (8) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (9) A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
- (10) Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board of Directors for discussion under the preceding paragraph, when the Board of Directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

6.3.4.6 Matters to be executed pursuant to Board of Directors' resolutions shall be given to the appropriate department or personnel

The Company shall ask the appropriate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and objectives, and shall also follow up on those matters and faithfully review their implementation.

The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the Board of Director's management decisions.

6.3.5 The responsibilities and duty of loyalty and care of directors

6.3.5.1 Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the

Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in Shareholders meetings or in the Articles of Association, they shall ensure that all matters are handled according to the resolutions of Board of Directors.

It is advisable that the Company formulate rules and procedures for Board of Directors performance assessments. Each year, in respect of the Board of Directors and individual directors, it shall conduct regularly scheduled performance assessments through self-assessments or peer-to-peer assessments, and may also do so through outside professional institutions or in any other appropriate manner. A performance assessment of the Board of Directors shall include the following aspects, and appropriate assessment indicators shall be developed in consideration of the Company's needs:

- (1) The degree of participation in the Company's operations.
- (2) Improvement in the quality of decision making by the Board of Directors.
- (3) The composition and structure of the Board of Directors.
- (4) The election of the directors and their continuing professional education.
- (5) Internal controls.

The performance assessments of board members (self-assessments or peer-to-peer assessments) shall include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- (1) Their grasp of the Company's goals and missions.
- (2) Their recognition of director's duties.
- (3) Their degree of participation in the Company's operations.
- (4) Their management of internal relationships and communication.
- (5) Their professionalism and continuing professional education.
- (6) Internal controls.

It is advisable that the Company conduct performance assessments of a functional committee, covering the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- (1) Their degree of participation in the Company's operations.
- (2) Their recognition of the duties of the functional committee.
- (3) Improvement in the quality of decision making by the functional committee.

(4) The composition of the functional committee, and election and appointment of committee members.

(5) Internal control.

6.3.5.2 Requests to the Board of Directors to stop implementation of resolution from shareholders or independent directors

If a resolution of the Board of Directors violates law, regulations or the Company's Articles of Association, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of a supervisor to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the Board of Directors shall immediately report to the audit committee, an independent director member of the audit committee, or a supervisor in accordance with the foregoing paragraph.

6.3.5.3 Directors' liability insurance

The Company shall take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next board meeting.

6.3.5.4 Members of the Board of Directors to participate in training courses

Members of the Board of Directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy.

They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

6.3.5.5 Establishment of an intellectual property regulatory system

The Board of Directors is advised to evaluate and monitor the following aspects of the Company's direction of operation and performance in connection with intellectual properties, to ensure the Company develops an intellectual property regulatory system in accordance with the "Plan-Do-Check-Act" cycle:

- (1) Formulate intellectual property regulatory policies, objectives and systems that are associated with the operational strategies.
- (2) Develop, implement and maintain on the basis of scale and form its regulatory systems governing the procurement, protection, maintenance and utilization of intellectual properties.
- (3) Identify and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.
- (4) Observe internally and externally the risks and opportunities that intellectual property regulation may present and adopt corresponding measures.
- (5) Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory regime meet the Company's expectations.

6.4 Respecting Stakeholders' Rights

6.4.1 Maintain communication with the Company's stakeholders and safeguard their rights and interests

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and designate a stakeholders' section on the Company's website.

When any of a stakeholder's legal rights or interests is harmed, the Company shall handle the matter in a proper manner and in good faith.

6.4.2 Provide sufficient information to banks and its other creditors

The Company shall provide sufficient information to banks and other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its decision-making process. When any of their legal rights or interest is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

6.4.3 Establish channels of communication with employees

The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or supervisors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

6.4.4 Social Responsibility

In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the Company's social responsibility.

6.5 Improving Information Transparency**6.5.1 Enhancing Information Disclosure****6.5.1.1 Disclosure of information and internet-based reporting system**

Disclosure of information is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and the related stock exchange rules.

The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

The Company shall establish an internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of

shareholders and stakeholders.

6.5.1.2 Appointment of a spokesperson

In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson

6.5.1.3 Set up a corporate governance website

In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

6.5.1.4 Method for holding an investor conference

The Company shall hold an investor conference in compliance with the regulations of the stock exchange, and shall keep an audio or video record of the

meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the company, or through other channels, in accordance with the stock exchange's rules.

6.5.2 Disclosure of Information on Corporate Governance of the Company

6.5.2.1 Disclosing the Company's corporate governance information

The Company's website shall set up a designated area disclosing and update from time to time the following information regarding the Company's corporate governance:

- (1) Board of Directors: the resumes of the board members and their responsibilities, the diversity policy of the members of the Board of Directors and its implementation.
- (2) Functional Committees: the resumes of the members of each functional committee and its responsibilities.
- (3) Corporate governance related regulations: the Articles of Association of the Company, procedures of the Board of Directors, organizational regulations for each functional committee and other corporate governance related regulations .
- (4) Important information related to corporate governance: the information of the supervisor in charge of setting up corporate governance.

6.6 Supplementary Provisions

6.6.1 Monitor domestic and international developments

The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanisms, so as to enhance their effectiveness.

6.6.2 Implementation

This Rule will be implemented after the approval of the Board of Directors, and the same shall apply when any amendments are made.



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Page

28 of 28

7. Related Rules

None

8. Annexes/ Forms

None