

Chlitina Holding Limited

Procedures for the Election of Board Directors

Article 1

To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 and 41 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.

Article 2

Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 3

The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. The policy includes, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
- Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The board of directors of the Company shall consider adjusting its composition based on the results of performance evaluation.

Article 4

Members of the Audit Committee shall possess the following qualifications:

1. Integrity and diligence.
2. Fair judgment.
3. Professional knowledge.
4. Rich experience.
5. The ability to read financial statements.

In addition to meeting the above requirements, at least one member of the Audit Committee shall be an accounting or finance professional, or at least one member shall reside in the country to promptly perform the supervisory function.

Article 5

Independent directors shall possess one of the following professional qualifications and have at least five years of work experience:

1. Lecturer or higher in a department related to business, law, finance, accounting, or other fields relevant to the company's business at a public or private university or college.
2. Judge, prosecutor, lawyer, accountant, or other professionals and technicians who have passed national examinations and hold certificates relevant to the company's business.
3. Individuals with work experience in business, law, finance, accounting, or other fields relevant to the company's business.

Article 6

Individuals with any of the following circumstances shall not serve as independent directors of the Company, and if already serving, shall be automatically dismissed:

1. Those who have been convicted of crimes under the Organized Crime Prevention Act and whose prison sentence has been completed within the past five years.
2. Those who have been convicted of fraud, breach of trust, or embezzlement and sentenced to imprisonment for more than one year, and whose prison sentence has been completed within the past two years.
3. Those who have been convicted of embezzling public funds while in public service and whose prison sentence has been completed within the past two years.
4. Those who have been declared bankrupt and have not been reinstated.
5. Those who have been refused acceptance of bills of exchange and the refusal period has not expired.
6. Those who lack legal capacity or have limited legal capacity.
7. Those who are elected as representatives of the government, legal entities, or their representatives in accordance with Article 27 of the Company Act.
8. Those who violate the qualifications for independent directors as stipulated in these regulations.

The election of independent directors of the Company shall be conducted in accordance with the legal procedures for the nomination of candidates. The qualifications, educational and professional background, and any circumstances listed in the first paragraph of this article shall be reviewed. Additional qualification documents shall not be arbitrarily required, and the review results shall be provided to shareholders for reference to elect suitable independent directors.

Article 7

The independent directors of the Company shall maintain their independence within the scope of their duties and shall not have any direct or indirect interest in the Company.

They shall not have any of the following circumstances within the two years prior to their appointment or during their tenure:

1. Employees of the Company or its related enterprises.
2. Directors or supervisors of the Company or its related enterprises. However, this does not apply to independent directors appointed by the Company or its parent company, subsidiaries in accordance with this law or local regulations.
3. Natural persons who, along with their spouses, minor children, or under another person's name, hold more than 1% of the total issued shares of the Company or are among the top ten shareholders.
4. Spouses, relatives within the second degree of kinship, or direct lineal relatives within the third degree of kinship of the persons listed in the first and second items.
5. Directors, supervisors, or employees of corporate shareholders who hold more than 5% of the total issued shares of the Company, are among the top five shareholders, or appoint representatives to serve as directors or supervisors of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act.
6. Directors, supervisors, or employees of another company where more than half of the director seats or voting rights are controlled by the same person as the Company.
7. Directors (board members), supervisors, or employees of another company or institution where the Chairman, general manager, or equivalent position is held by the same person or their spouse as in the Company.
8. Directors (board members), supervisors, managers, or shareholders holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the Company.
9. Proprietors, partners, directors (board members), supervisors, managers, and their spouses of professional firms, sole proprietorships, partnerships, companies, or institutions that provide auditing or other business, legal, financial, or accounting services to the Company or its related enterprises and have received cumulative compensation exceeding NTD 500,000 in the past two years. However, this does not apply to members of the compensation committee, open tender committee, or merger special committee who perform their duties in accordance with this law or the Business Mergers and Acquisitions Law.

Independent directors who are concurrently appointed by the Company, its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this law or local regulations shall not be subject to the provisions of the second item, items five to seven of the previous paragraph, and the first item of the fourth paragraph.

Independent directors of the Company who have previously served as independent directors of companies listed in the second item or the eighth item of the first paragraph, or of related enterprises of the Company, or of specific companies or institutions that have financial or business dealings with the Company, and who have already been dismissed, shall not be subject to the provisions of the first paragraph regarding the two years prior to their appointment.

The “specific company or institution” referred to in the eighth item of the first paragraph means a company or institution that has one of the following relationships with the Company:

1. Holds more than 20% but not more than 50% of the total issued shares of the Company.
2. The company, along with its directors, supervisors, and shareholders holding more than 10% of the total shares, collectively holds more than 30% of the total issued shares of the Company, and there is a record of financial or business dealings between the two parties. The shares held by the aforementioned personnel include those held by their spouses, minor children, and those held under another person’s name.
3. The Company’s operating revenue from the other company and its group companies reaches 30% or more.
4. The Company’s main raw materials (referring to those accounting for more than 30% of the total purchase amount and are essential key materials for manufacturing products) or main products (referring to those accounting for more than 30% of the total operating revenue), in terms of quantity or total purchase amount, come from the other company and the Company’s affiliated companies by more than 50%.

The “parent company,” “subsidiary,” and “group” referred to in the first and second paragraphs shall be determined in accordance with International Financial Reporting Standards (IFRS) 10.

The “related enterprise” referred to in the first and third paragraphs is a related enterprise as defined in Chapter 6, Part 1 of the Company Act, or a company that should prepare consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Statements of Business Entities and the Consolidated Financial Statements of Related Enterprises, and IFRS 10.

Article 8

Independent directors of the Company shall not serve as independent directors of more than three other publicly listed companies concurrently.

Article 9

After the Company goes public, the election of independent directors shall be conducted in accordance with the nomination system for candidates as stipulated in Article 192-1 of the Company Act, and this shall be specified in the Articles of Incorporation. Shareholders shall elect independent directors from the list of independent director candidates.

Article 10

After the Company goes public, it shall announce the period for accepting nominations for independent director candidates, the number of independent directors to be elected, the place for accepting nominations, and other necessary information before the shareholders’ meeting is convened and before the stock transfer is halted. The acceptance period shall not be less than ten days.

The Company may propose a list of independent director candidates through the following methods. After the Board of Directors evaluates that the candidates meet the qualifications for independent directors, the list shall be submitted to the shareholders' meeting for election:

1. Shareholders holding more than 1% of the total issued shares may submit a list of independent director candidates in writing to the Company. The number of nominees shall not exceed the number of independent directors to be elected.
2. The Board of Directors may propose a list of independent director candidates. The number of nominees shall not exceed the number of independent directors to be elected.
3. Other methods as stipulated by the competent authority.

When shareholders or the Board of Directors provide a recommendation list according to the previous item, they shall specify the name, education, and experience of the nominee, and attach documents proving that the nominee meets the requirements of Article 5, Paragraph 1, and the previous two articles, as well as other relevant certification documents.

The Board of Directors or other conveners of the shareholders' meeting shall review the independent director nominees. Except for the following circumstances, the nominees shall be included in the list of independent director candidates:

1. The nominating shareholder submits the nomination outside the announced acceptance period.
2. The nominating shareholder holds less than 1% of the shares when the Company stops stock transfers according to Article 165, Paragraph 2 or 3 of the Company Act.
3. The number of nominees exceeds the number of independent directors to be elected.
4. The relevant certification documents required by the previous item are not attached.

For independent director candidates included in the list according to the previous item, if the candidate has already served three consecutive terms as an independent director of the Company, the Company shall announce the reasons for continuing to nominate the candidate as an independent director when announcing the review results. The reasons shall also be explained to the shareholders during the election at the shareholders' meeting.

The election of directors of the Company shall be conducted in accordance with Article 198 of the Company Act. Independent directors and non-independent directors shall be elected simultaneously, and the number of elected candidates shall be calculated separately.

Article 11

The election of directors of the Company shall adopt the single non-transferable vote accumulation system. Each share shall have the same number of votes as the number of directors or independent directors to be elected. These votes can be concentrated on one candidate or distributed among several candidates.

Article 12

The Board of Directors shall prepare a number of ballots equal to the number of directors to be elected, fill in the corresponding number of votes, and distribute them to shareholders present at the shareholders' meeting. The voter's name may be represented by the attendance certificate number printed on the ballot.

Article 13

The directors of the Company shall be elected according to the number specified in the Articles of Incorporation, with the voting rights for independent directors and non-independent directors calculated separately. Those with the highest number of votes shall be elected in order. If two or more candidates receive the same number of votes and exceed the specified number, the tie shall be broken by drawing lots. If a candidate is absent, the Chairman shall draw lots on their behalf.

Article 14

Before the election begins, the Chairman shall appoint several shareholders as poll watchers and vote counters to perform the relevant duties. The ballot box shall be prepared by the Board of Directors and inspected publicly by the poll watchers before voting starts.

Article 15

If a candidate is a shareholder, the voter shall fill in the candidate's account name and shareholder account number in the candidate column on the ballot. If the candidate is not a shareholder, the voter shall fill in the candidate's name and identification document number. However, if the candidate is a government or corporate shareholder, the candidate's account name on the ballot shall be filled with the name of the government or corporation, and may also include the name of the representative. If there are multiple representatives, the names of each representative shall be filled in separately.

Article 16

1. A ballot is invalid under any of the following circumstances:
 1. The ballot was not prepared by a person with the right to convene.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. If the candidate is a shareholder, the account name and shareholder account number do not match the shareholder register; if the candidate is not a shareholder, the name and identification document number do not match upon verification.
5. Apart from filling in the candidate's account name (name or personal name) or shareholder account number (identification document number) and allocating the number of votes, other text is added.
6. The candidate's name is the same as that of another shareholder, and the shareholder account number or identification document number is not filled in to distinguish them.

Article 17

After voting is completed, the ballots shall be counted on the spot. The Chairman shall announce the list of elected directors, including the list of elected directors and independent directors and their respective number of votes.

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 pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 18

The Board of Directors of the Company shall issue notifications to the persons elected as directors.

Article 19

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

These procedures were implemented after approval at the extraordinary shareholders' meeting on August 23, 2012.

These procedures were amended and implemented after approval at the annual shareholders' meeting on June 17, 2015.

These procedures were amended and implemented after approval at the annual shareholders' meeting on June 5, 2018.

These procedures were amended and implemented after approval at the annual shareholders' meeting on June 5, 2020

Version	Amendment Description	Date
1	New document	August 2012
2	Revision	June 2015
3	Revision	June 2018
4	Revision	June 2020