

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 1, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __ to __

Commission File Number: 001-37961

ICHOR HOLDINGS, LTD.

(Exact Name of Registrant as Specified in its Charter)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)
3185 Laurelview Ct.
Fremont, CA
(Address of principal executive offices)

Not Applicable
(I.R.S. Employer
Identification No.)

94538
(Zip Code)

Registrant's telephone number, including area code: (510) 897-5200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, par value \$0.0001	ICHR	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Small reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 5, 2022, the registrant had 28,739,608 ordinary shares, \$0.0001 par value per share, outstanding.

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PART I**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**

ICHOR HOLDINGS, LTD.
Consolidated Balance Sheets
(dollars in thousands, except per share amounts)
(unaudited)

	July 1, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 46,064	\$ 75,495
Accounts receivable, net	158,403	142,990
Inventories	290,327	236,133
Prepaid expenses and other current assets	5,699	8,153
Total current assets	500,493	462,771
Property and equipment, net	91,603	85,204
Operating lease right-of-use assets	35,649	29,790
Other noncurrent assets	12,887	9,166
Deferred tax assets, net	9,247	8,116
Intangible assets, net	79,923	89,927
Goodwill	335,902	335,902
Total assets	<u>\$ 1,065,704</u>	<u>\$ 1,020,876</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 147,650	\$ 159,727
Accrued liabilities	21,652	19,066
Other current liabilities	14,162	14,377
Current portion of long-term debt	7,500	7,500
Current portion of lease liabilities	7,956	7,633
Total current liabilities	198,920	208,303
Long-term debt, less current portion, net	296,736	285,253
Lease liabilities, less current portion	28,063	22,354
Deferred tax liabilities, net	38	38
Other non-current liabilities	4,623	4,213
Total liabilities	<u>528,380</u>	<u>520,161</u>
Shareholders' equity:		
Preferred shares (\$0.0001 par value; 20,000,000 shares authorized; zero shares issued and outstanding)	—	—
Ordinary shares (\$0.0001 par value; 200,000,000 shares authorized; 28,735,728 and 28,551,160 shares outstanding, respectively; 33,173,167 and 32,988,599 shares issued, respectively)	3	3
Additional paid in capital	424,471	417,438
Treasury shares at cost (4,437,439 shares)	(91,578)	(91,578)
Accumulated other comprehensive loss	—	—
Retained earnings	204,428	174,852
Total shareholders' equity	<u>537,324</u>	<u>500,715</u>
Total liabilities and shareholders' equity	<u>\$ 1,065,704</u>	<u>\$ 1,020,876</u>

See accompanying notes.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Operations
(dollars in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
Net sales	\$ 329,560	\$ 282,308	\$ 622,706	\$ 546,874
Cost of sales	274,099	234,955	523,313	460,009
Gross profit	55,461	47,353	99,393	86,865
Operating expenses:				
Research and development	4,907	4,049	9,758	7,564
Selling, general, and administrative	21,103	14,699	44,370	29,048
Amortization of intangible assets	4,655	3,390	10,004	6,781
Total operating expenses	30,665	22,138	64,132	43,393
Operating income	24,796	25,215	35,261	43,472
Interest expense, net	2,063	1,591	3,595	3,510
Other expense (income), net	(548)	22	(464)	207
Income before income taxes	23,281	23,602	32,130	39,755
Income tax expense	1,744	737	2,554	2,252
Net income	\$ 21,537	\$ 22,865	\$ 29,576	\$ 37,503
Net income per share:				
Basic	\$ 0.75	\$ 0.81	\$ 1.03	\$ 1.33
Diluted	\$ 0.74	\$ 0.79	\$ 1.02	\$ 1.30
Shares used to compute net income per share:				
Basic	28,665,930	28,180,821	28,629,280	28,092,535
Diluted	29,042,519	29,092,521	28,948,055	28,942,902

See accompanying notes.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
Net income	\$ 21,537	\$ 22,865	\$ 29,576	\$ 37,503
Other comprehensive loss, net of tax:				
Unrealized loss on available-for-sale marketable securities	—	(24)	—	(24)
Comprehensive income	\$ 21,537	\$ 22,841	\$ 29,576	\$ 37,479

See accompanying notes.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Shareholders' Equity
(dollars in thousands)
(unaudited)

For the three months ending July 1, 2022	Ordinary Shares		Additional	Treasury		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Paid-In Capital	Shares	Amount			
Balance at April 1, 2022	28,628,907	\$ 3	\$ 420,513	4,437,439	\$ (91,578)	\$ —	\$ 182,891	\$ 511,829
Ordinary shares issued from exercise of stock options	5,015	—	83	—	—	—	—	83
Ordinary shares issued from vesting of restricted share units	59,741	—	(563)	—	—	—	—	(563)
Ordinary shares issued from employee share purchase plan	42,065	—	929	—	—	—	—	929
Share-based compensation expense	—	—	3,509	—	—	—	—	3,509
Net income	—	—	—	—	—	—	21,537	21,537
Balance at July 1, 2022	<u>28,735,728</u>	<u>\$ 3</u>	<u>\$ 424,471</u>	<u>4,437,439</u>	<u>\$ (91,578)</u>	<u>\$ —</u>	<u>\$ 204,428</u>	<u>\$ 537,324</u>

For the six months ending July 1, 2022	Ordinary Shares		Additional	Treasury		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Paid-In Capital	Shares	Amount			
Balance at December 31, 2021	28,551,160	\$ 3	\$ 417,438	4,437,439	\$ (91,578)	\$ —	\$ 174,852	\$ 500,715
Ordinary shares issued from exercise of stock options	47,768	—	1,038	—	—	—	—	1,038
Ordinary shares issued from vesting of restricted share units	94,735	—	(1,340)	—	—	—	—	(1,340)
Ordinary shares issued from employee share purchase plan	42,065	—	929	—	—	—	—	929
Share-based compensation expense	—	—	6,406	—	—	—	—	6,406
Net income	—	—	—	—	—	—	29,576	29,576
Balance at July 1, 2022	<u>28,735,728</u>	<u>\$ 3</u>	<u>424,471</u>	<u>4,437,439</u>	<u>\$ (91,578)</u>	<u>\$ —</u>	<u>\$ 204,428</u>	<u>\$ 537,324</u>

See accompanying notes.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Shareholders' Equity (continued)
(dollars in thousands)
(unaudited)

For the three months ending June 25, 2021	Ordinary Shares		Additional	Treasury		Accumulated	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Paid-In Capital	Shares	Amount	Other Comprehensive Income (Loss)		
	Balance at March 26, 2021	28,070,251	\$ 3	\$ 404,046	4,437,439	\$ (91,578)		
Ordinary shares issued from exercise of stock options	179,131	—	3,150	—	—	—	—	3,150
Ordinary shares issued from vesting of restricted share units	77,177	—	(1,251)	—	—	—	—	(1,251)
Share-based compensation expense	—	—	2,681	—	—	—	—	2,681
Other comprehensive loss	—	—	—	—	—	(24)	—	(24)
Net income	—	—	—	—	—	—	22,865	22,865
Balance at June 25, 2021	<u>28,326,559</u>	<u>\$ 3</u>	<u>\$ 408,626</u>	<u>4,437,439</u>	<u>\$ (91,578)</u>	<u>\$ (24)</u>	<u>\$ 141,456</u>	<u>\$ 458,483</u>

For the six months ending June 25, 2021	Ordinary Shares		Additional	Treasury		Accumulated	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Paid-In Capital	Shares	Amount	Other Comprehensive Income (Loss)		
	Balance at December 25, 2020	27,907,077	\$ 3	\$ 399,311	4,437,439	\$ (91,578)		
Ordinary shares issued from exercise of stock options	284,731	—	5,531	—	—	—	—	5,531
Ordinary shares issued from vesting of restricted share units	107,600	—	(1,918)	—	—	—	—	(1,918)
Ordinary shares issued from employee share purchase plan	27,151	—	606	—	—	—	—	606
Share-based compensation expense	—	—	5,096	—	—	—	—	5,096
Other comprehensive loss	—	—	—	—	—	(24)	—	(24)
Net income	—	—	—	—	—	—	37,503	37,503
Balance at June 25, 2021	<u>28,326,559</u>	<u>\$ 3</u>	<u>\$ 408,626</u>	<u>4,437,439</u>	<u>\$ (91,578)</u>	<u>\$ (24)</u>	<u>\$ 141,456</u>	<u>\$ 458,483</u>

See accompanying notes.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended	
	July 1, 2022	June 25, 2021
Cash flows from operating activities:		
Net income	\$ 29,576	\$ 37,503
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,394	11,464
Share-based compensation	6,406	5,096
Deferred income taxes	(1,131)	1,089
Amortization of debt issuance costs	233	483
Gain on sale of asset disposal group	—	(504)
Other	—	59
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(15,413)	(18,131)
Inventories	(54,194)	(31,500)
Prepaid expenses and other assets	2,461	(478)
Accounts payable	(12,453)	33,302
Accrued liabilities	2,586	(952)
Other liabilities	(3,360)	1,458
Net cash provided by (used in) operating activities	<u>(26,895)</u>	<u>38,889</u>
Cash flows from investing activities:		
Capital expenditures	(14,413)	(15,369)
Purchase of marketable securities	—	(105,033)
Proceeds from sale of property and equipment	—	504
Net cash used in investing activities	<u>(14,413)</u>	<u>(119,898)</u>
Cash flows from financing activities:		
Issuance of ordinary shares under share-based compensation plans	1,967	6,117
Employees' taxes paid upon vesting of restricted share units	(1,340)	(1,918)
Borrowings on revolving credit facility	25,000	—
Repayments on revolving credit facility	(10,000)	(30,000)
Repayments on term loan	(3,750)	(4,375)
Net cash provided by (used in) financing activities	<u>11,877</u>	<u>(30,176)</u>
Net decrease in cash	(29,431)	(111,185)
Cash at beginning of period	75,495	252,899
Cash at end of period	<u>\$ 46,064</u>	<u>\$ 141,714</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 3,295	\$ 3,341
Cash paid during the period for taxes, net of refunds	\$ 1,499	\$ 1,272
Supplemental disclosures of non-cash activities:		
Capital expenditures included in accounts payable	\$ 1,306	\$ 246
Right-of-use assets obtained in exchange for new operating lease liabilities, including those acquired through acquisitions	\$ 9,587	\$ 1,709

See accompanying notes.

ICHOR HOLDINGS, LTD.
Notes to Consolidated Financial Statements
(dollar figures in tables in thousands, except per share amounts)
(unaudited)

Note 1 – Basis of Presentation and Selected Significant Accounting Policies

Basis of Presentation

These consolidated unaudited financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. (“GAAP”). All intercompany balances and transactions have been eliminated upon consolidation. All dollar figures presented in tables in the notes to consolidated financial statements are in thousands, except per share amounts. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted as permitted by the SEC’s rules and regulations for interim reporting. These consolidated financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Year End

We use a 52- or 53-week fiscal year ending on the last Friday in December. The three months ended July 1, 2022 and June 25, 2021 were both 13 weeks. References to the second quarter of 2022 and 2021 refer to the three-month periods then ended. References to fiscal year 2022 and 2021 refer to our fiscal years ending December 30, 2022 and December 31, 2021, respectively. Fiscal year 2022 and 2021 are 52 and 53 weeks, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods presented. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results could differ from the estimates made by management. Significant estimates include inventory valuation and impairment analysis for both definite-lived intangible assets and goodwill.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits and financial instruments which are readily convertible into cash and have original maturities of 90 days or less at the time of acquisition.

Fair Value of Financial Instruments

The carrying values of our financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities, and long-term debt, net of unamortized debt issuance costs, approximate fair value.

Revenue Recognition

We recognize revenue when control of promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. This amount is recorded as net sales in our consolidated statements of operations.

Transaction price – In most of our contracts, prices are generally determined by a customer-issued purchase order and generally remain fixed over the duration of the contract. Certain contracts contain variable consideration, including early-payment discounts and rebates. When a contract includes variable consideration, we evaluate the estimate of the variable consideration to determine whether the estimate needs to be constrained; therefore, we include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal will not occur. Variable consideration estimates are updated at each reporting date. Historically, we have not incurred significant costs to obtain a contract. All amounts billed to a customer relating to shipping and handling are classified as net sales, while all costs incurred by us for shipping and handling are classified as cost of sales.

Performance obligations – Substantially all of our performance obligations pertain to promised goods (“products”), which are primarily comprised of fluid delivery subsystems, weldments, and other components. Most of our contracts contain a single performance obligation and are generally completed within twelve months. Product sales are recognized at a point-in-time, generally upon delivery, as such term is defined within the contract, as that is when control of the promised good has transferred. Products are covered by a standard assurance warranty, generally extended for a period of one to two years depending on the customer, which promises that delivered products conform to contract specifications. As such, we account for such warranties under ASC 460, *Guarantees*, and not as a separate performance obligation.

Contract balances – Accounts receivable represents our unconditional right to receive consideration from our customers. Accounts receivable are carried at invoice price less an estimate for doubtful accounts and estimated payment discounts. Payment terms vary by customer but are generally due within 15-60 days. Historically, we have not incurred significant payment issues with our customers. We had no significant contract assets or liabilities on our consolidated balance sheets in any of the periods presented.

Accounting Pronouncements Recently Adopted

In October 2021, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)*. This ASU requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. At the acquisition date, the acquirer applies the revenue model as if it had originated the acquired contracts. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of the ASU should be applied prospectively. Early adoption is also permitted, including adoption in an interim period. If early adopted, the amendments are applied retrospectively to all business combinations for which the acquisition date occurred during the fiscal year of adoption. This ASU is currently not expected to have a material impact on our consolidated financial statements.

Note 2 – Inventories

Inventories consist of the following:

	July 1, 2022	December 31, 2021
Raw materials	\$ 201,966	\$ 159,366
Work in process	68,918	62,537
Finished goods	34,793	28,281
Excess and obsolete adjustment	(15,350)	(14,051)
Total inventories	<u>\$ 290,327</u>	<u>\$ 236,133</u>

Note 3 – Property and Equipment and Other Noncurrent Assets

Property and equipment consist of the following:

	July 1, 2022	December 31, 2021
Machinery	\$ 87,403	\$ 80,953
Leasehold improvements	40,732	36,706
Computer software, hardware, and equipment	9,370	8,031
Office furniture, fixtures and equipment	1,258	1,168
Vehicles	325	284
Construction-in-process	11,274	8,565
	<u>150,362</u>	<u>135,707</u>
Less accumulated depreciation	(58,759)	(50,503)
Total property and equipment, net	<u>\$ 91,603</u>	<u>\$ 85,204</u>

Depreciation expense was \$4.4 million and \$2.4 million for the second quarter of 2022 and 2021, respectively. Depreciation expense was \$8.4 million and \$4.7 million for the six months ended July 1, 2022 and June 25, 2021, respectively.

Cloud Computing Implementation Costs

We capitalize implementation costs associated with hosting arrangement that are service contracts. These costs are recorded to prepaid expenses or other noncurrent assets. To-date, these costs are those incurred to implement a new company-wide ERP system.

The following table summarizes capitalized cloud computing implementation costs:

Capitalized cloud computing implementation costs as of December 31, 2021	\$ 8,054
Costs capitalized during the period	4,073
Capitalized costs amortized during the period	(399)
Capitalized cloud computing implementation costs as of July 1, 2022	<u>\$ 11,728</u>

Note 4 – Intangible Assets

Definite-lived intangible assets consist of the following:

	July 1, 2022				Weighted average useful life
	Gross value	Accumulated amortization	Accumulated impairment charges	Carrying amount	
Customer relationships	117,022	(44,140)	—	72,882	8.4 years
Developed technology	11,047	(4,006)	—	7,041	10.0 years
Total intangible assets	<u>\$ 128,069</u>	<u>\$ (48,146)</u>	<u>\$ —</u>	<u>\$ 79,923</u>	

	December 31, 2021				Weighted average useful life
	Gross value	Accumulated amortization	Accumulated impairment charges	Carrying amount	
Customer relationships	146,569	(65,953)	—	80,616	8.7 years
Developed technology	11,047	(3,483)	—	7,564	10.0 years
Order backlog	2,600	(853)	—	1,747	6 months
Total intangible assets	<u>\$ 160,216</u>	<u>\$ (70,289)</u>	<u>\$ —</u>	<u>\$ 89,927</u>	

Note 5 – Leases

Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For purposes of calculating operating lease ROU assets and operating lease liabilities, we use the non-cancellable lease term plus options to extend that we are reasonably certain to take. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Our leases generally do not provide an implicit rate. As such, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

We lease facilities under various non-cancellable operating leases expiring through 2031. In addition to base rental payments, we are generally responsible for our proportionate share of operating expenses, including facility maintenance, insurance, and property taxes. As these amounts are variable, they are not included in lease liabilities. As of July 1, 2022, we had one operating lease executed for which the rental period had not yet commenced.

The components of lease expense are as follows:

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
Operating lease cost	\$ 2,239	\$ 1,391	\$ 4,284	\$ 2,772

Supplemental cash flow information related to leases is as follows:

	Six Months Ended	
	July 1, 2022	June 25, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3,802	\$ 2,691

Supplemental balance sheet information related to leases is as follows:

	July 1, 2022	June 25, 2021
Weighted-average remaining lease term of operating leases	5.7 years	2.4 years
Weighted-average discount rate of operating leases	2.3%	4.2%

Future minimum lease payments under non-cancelable leases as of July 1, 2022 are as follows:

2022, remaining	\$ 4,217
2023	7,322
2024	6,603
2025	5,991
2026	5,510
Thereafter	8,599
Total future minimum lease payments	38,242
Less imputed interest	(2,223)
Total lease liabilities	\$ 36,019

Note 6 – Income Taxes

Income tax information for the periods reported are as follows:

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
Income tax expense	\$ 1,744	\$ 737	\$ 2,554	\$ 2,252
Income before income taxes	\$ 23,281	\$ 23,602	\$ 32,130	\$ 39,755
Effective income tax rate	7.5%	3.1%	7.9%	5.7%

Our effective tax rates for the three and six months ended July 1, 2022 and June 25, 2021 differ from the statutory rate primarily due to taxes on foreign income that differ from the U.S. tax rate, including a tax holiday in Singapore, and the impact of share-based compensation activity during the quarter.

The ending balance for the unrecognized tax benefits for uncertain tax positions was approximately \$3.8 million at July 1, 2022. The related interest and penalties were insignificant. The uncertain tax positions that are reasonably possible to decrease in the next twelve months are insignificant.

As of July 1, 2022, we were not under examination by tax authorities.

Note 7 – Employee Benefit Programs

401(k) Plan

We sponsor a 401(k) plan available to employees of our U.S.-based subsidiaries. Participants may make salary deferral contributions not to exceed 50% of a participant's annual compensation or the maximum amount otherwise allowed by law. Eligible employees receive a discretionary matching contribution equal to 50% of a participant's deferral, up to an annual matching maximum of 4% of a participant's annual compensation. Matching contributions were \$0.7 million and \$0.5 million for the second quarter of 2022 and 2021, respectively. Matching contributions were \$1.6 million and \$1.1 million for the six months ended July 1, 2022 and June 25, 2021, respectively.

Note 8 – Long-Term Debt

Long-term debt consists of the following:

	July 1, 2022	December 31, 2021
Term loan	\$ 146,250	\$ 150,000
Revolving credit facility	160,000	145,000
Total principal amount of long-term debt	306,250	295,000
Less unamortized debt issuance costs	(2,014)	(2,247)
Total long-term debt, net	304,236	292,753
Less current portion	(7,500)	(7,500)
Total long-term debt, less current portion, net	\$ 296,736	\$ 285,253

On October 29, 2021, we entered into an amended and restated credit agreement, which includes a group of financial institutions as direct lenders underlying the agreement. The credit agreement includes a \$150.0 million term loan facility and a \$250.0 million revolving credit facility (together, “credit facilities”). Term loan principal payments of \$1.9 million are due on a quarterly basis. The credit facilities mature on October 29, 2026.

Interest is charged at either the Base Rate or the Bloomberg Short-Term Bank Yield (“BSBY”) Rate (as such terms are defined in the credit agreement) at our option, plus an applicable margin. The Base Rate is equal to the higher of i) the Prime Rate, ii) the Federal Funds Rate plus 0.5%, or iii) the BSBY Rate plus 1.00%. The applicable margin on Base Rate and BSBY Rate loans is 0.375-1.375% and 1.375-2.375% per annum, respectively, depending on our leverage ratio. We are also charged a commitment fee of 0.175%-0.350% on the unused portion of our revolving credit facility. Base Rate interest payments and commitment fees are due quarterly. BSBY Rate interest payments are due on the last day of the applicable interest period, or quarterly for applicable interest periods longer than 3 months. At July 1, 2022, our credit facilities bore interest under the BSBY rate option of 3.44%.

Note 9 – Share-Based Compensation

The 2016 Omnibus Incentive Plan (the “2016 Plan”) provides for grants of share-based awards to employees, directors, and consultants. Awards may be in the form of stock options (“options”), tandem and non-tandem stock appreciation rights, restricted share awards or restricted share units (“RSUs”), performance awards, and other share-based awards. Forfeited or expired awards are returned to the incentive plan pool for future grants. Awards generally vest over four years, 25% on the first anniversary of the date of grant and quarterly thereafter over the remaining 3 years. Upon vesting of RSUs, employees may elect to have shares withheld to cover statutory minimum withholding taxes. Shares withheld are not reflected as an issuance of ordinary shares within our consolidated statements of shareholders’ equity, as the shares were never issued, and the associated tax payments are reflected as financing activities within our consolidated statements of cash flows.

Share-based compensation expense across all plans for options, RSUs, and employee share purchase rights was \$3.5 million and \$2.7 million for the second quarter of 2022 and 2021, and was \$6.4 million and \$5.1 million for the six months ended July 1, 2022 and June 25, 2021, respectively.

Stock Options

The following table summarizes option activity:

	Number of Stock Options	Weighted average exercise price per share	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding, December 31, 2021	921,469	\$ 23.20		
Granted	—	\$ —		
Exercised	(47,768)	\$ 21.73		
Forfeited or expired	(21,775)	\$ 23.24		
Outstanding, July 1, 2022	851,926	\$ 23.28	3.4 years	\$ 556
Exercisable, July 1, 2022	663,985	\$ 23.16	3.1 years	\$ 519

Restricted Share Units

The following table summarizes RSU activity:

	Number of Restricted Share Units			Weighted average grant-date fair value per share
	Service condition	Performance condition	Market condition	
Unvested, December 31, 2021	559,310	9,716	14,572	\$ 37.05
Granted	556,600	47,846	71,770	\$ 27.49
Vested	(138,437)	—	—	\$ 36.03
Forfeited	(58,923)	—	—	\$ 33.20
Unvested, July 1, 2022	<u>918,550</u>	<u>57,562</u>	<u>86,342</u>	\$ 31.31

Employee Share Purchase Plan

The 2017 Employee Stock Purchase Plan (the “2017 ESPP”) grants employees the ability to designate a portion of their base-pay to purchase ordinary shares at a price equal to 85% of the fair market value of our ordinary shares on the first or last day of each 6 month purchase period. Purchase periods begin on January 1 or July 1 and end on June 30 or December 31, or the next business day if such date is not a business day. Shares are purchased on the last day of the purchase period.

As of July 1, 2022, approximately 2.3 million ordinary shares remain available for purchase under the 2017 ESPP.

Note 10 – Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share and a reconciliation of the numerator and denominator used in the calculation:

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
Numerator:				
Net income	\$ 21,537	\$ 22,865	\$ 29,576	\$ 37,503
Denominator:				
Basic weighted average ordinary shares outstanding	28,665,930	28,180,821	28,629,280	28,092,535
Dilutive effect of options	148,160	601,871	215,582	550,059
Dilutive effect of RSUs	228,107	298,499	102,871	288,978
Dilutive effect of ESPP	322	11,330	322	11,330
Diluted weighted average ordinary shares outstanding	<u>29,042,519</u>	<u>29,092,521</u>	<u>28,948,055</u>	<u>28,942,902</u>
Securities excluded from the calculation of diluted weighted average ordinary shares outstanding (1)	<u>721,000</u>	<u>185,000</u>	<u>915,000</u>	<u>185,000</u>
Earnings per share:				
Net income:				
Basic	\$ 0.75	\$ 0.81	\$ 1.03	\$ 1.33
Diluted	\$ 0.74	\$ 0.79	\$ 1.02	\$ 1.30

- (1) Represents potentially dilutive options and RSUs excluded from the calculation of diluted weighted average ordinary shares outstanding, because including them would have been antidilutive under the treasury stock method.

Note 11 – Segment Information

Our Chief Operating Decision Maker, the Chief Executive Officer, reviews our results of operations on a consolidated level and executive staff is structured by function rather than by product category. Additionally, key resources, decisions, and assessment of performance are analyzed at a company-wide level. Therefore, we operate in one operating segment.

Foreign operations are conducted primarily through our wholly owned subsidiaries in Singapore and Malaysia, and to a lesser degree, Scotland, Korea, and Mexico. Our principal markets include North America, Asia, and to a lesser degree, Europe.

Sales by geographic area represents sales to unaffiliated customers based upon the location to which the products were shipped. The following table sets forth sales by geographic area:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2022</u>	<u>June 25, 2021</u>	<u>July 1, 2022</u>	<u>June 25, 2021</u>
United States of America	\$ 158,374	\$ 137,747	\$ 300,844	\$ 276,881
Singapore	114,398	101,214	217,693	187,538
Europe	24,806	22,439	49,198	39,769
Other	31,982	20,908	54,971	42,686
Total net sales	<u>\$ 329,560</u>	<u>\$ 282,308</u>	<u>\$ 622,706</u>	<u>\$ 546,874</u>

Foreign long-lived assets, exclusive of deferred tax assets, were \$42.2 million and \$38.4 million at July 1, 2022 and December 31, 2021, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Concerning Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. You should not place undue reliance on these statements. All statements other than statements of historical fact included in this report are forward-looking statements. These statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by the use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar terms and phrases, including references to assumptions. However, these words are not the exclusive means of identifying such statements. These statements are contained in many sections of this report, including those in *Part I – Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations*. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that we will achieve those plans, intentions or expectations. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, include geopolitical, economic and market conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, currency fluctuations, challenges in the supply chain and any disruptions in European economies as a result of the conflict in Ukraine; our dependence on expenditures by manufacturers in the semiconductor capital equipment industry; our reliance on a very small number of original equipment manufacturer customers for a significant portion of our sales; our customers’ significant negotiating leverage; competition in our industry; and other factors set forth in this report, and those set forth in *Part I – Item 1A. Risk Factors* of our 2021 Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission (“SEC”). All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in *Part I – Item 1A. Risk Factors* to our 2021 Annual Report on Form 10-K, as well as other cautionary statements that are made from time to time in our other filings with the SEC and public communications. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated unaudited financial statements and related notes included elsewhere in this report.

Overview

We are a leader in the design, engineering, and manufacturing of critical fluid delivery subsystems and components for semiconductor capital equipment. Our product offerings include gas and chemical delivery systems and subsystems, collectively known as fluid delivery systems and subsystems, which are key elements of the process tools used in the manufacturing of semiconductor devices. Our gas delivery subsystems deliver, monitor, and control precise quantities of the specialized gases used in semiconductor manufacturing processes such as etch and deposition. Our chemical delivery systems and subsystems precisely blend and dispense the reactive liquid chemistries used in semiconductor manufacturing processes such as chemical-mechanical planarization, electroplating, and cleaning. We also provide precision-machined components, weldments, e-beam and laser-welded components, precision vacuum and hydrogen brazing and surface treatment technologies, and other proprietary products. This vertically integrated portion of our business is primarily focused on metal and plastic parts that are used in gas and chemical systems, respectively.

Fluid delivery subsystems ensure accurate measurement and uniform delivery of specialty gases and chemicals at critical steps in the semiconductor manufacturing processes. Any malfunction or material degradation in fluid delivery reduces yields and increases the likelihood of manufacturing defects in these processes. Most OEMs outsource all or a portion of the design, engineering, and manufacturing of their gas delivery subsystems to a few specialized suppliers, including us. Additionally, many OEMs are outsourcing the design, engineering, and manufacturing of their chemical delivery subsystems due to the increased fluid expertise required to manufacture these subsystems. Outsourcing these subsystems has allowed OEMs to leverage the suppliers’ highly specialized engineering, design, and production skills while focusing their internal resources on their own value-added processes. We believe that this outsourcing trend has enabled OEMs to reduce their costs and development time, as well as provide growth opportunities for specialized subsystems suppliers like us.

We have a global footprint with production facilities in California, Minnesota, Oregon, Texas, Singapore, Malaysia, the United Kingdom, Korea, and Mexico.

The following table summarizes key financial information for the periods indicated. Amounts are presented in accordance with GAAP unless explicitly identified as being a non-GAAP metric. For a description of our non-GAAP metrics and reconciliations to the most comparable GAAP metrics, please refer to *Part I – Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Results* within this report.

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
	<i>(dollars in thousands, except per share amounts)</i>			
Net sales	\$ 329,560	\$ 282,308	\$ 622,706	\$ 546,874
Gross profit	\$ 55,461	\$ 47,353	\$ 99,393	\$ 86,865
Gross margin	16.8%	16.8%	16.0%	15.9%
Non-GAAP gross margin	17.0%	16.8%	16.5%	16.5%
Operating expenses	\$ 30,665	\$ 22,138	\$ 64,132	\$ 43,393
Operating income	\$ 24,796	\$ 25,215	\$ 35,261	\$ 43,472
Net income	\$ 21,537	\$ 22,865	\$ 29,576	\$ 37,503
Non-GAAP net income	\$ 28,326	\$ 26,307	\$ 48,504	\$ 48,032
Diluted EPS	\$ 0.74	\$ 0.79	\$ 1.02	\$ 1.30
Non-GAAP diluted EPS	\$ 0.98	\$ 0.90	\$ 1.68	\$ 1.66

Macroeconomic Conditions and COVID-19 Pandemic Update

Adverse macroeconomic conditions, including but not limited to heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, currency fluctuations and challenges in the supply chain have created, and are expected to continue to create significant volatility, uncertainty, and turmoil in our industry. Further, the war in Ukraine has given rise to potential global security issues that may adversely affect international business and economic conditions as well as economic sanctions imposed by the international community that have impacted the global economy. We and certain of our customers may be negatively impacted by these events.

In addition, the impact that the COVID-19 pandemic and associated macroeconomic conditions, including those discussed above, will have on our consolidated results of operations for the remainder of 2022 contains to remain uncertain. While our facilities are currently not subject to any site-wide government shutdowns, and restrictions have eased around social, business, travel, and governmental activities, we have experienced increases in direct costs and inefficiencies within our factories associated with logistics, employee labor, and certain component shortages. These factors have resulted in, and may continue to result in, lower revenues and operating margins. The extent and duration of these impacts cannot be specifically quantified given the dynamic nature and breadth of the pandemic’s impact on our operations and those of our customers and suppliers.

Results of Operations

The following table sets forth our unaudited results of operations for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
	<i>(in thousands)</i>			
Net sales	\$ 329,560	\$ 282,308	\$ 622,706	\$ 546,874
Cost of sales	274,099	234,955	523,313	460,009
Gross profit	55,461	47,353	99,393	86,865
Operating expenses:				
Research and development	4,907	4,049	9,758	7,564
Selling, general, and administrative	21,103	14,699	44,370	29,048
Amortization of intangible assets	4,655	3,390	10,004	6,781
Total operating expenses	30,665	22,138	64,132	43,393
Operating income	24,796	25,215	35,261	43,472
Interest expense, net	2,063	1,591	3,595	3,510
Other expense (income), net	(548)	22	(464)	207
Income before income taxes	23,281	23,602	32,130	39,755
Income tax expense	1,744	737	2,554	2,252
Net income	\$ 21,537	\$ 22,865	\$ 29,576	\$ 37,503

The following table sets forth our unaudited results of operations as a percentage of our total sales for the periods presented.

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
Net sales	100.0	100.0	100.0	100.0
Cost of sales	83.2	83.2	84.0	84.1
Gross profit	16.8	16.8	16.0	15.9
Operating expenses:				
Research and development	1.5	1.4	1.6	1.4
Selling, general, and administrative	6.4	5.2	7.1	5.3
Amortization of intangible assets	1.4	1.2	1.6	1.2
Total operating expenses	9.3	7.8	10.3	7.9
Operating income	7.5	8.9	5.7	7.9
Interest expense, net	0.6	0.6	0.6	0.6
Other expense (income), net	(0.2)	0.0	(0.1)	0.0
Income before income taxes	7.1	8.4	5.2	7.3
Income tax expense	0.5	0.3	0.4	0.4
Net income	6.5	8.1	4.7	6.9

Comparison of the three months ended July 1, 2022 and June 25, 2021

Net Sales

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	<i>(dollars in thousands)</i>							
Net sales	\$329,560	\$282,308	\$ 47,252	16.7%	\$622,706	\$546,874	\$ 75,832	13.9%

The increase in net sales from the three and six months ended June 25, 2021 to the three and six months ended July 1, 2022 was primarily due to strong demand from our customers as a result of continued growth in the global wafer fabrication equipment market, supported by capacity expansions and headcount additions we have made over the last year, as well as incremental revenues from our acquisition of IMG Companies, LLC ("IMG") in November 2021.

Cost of Sales, Gross Profit, and Gross Margin

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	(dollars in thousands)							
Cost of sales	\$274,099	\$234,955	\$ 39,144	16.7%	\$523,313	\$460,009	\$ 63,304	13.8%
Gross profit	\$ 55,461	\$ 47,353	\$ 8,108	17.1%	\$ 99,393	\$ 86,865	\$ 12,528	14.4%
Gross margin	16.8%	16.8%		n/c	16.0%	15.9%		+ 10 bps

The increase in the gross amounts of cost of sales and gross profit from the three and six months ended June 25, 2021 to the three and six months ended July 1, 2022 was primarily due to the factors mentioned in the commentary above under the heading, “Net Sales.”

Our gross margin was flat from the second quarter of 2021 to the second quarter of 2022, and up 10 basis points from the six months ended June 25, 2021 to the six months ended July 1, 2022, primarily due to accretive margins from our acquisition of IMG in November 2021, offset by increased materials, logistics, and labor costs, as we invest in our capacity to service present levels of strong customer demand in future quarters, and the impacts of component and material shortages, due to supply chain challenges, thereby reducing factory utilization.

Research and Development

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	(dollars in thousands)							
Research and development	\$ 4,907	\$ 4,049	\$ 858	21.2%	\$ 9,758	\$ 7,564	\$ 2,194	29.0%

The increase in research and development expenses from the three and six months ended June 25, 2021 to the three and six months ended July 1, 2022 was primarily due to increased employee-related expense, inclusive of share-based compensation expense, of \$0.7 million and \$1.7 million, respectively, as we expand our engineering team to design and engineer next generation, high performance solutions for our customers, as well as program costs related to the development of our new products of \$0.1 million and \$0.3 million, respectively.

Selling, General, and Administrative

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	(dollars in thousands)							
Selling, general, and administrative	\$ 21,103	\$ 14,699	\$ 6,404	43.6%	\$ 44,370	\$ 29,048	\$ 15,322	52.7%

The increase in selling, general, and administrative expense from the second quarter of 2021 to the second quarter of 2022 was primarily due to (1) incremental costs from our acquisition of IMG in November 2021 of \$3.1 million, primarily consisting of employee-related expenses; (2) increased employee-related expenses, inclusive of share-based compensation expense, of \$2.1 million; (3) increased depreciation and occupancy costs of \$0.8 million; and (4) increased consulting and professional fees of \$0.5 million.

The increase in selling, general, and administrative expense from the six months ended June 25, 2021 to the six months ended July 1, 2022 was primarily due to (1) incremental costs from our acquisition of IMG in November 2021 of \$6.3 million, primarily consisting of employee-related expenses; (2) increased employee-related expenses, inclusive of share-based compensation expense, of \$3.8 million; (3) a non-recurring loss accrual recorded in the first quarter of 2022 relating to an expected settlement of an employment-related legal matter of \$3.1 million; (4) increased depreciation and occupancy costs of \$1.2 million; and (5) increased consulting and professional fees of \$1.2 million.

Amortization of Intangible Assets

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	(dollars in thousands)							
Amortization of intangibles assets	\$ 4,655	\$ 3,390	\$ 1,265	37.3%	\$ 10,004	\$ 6,781	\$ 3,223	47.5%

The increase in amortization expense from the three and six months ended June 25, 2021 to the three and six months ended July 1, 2022 was primarily due to incremental amortization expense from intangible assets acquired in connection with our acquisition of IMG in November 2021, partially offset by reduced amortization expense from certain intangible assets becoming fully amortized in the fourth quarter of 2021 and the first quarter of 2022.

Interest Expense, Net

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	<i>(dollars in thousands)</i>							
Interest expense, net	\$ 2,063	\$ 1,591	\$ 472	29.7%	\$ 3,595	\$ 3,510	\$ 85	2.4%
Weighted average borrowings outstanding	\$306,600	\$168,008	\$138,592	82.5%	\$300,780	\$178,992	\$121,788	68.0%
Weighted average borrowing rate	2.43%	3.01%	- 58 bps		2.13%	3.16%	- 103 bps	

The increase in interest expense, net from the three and six months ended June 25, 2021 to the three and six months ended July 1, 2022 was primarily due to an increase of \$138.6 million and \$121.8 million in our average amount borrowed during the three and six months ended July 1, 2022, respectively, compared to the three and six months ended June 25, 2021. This was partially offset by a decrease of 58 basis points and 103 basis points in our weighted average borrowing rate during the three and six months ended July 1, 2022, respectively, compared to the three and six months ended June 25, 2021, as well as a decrease in debt issuance cost amortization expense.

Our average amount borrowed was primarily the result of drawing \$130.0 million on our revolving credit facility in November 2021 to partially fund our acquisition of IMG. The decrease in our weighted average borrowing rate was primarily due to more favorable borrowing terms under our October 2021 amended and restated credit agreement, partially offset by overall higher prevailing BSBY and LIBOR rates in the second quarter of 2022 compared to 2021.

Other Expense (Income), Net

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	<i>(dollars in thousands)</i>							
Other expense (income), net	\$ (548)	\$ 22	\$ (570)	n/m	\$ (464)	\$ 207	\$ (671)	n/m

The change in other expense (income), net from the three and six months ended June 25, 2021 to the three and six months ended July 1, 2022 was primarily due to currency exchange rate fluctuations during the quarter, reflecting a strengthening U.S. dollar against local currency payables of our foreign operations.

Income Tax Expense

	Three Months Ended		Change		Six Months Ended		Change	
	July 1, 2022	June 25, 2021	Amount	%	July 1, 2022	June 25, 2021	Amount	%
	<i>(dollars in thousands)</i>							
Income tax expense	\$ 1,744	\$ 737	\$ 1,007	136.6%	\$ 2,554	\$ 2,252	\$ 302	13.4%
Income before income taxes	\$ 23,281	\$ 23,602	\$ (321)	-1.4%	\$ 32,130	\$ 39,755	\$ (7,625)	-19.2%
Effective income tax rate	7.5%	3.1%	+ 440 bps		7.9%	5.7%	+ 220 bps	

The increase in income tax expense from the three and six months ended June 25, 2021 to the three and six months ended July 1, 2022 was primarily due to reduced benefits from share-based compensation activity. This was primarily driven by RSU awards vesting at lower fair values in 2022 compared to their corresponding grant-date fair values. In 2021, RSU awards vested at higher fair values compared to their corresponding grant-date fair values.

Non-GAAP Financial Results

Management uses non-GAAP metrics to evaluate our operating and financial results. We believe the presentation of non-GAAP results is useful to investors for analyzing business trends and comparing performance to prior periods, along with enhancing investors' ability to view our results from management's perspective. Non-GAAP gross margin is defined as non-GAAP gross profit divided by net sales. Non-GAAP gross profit and non-GAAP net income are defined as: gross profit or net income excluding, as applicable, (1) amortization of intangible assets, share-based compensation expense, and non-recurring expenses, including settlement losses, facility shutdown costs, and acquisition-related costs and charges, to the extent they are present in gross profit or net income; and (2) the tax impacts associated with our non-GAAP adjustments, as well as non-recurring discrete tax items. Non-GAAP diluted earnings per share ("EPS") is defined as non-GAAP net income divided by weighted average diluted ordinary shares outstanding during the period.

Non-GAAP results have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for our results reported under GAAP. Other companies may calculate non-GAAP results differently or may use other measures to evaluate their performance, both of which could reduce the usefulness of our non-GAAP results as a tool for comparison.

Because of these limitations, you should consider non-GAAP results alongside other financial performance measures and results presented in accordance with GAAP. In addition, in evaluating non-GAAP results, you should be aware that in the future we will incur expenses such as those that are the subject of adjustments in deriving non-GAAP results and you should not infer from our presentation of non-GAAP results that our future results will not be affected by these expenses or any unusual or non-recurring items.

The following table presents our unaudited non-GAAP gross profit and non-GAAP gross margin and a reconciliation from gross profit, the most comparable GAAP measure, for the periods indicated:

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
	<i>(dollars in thousands)</i>			
U.S. GAAP gross profit	\$ 55,461	\$ 47,353	\$ 99,393	\$ 86,865
Non-GAAP adjustments:				
Share-based compensation	451	298	1,002	604
Facility shutdown costs (1)	—	(102)	—	2,297
Fair value adjustment to inventory from acquisitions (2)	—	—	2,492	211
Other non-recurring expense, net (3)	—	—	—	106
Non-GAAP gross profit	<u>\$ 55,912</u>	<u>\$ 47,549</u>	<u>\$ 102,887</u>	<u>\$ 90,083</u>
U.S. GAAP gross margin	16.8%	16.8%	16.0%	15.9%
Non-GAAP gross margin	17.0%	16.8%	16.5%	16.5%

- (1) During the second quarter of 2020, we announced the closure of our manufacturing facility in Union City, California, which we completed in 2021. Included in this amount for the second quarter of 2021 is a gain realized upon the sale of equipment and other fixed assets, partially offset by write-off costs associated with inventories determined during the quarter to be obsolete. Included in this amount for the six months ended June 25, 2021 are write-off costs associated with inventories determined during the period to be obsolete and severance and other shutdown related charges, partially offset by a gain realized upon the sale of equipment and other fixed assets.
- (2) As part of the purchase price allocations of our acquisitions of IMG in November 2021 and a precision machining operation in Mexico in December 2020, we recorded acquired-inventories at fair value, resulting in a fair value step-up of \$3.9 million and \$0.2 million, respectively. These amounts were subsequently released to cost of sales as acquired-inventories were sold.
- (3) Included in this amount for the six months ended June 25, 2021 is primarily a non-recurring settlement charge.

The following table presents our unaudited non-GAAP net income and non-GAAP diluted EPS and a reconciliation from net income, the most comparable GAAP measure, for the periods indicated:

	Three Months Ended		Six Months Ended	
	July 1, 2022	June 25, 2021	July 1, 2022	June 25, 2021
	<i>(dollars in thousands, except per share amounts)</i>			
U.S. GAAP net income	\$ 21,537	\$ 22,865	\$ 29,576	\$ 37,503
Non-GAAP adjustments:				
Amortization of intangible assets	4,655	3,390	10,004	6,781
Share-based compensation	3,509	2,681	6,406	5,096
Facility shutdown costs (1)	—	172	—	2,682
Settlement loss (2)	—	—	3,100	—
Fair value adjustment to inventory from acquisitions (3)	—	—	2,492	211
Acquisition costs (4)	21	—	296	—
Other non-recurring expense, net (5)	—	110	—	388
Tax adjustments related to non-GAAP adjustments (6)	(1,396)	(2,911)	(3,370)	(4,629)
Non-GAAP net income	<u>\$ 28,326</u>	<u>\$ 26,307</u>	<u>\$ 48,504</u>	<u>\$ 48,032</u>
U.S. GAAP diluted EPS	\$ 0.74	\$ 0.79	\$ 1.02	\$ 1.30
Non-GAAP diluted EPS	\$ 0.98	\$ 0.90	\$ 1.68	\$ 1.66
Shares used to compute diluted EPS	29,042,519	29,092,521	28,948,055	28,942,902

- (1) See footnote 1 to the reconciliation of U.S. GAAP gross profit to non-GAAP gross profit above.
- (2) During the first quarter of 2022, we recorded a non-recurring loss accrual of \$3.1 million relating to an expected settlement of an employment-related legal matter. We expect the settlement to be finalized and paid within the next 12 months.
- (3) See footnote 2 to the reconciliation of U.S. GAAP gross profit to non-GAAP gross profit above.
- (4) Included in this amount are incremental transaction-related costs incurred in connection with our acquisition of IMG in November 2021.
- (5) Included in this amount for the six months ended June 25, 2021 are primarily (i) non-capitalized costs incurred in connection with our implementation of a new ERP system and a Sarbanes-Oxley compliance program and (ii) a non-recurring settlement charge.
- (6) Adjusts U.S. GAAP income tax expense (benefit) for impact of our non-GAAP adjustments, as defined, including the impacts of excluding share-based compensation, amortization of intangible assets, and other non-recurring expenses. This adjustment also excludes the impact of non-recurring discrete tax items.

Liquidity and Capital Resources

The following section discusses our liquidity and capital resources, including our primary sources of liquidity and our material cash requirements. Our cash and cash equivalents are maintained in highly liquid and accessible accounts with no significant restrictions.

Material Cash Requirements

Our primary liquidity requirements arise from: (i) working capital requirements, including procurement of raw materials inventory for use in our factories and employee-related costs, (ii) business acquisitions, (iii) interest and principal payments under our credit facilities, (iv) research and development investments and capital expenditures, and (v) payment of income taxes. We have no significant long-term purchase commitments related to procuring raw materials inventory. Our ability to fund these requirements will depend, in part, on our future cash flows, which are determined by our future operating performance and are therefore subject to prevailing global macroeconomic conditions and financial, business, and other factors, some of which are beyond our control.

We believe that our cash and cash equivalents, the amounts available under our credit facilities, and our operating cash flow will be sufficient to fund our business and our current obligations for at least the next 12 months and beyond.

Sources and Conditions of Liquidity

Our ongoing sources of liquidity to fund our material cash requirements are primarily derived from: (i) sales to our customers and the related changes in our net operating assets and liabilities and (ii) proceeds from our credit facilities and equity offerings, when applicable.

Summary of Cash Flows

We ended the second quarter of 2022 with cash and cash equivalents of \$46.1 million, a decrease of \$29.4 million from December 31, 2021. The decrease was primarily due to cash used in operating activities of \$26.9 million and capital expenditures of \$14.4 million, partially offset by net proceeds from our credit facilities of \$11.3 million.

The following table sets forth a summary of operating, investing, and financing activities for the periods presented:

	Six Months Ended	
	July 1, 2022	June 25, 2021
	<i>(in thousands)</i>	
Cash provided by (used in) operating activities	\$ (26,895)	\$ 38,889
Cash used in investing activities	(14,413)	(119,898)
Cash provided by (used in) financing activities	11,877	(30,176)
Net decrease in cash	<u>\$ (29,431)</u>	<u>\$ (111,185)</u>

Our cash used in operating activities of \$26.9 million during the six months ended July 1, 2022 consisted of an increase in our net operating assets and liabilities of \$80.4 million, partially offset by net income of \$29.6 million and net non-cash charges of \$23.9 million, primarily consisting of depreciation and amortization of \$18.4 million and share-based compensation expense of \$6.4 million.

The increase in our net operating assets and liabilities during the six months ended July 1, 2022, net of acquisitions, was primarily due to an increase in inventories of \$54.2 million, an increase in accounts receivable of \$15.4 million, and a decrease in accounts payable of \$12.5 million. The increase in our inventories is primarily driven by elevated purchasing activity pursuant to strong customer demand and certain supply chain component constraints. The decrease in accounts payable and increase in accounts receivable were primarily due to fluctuations in payment timing to suppliers and from customers, as well as higher revenues in the last few weeks of the second quarter of 2022 compared to the last few weeks of the fourth quarter of 2021.

Cash used in investing activities during the six months ended July 1, 2022 consists of capital expenditures.

Cash provided by financing activities during the six months ended July 1, 2022 consists of net proceeds from our credit facilities of \$11.3 million, including a net draw on our revolving facility of \$15.0 million for U.S. working capital obligations, and net proceeds from share-based compensation activity of \$0.6 million.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are identified and described in our annual consolidated financial statements and the notes included in our 2021 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Substantially all of our sales arrangement with customers, and the significant majority of our arrangements with third-party suppliers, provide for pricing and payment in U.S. dollars and, therefore, are not subject to material exchange rate fluctuations. As a result, we do not expect foreign currency exchange rate fluctuations to have a material effect on our results of operations. However, increases in the value of the U.S. dollar relative to other currencies would make our products more expensive relative to competing products priced in such other currencies, which could negatively impact our ability to compete. Conversely, decreases in the value of the U.S. dollar relative to other currencies could result in our foreign suppliers raising their prices in order to continue doing business with us.

We do have certain operating expenses that are denominated in currencies of the countries in which our operations are located, and may be subject to fluctuations due to foreign currency exchange rates, particularly the Singapore dollar, Malaysian ringgit, British pound, euro, Korean won, and Mexican peso. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. To date, foreign currency transaction gains and losses have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions.

Interest Rate Risk

We had total indebtedness of \$306.3 million as of July 1, 2022, exclusive of \$2.0 million in debt issuance costs, of which \$7.5 million was due within 12 months. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. As of July 1, 2022, the interest rate on our outstanding debt is based on BSBY, plus an applicable rate depending on our leverage ratio. A hypothetical 100 basis point change in the interest rate on our outstanding debt would have resulted in a \$0.8 million change to interest expense during the second quarter of 2022, or \$3.1 million on an annualized basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (the certifying officers), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act, as amended (“the Exchange Act”)) as of December 31, 2021. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of July 1, 2022, due to material weaknesses in internal control over financial reporting that were disclosed in Part II – Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Limitations on Effectiveness of Controls and Procedures

A company’s internal control over financial reporting is a process designed by, or under the supervision of, a company’s principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate. If we cannot provide reliable financial information, our business, operating results, and share price could be negatively impacted.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the period covered under this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation

As previously described in *Part II – Item 9A* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, we began implementing a remediation plan to address the material weaknesses mentioned above. The weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of these material weaknesses will be completed prior to the end of fiscal year 2022.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not a party to any material pending or threatened litigation.

ITEM 1A. RISK FACTORS

This quarterly report should be read in conjunction with the risk factors included in our 2021 Annual Report on Form 10-K. There have been no material changes in our risk factors from the risk factors disclosed in that report. These risk factors do not identify all risks that we face – our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1*	Amended and Restated Memorandum and Articles of Association of Ichor Holdings, Ltd., effective as of May 24, 2022.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* Filed herewith.

** Furnished herewith and not filed.

**THE COMPANIES ACT (AS REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION**

OF

ICHOR HOLDINGS, LTD.

(ADOPTED BY SPECIAL RESOLUTION DATED [DATE] WITH EFFECT FROM [DATE])

**THE COMPANIES ACT (AS REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION
OF
ICHOR HOLDINGS, LTD.**

(ADOPTED BY SPECIAL RESOLUTION DATED [DATE] WITH EFFECT FROM [DATE])

- 1 The name of the Company is **Ichor Holdings, Ltd.**
- 2 The Registered Office of the Company shall be at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as the Directors may from time to time decide.
- 3 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 the Companies Act (As Revised) or as the same may be revised from time to time, or any other law of the Cayman Islands.
- 4 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.
- 5 The authorised share capital of the Company is US\$22,000 divided into 200,000,000 Ordinary Shares of a nominal or par value of US\$0.0001 each and 20,000,000 Preferred Shares of a nominal or par value of US\$0.0001 each.
- 6 The Company has the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
- 7 Capitalised terms that are not defined in this Amended and Restated Memorandum of Association bear the same meaning as those given in the Amended and Restated Articles of Association of the Company.

THE COMPANIES ACT (AS REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
ICHOR HOLDINGS, LTD.

(ADOPTED BY SPECIAL RESOLUTION DATED [DATE] WITH EFFECT FROM [DATE])

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1 Interpretation

1.1 In these Articles, unless otherwise defined, the defined terms shall have the meanings assigned to them as follows:

"Affiliate"	means (i) in the case of a natural person, such person's parents, parents-in-law, spouse, children or grandchildren, a trust for the benefit of any of the foregoing, a company, partnership or any natural person or entity wholly or jointly owned by such person or any of the foregoing, and (ii) in the case of a corporation, partnership or other entity or any natural person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity. The term "control" shall mean the ownership, directly or indirectly, of shares possessing more than fifty per cent (50%) of the voting power of the corporation, or the partnership or other entity (other than, in the case of a corporation, shares having such power only by reason of the happening of a contingency), or having the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of such corporation, partnership or other entity.
"Articles"	means the Amended and Restated Articles of Association of the Company, as from time to time altered or added to in accordance with the Statute and these Articles.
"Business Day"	means a day, excluding Saturdays or Sundays, on which banks in New York, New York, United States of America are open for general banking business throughout their normal business hours.
"Commission"	means the Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act.
"Company"	means Ichor Holdings, Ltd., a Cayman Islands company limited by shares.
"Company's Website"	means the website of the Company, the address or domain name of which has been notified to Members.
"Designated Stock Exchange"	means the Nasdaq Global Select Market or any other stock exchange or automated quotation system on which the Company's securities are then traded.
"Dividend"	means any dividend (whether interim or final) resolved to be paid on shares pursuant to these Articles.
"Directors"	means the directors of the Company for the time being, or as the case may be, the Directors assembled as a board or as a committee thereof.
"electronic"	has the meaning given to it in the Electronic Transactions Act (As Revised) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.
"electronic record"	has the meaning given to it in the Electronic Transactions Act (As Revised) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.
"electronic communication"	means electronic transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than a majority vote of the Directors.
"Exchange Act"	means the United States Securities Exchange Act of 1934, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.
"Market Price"	means for any given day, the price quoted in respect of the Ordinary Shares on the Designated Stock Exchange of the close of trading on such day, or if such day is not a date on which the Designated Stock Exchange is open, then the close of trading on the previous trading day.

"Member"	means a person whose name is entered in the Register of Members as the holder of a share or shares.
"Memorandum of Association"	means the Memorandum of Association of the Company, as amended and restated from time to time.
"month"	means the calendar month.
"Nominating Member"	means (i) the Member providing the notice of the nomination proposed to be made at a general meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at any general meeting is made, and (iii) any Affiliate or associate of such Member or beneficial owner.
"Ordinary Resolution"	means (i) a resolution 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 Member being an organisation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of the Company or (ii) a unanimous written resolution.
"Ordinary Shares"	means an Ordinary Share in the capital of the Company of US\$0.0001 nominal or par value designated as Ordinary Shares, and having the rights provided for in these Articles.
"Preferred Shares"	means shares in the capital of the Company of US\$0.0001 nominal or par value designated as Preferred Shares, and having the rights provided for in these Articles.
"Register of Members"	means the register maintained by the Company in accordance with section 40 of the Statute or any modification or re-enactment thereof for the time being in force.
"Registered Office"	means the registered office for the time being of the Company.
"Seal"	means the common seal of the Company including any facsimile thereof.
"Securities Act"	means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.
"share"	means any share in the capital of the Company, including the Ordinary Shares, Preferred Shares and shares of other classes.
"signed"	means 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 Resolution"	means (i) a resolution passed by not less than two-thirds of votes cast by such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution, has been duly given or (ii) a unanimous written resolution.
"Statute"	means the Companies Act (As Revised) of the Cayman Islands and any statutory amendment or re-enactment thereof.
"Treasury Share"	means a share held in the name of the Company as a treasury share in accordance with the Statute.
"year"	means the calendar year.

1.2 In these Articles, save where the context requires otherwise:

- (a) words importing the singular number shall include the plural number and vice versa;
- (b) words importing the masculine gender only (*i.e.*, "he" and "his") shall include the feminine gender (*i.e.*, "her," and "hers") and shall include references to entities without gender (*i.e.*, "it" and "its");
- (c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;
- (d) "may" shall be construed as permissive and "shall" shall be construed as imperative;
- (e) a reference to a dollar or dollars (or \$) is a reference to dollars of the United States of America;
- (f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
- (g) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (h) Section 8 and 19(3) of the Electronic Transactions Act (As Revised) shall not apply;
- (i) "written" and "in writing" means all modes of representing or reproducing words in visible form, including in the form of an electronic record and any requirements as to delivery under these Articles include delivery in the form of an electronic record; where used in connection with a notice served by the Company on Members or other persons entitled to receive notices hereunder, such "writing" shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference;
- (j) any requirements as to execution or signature under these Articles can be satisfied in the form of an electronic signature as defined in the Electronic Transactions Act (As Revised);
- (k) the term "clear days" in relation to the period of a notice means that period excluding the day when the notice is received or deemed to be received and the day for which it is given or on which it is to take effect; and
- (l) the term "holder" in relation to a share means a person whose name is entered in the Register of Members as the holder of such share.

1.3 Subject to the last two preceding Articles, any words defined in the Statute shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

2 Preliminary

2.1 The business of the Company may be commenced as soon after incorporation as the Directors see fit, notwithstanding that only part of the shares may have been allotted or issued.

2.2 The registered office of the Company shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

3 Issue of Shares

3.1 Subject to the provisions, if any, in the Memorandum (and to any direction that may be given by the Company in general meeting) the Directors may, in their absolute discretion and without approval of the holders of Ordinary Shares, allot, issue, grant options over or otherwise dispose of shares (including fractions of a share) with or without preferred, deferred or other rights or restrictions, whether in regard to Dividend or other distribution, voting, return of capital or otherwise, any or all of which may be greater than the powers and rights associated with the Ordinary Shares, to such persons, at such times and on such other terms as they think proper, which shall be conclusively evidenced by their approval of the terms thereof, and may also (subject to the Statute and these Articles) vary such rights.

3.2 The Company shall not issue shares in bearer form and shall only issue shares as fully paid.

4 Ordinary Shares

4.1 The holders of the Ordinary Shares shall be:

- (a) entitled to dividends in accordance with the relevant provisions of these Articles;
- (b) entitled to and are subject to the provisions in relation to winding up of the Company provided for in these Articles;
- (c) entitled to attend general meetings of the Company and shall be entitled to one vote for each Ordinary Share registered in his name in the Register of Members, both in accordance with the relevant provisions of these Articles.

4.2 All Ordinary Shares shall rank *pari passu* with each other in all respects.

5 Preferred Shares

5.1 Preferred Shares may be issued from time to time in one or more series, each of such series to have such voting powers (full or limited or without voting powers), designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed, or in any resolution or resolutions providing for the issue of such series adopted by the Directors as hereinafter provided.

5.2 Authority is hereby granted to the Directors, subject to the provisions of the Memorandum, these Articles and applicable law, to create one or more series of Preferred Shares and, with respect to each such series, to fix by resolution or resolutions, without any further vote or action by the Members of the Company providing for the issue of such series:

- (a) the number of Preferred Shares to constitute such series and the distinctive designation thereof;
- (b) the dividend rate on the Preferred Shares of such series, the dividend payment dates, the periods in respect of which dividends are payable ("**Dividend Periods**"), whether such dividends shall be cumulative and, if cumulative, the date or dates from which dividends shall accumulate;
- (c) whether the Preferred Shares of such series shall be convertible into, or exchangeable for, Shares of any other class or classes or any other series of the same or any other class or classes of Shares and the conversion price or prices or rate or rates, or the rate or rates at which such exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided in such resolution or resolutions;
- (d) the preferences, if any, and the amounts thereof, which the Preferred Shares of such series shall be entitled to receive upon the winding up of the Company;
- (e) the voting power, if any, of the Preferred Shares of such series;
- (f) transfer restrictions and rights of first refusal with respect to the Preferred Shares of such series; and
- (g) such other terms, conditions, special rights and provisions as may seem advisable to the Directors.

5.3 Notwithstanding the fixing of the number of Preferred Shares constituting a particular series upon the issuance thereof, the Directors at any time thereafter may authorise the issuance of additional Preferred Shares of the same series subject always to the Statute and the Memorandum.

5.4 No dividend shall be declared and set apart for payment on any series of Preferred Shares in respect of any Dividend Period unless there shall likewise be or have been paid, or declared and set apart for payment, on all Preferred Shares of each other series entitled to cumulative dividends at the time outstanding which rank senior or equally as to dividends with the series in question, dividends rateably in accordance with the sums which would be payable on the said Preferred Shares through the end of the last preceding Dividend Period if all dividends were declared and paid in full.

5.5 If, upon the winding up of the Company, the assets of the Company distributable among the holders of any one or more series of Preferred Shares which (a) are entitled to a preference over the holders of the Ordinary Shares upon such winding up; and (b) rank equally in connection with any such distribution, shall be insufficient to pay in full the preferential amount to which the holders of such Preferred Shares shall be entitled, then such assets, or the proceeds thereof, shall be distributed among the holders of each such series of the Preferred Shares rateably in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full.

6 Register of Members and Share Certificates

6.1 The Company shall maintain or cause to be maintained the Register of Members in accordance with the Statute.

6.2 The Directors may determine that the Company shall maintain one or more branch registers of Members in accordance with the Statute. The Directors may also determine which register of Members shall constitute the principal register and which shall constitute the branch register or registers, and to vary such determination from time to time.

6.3 Shares shall be held in uncertificated, book entry form, unless the Directors resolve that share certificates shall be issued. Every person whose name is entered as a Member in the Register of Members and whose shares are to be held in certificated form shall, upon request and without payment, be entitled to a certificate within two months after allotment or transfer (or within such other period as the conditions of issue shall provide) in the form determined by the Directors.

6.4 All certificates shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. In the event that shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

6.5 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.

6.6 All certificates for shares shall be delivered personally or sent through the post addressed to the member entitled thereto at the Member's registered address as appearing in the Register of Members. Every share certificate sent in accordance with these Articles will be sent at the risk of the Member or other person entitled to the certificate. The Company will not be responsible for any share certificate lost or delayed in the course of delivery.

6.7 Every share certificate of the Company shall bear any legends required under applicable laws, including the Securities Act.

7 Transfer of Shares

7.1 Subject to these Articles and the rules or regulations of the Designated Stock Exchange or any relevant securities laws (including, but not limited to the Exchange Act), any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Directors and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time.

7.2 The instrument of transfer shall be executed by or on behalf of the transferor. Without prejudice to the last preceding Article, the Directors may also resolve, either generally or in any particular case, upon request by the transferor or transferee to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered into the Register of Members in respect thereof.

7.3 The Directors may, in their absolute discretion, decline to register any transfer of shares, subject to any applicable requirements imposed from time to time by the Commission and the Designated Stock Exchange.

- 7.4 Without limiting the generality of the last preceding Article, the Directors may decline to recognise any instrument of transfer unless:
- (a) a fee of such maximum sum as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the instrument of transfer is in respect of only one class of share;
 - (c) the instrument of transfer is lodged at the Registered Office or such other place as the Register of Members is kept in accordance with the Statute accompanied by the relevant share certificate(s) (if any) or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
 - (d) the instrument of transfer is duly and properly signed.
- 7.5 If the Directors refuse to register a transfer of any share, the Company shall, within three months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of the refusal.
- 7.6 The registration of transfers may be suspended at such time and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than forty five (45) days in any year.
- 7.7 The Directors in so far as permitted by any applicable law and rules of the Designated Stock Exchange may, in their absolute discretion, at any time and from time to time transfer any share upon the Register of Members to any branch register or any share on any branch register to the Register of Members or any other branch register. In the event of any such transfer, the Member requesting such transfer shall bear the cost of effecting such transfer unless the Directors otherwise determine.
- 8 Redemption, Purchase and Surrender of Shares, Treasury Shares**
- 8.1 Subject to the provisions, if any, in these Articles, the Memorandum, applicable law, including the Statute, and the rules of the Designated Stock Exchange, the Company may:
- (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Member on such terms and in such manner as the Directors may, before the issue of such shares, determine; and
 - (b) purchase its own shares (including any redeemable shares) in such manner and on such other terms as the Directors may agree with the relevant Member, provided that the manner of purchase is in accordance with any applicable requirements imposed from time to time by the Commission or the Designated Stock Exchange;
- 8.2 The Company may make a payment in respect of the redemption or purchase of its own shares in any manner permitted by the Statute, including out of capital.
- 8.3 The Directors may accept the surrender for no consideration of any fully paid share.
- 8.4 The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.
- 8.5 The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

9 Variation of Rights Attaching to Shares

- 9.1 If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied without the consent of the holders of the issued shares of that class where such variation is considered by the Directors not to have a material adverse effect upon such rights; otherwise, any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the shares of that class. For the avoidance of doubt, the Directors reserve the right, notwithstanding that any such variation may not have a material adverse effect, to obtain consent from the holders of shares of the relevant class. To any such meeting all the provisions of these Articles relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one person holding or representing by proxy at least one third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.
- 9.2 For the purposes of a separate class meeting, the Directors may treat two or more or all the classes of Shares as forming one class of shares if the Directors consider that such class of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of shares.
- 9.3 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 varied by the creation or issue of further shares ranking in priority to or *pari passu* therewith.

10 Commission on Sale of Shares

The Company may, in so far as the Statute permits, pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares. Such commissions may be satisfied by the payment of cash and/or the issue of fully or partly paid-up shares. The Company may also on any issue of shares pay such brokerage as may be lawful.

11 Non-Recognition of Trusts

The Company shall not be bound by or compelled to recognise in any way (even when notified) any equitable, contingent, future or partial interest in any share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any share other than an absolute right to the entirety thereof in the holder.

12 Transmission of Shares

- 12.1 If a Member dies, the survivor or survivors (where he was a joint holder) or his legal personal representatives (where he was a sole holder), shall be the only persons recognised by the Company as having any title to his shares. The estate of a deceased Member is not thereby released from any liability in respect of any share, for which he was a joint or sole holder.
- 12.2 Any person becoming entitled to a share in consequence of the death or bankruptcy, liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may be required by the Directors, elect, by a notice in writing sent by him to the Company, either to become the holder of such share or to have some person nominated by him registered as the holder of such share. If he elects to have another person registered as the holder of such share he shall sign an instrument of transfer of that share to that person. The Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the relevant Member before his death or bankruptcy, liquidation or dissolution, as the case may be.

12.3 A person becoming entitled to a share by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same Dividends, other distributions and other advantages to which he would be entitled if he were the holder of such share. However, he shall not, before becoming a Member in respect of a share, be entitled in respect of it to exercise any right conferred by membership in relation to general meetings of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to have some person nominated by him be registered as the holder of the share (but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the relevant Member before his death or bankruptcy or liquidation or dissolution or any other case than by transfer, as the case may be). If the notice is not complied with within ninety days of being received or deemed to be received (as determined pursuant to these Articles) the Directors may thereafter withhold payment of all Dividends, other distributions, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

13 Alteration of Capital

13.1 Subject to these Articles, the Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.

13.2 Subject to these Articles, the Company may by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, provided that any fractions of a share that result from such a consolidation or division of its share capital shall be automatically repurchased by the Company at (i) the Market Price on the date of such consolidation or division, in the case of any shares listed on a Designated Stock Exchange and (ii) a price to be agreed between the Company and the applicable Member in the case of any shares not listed on a Designated Stock Exchange;
- (b) sub-divide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;
- (c) divide shares into multiple classes; or
- (d) cancel any shares which, at the date of the passing 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.

13.3 All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

13.4 Subject to these Articles, the Company may by Special Resolution:

- (a) change its name;
- (b) alter or add to these Articles;
- (c) alter or add to the Memorandum of Association with respect to any objects, powers or other matters specified therein; or
- (d) reduce its share capital and any capital redemption reserve in any manner authorised by law.

14 Closing Register of Members or Fixing Record Date

14.1 For the purpose of determining Members entitled to notice of, attend or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed forty days.

- 14.2 If the Register of Members shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members such register shall be so closed for at least ten (10) calendar days (but not more than sixty (60) calendar days) immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members, which such date shall not precede the date upon which the resolution fixing the record date is adopted by the Directors. The Directors shall prepare, or cause to be prepared, at least ten (10) days before every general meeting, a complete list of the Members entitled to vote at such meeting, arranged in alphabetical order, and showing the address of each Member and the number of shares registered in the name of each Member. Such list shall be open to the examination of any Member, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the principal executive office of the Company. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Member who is present.
- 14.3 In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, attend or to vote at a meeting of the Members or any adjournment thereof, or for the purpose of determining those Members that are entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose.
- 14.4 If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to receive notice of, attend or to vote at a meeting of Members or those Members that are entitled to receive payment of a Dividend or other distribution, the record date for such determination of Members shall be at the close of business on the Business Day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the Business Day next preceding the day on which the meeting is held. When a determination of those Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

15 General Meetings

- 15.1 All general meetings of the Company other than annual general meetings shall be called extraordinary general meetings.
- 15.2 For so long as the Company's securities are traded on a Designated Stock Exchange, the Company shall in each year hold a general meeting as its annual general meeting at such time and place as may be determined by the Directors.
- 15.3 Extraordinary general meetings may be called by a majority of the Directors or by the chairman of the board of Directors. If an extraordinary general meeting is called by the Directors, such extraordinary general meeting shall be held at such time and place as may be determined by the Directors, and if an extraordinary general meeting is called by the chairman of the board of Directors, such extraordinary general meeting shall be held at such time and place as may be determined by the chairman of the board of Directors.
- 15.4 A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

16 Notice of General Meetings

- 16.1 At least ten (10) calendar days' notice (but not more than sixty (60) calendar days' notice) shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting, the matters that are intended to be presented, and, in the case of annual general meetings, the name of any nominee who the Directors intend to present for election, and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all the Members (or their proxies) entitled to attend and vote thereat; and

- (b) in the case of an extraordinary general meeting, by the Members (or their proxies) having a right to attend and vote at the meeting, together holding not less than a majority of the shares giving that right.
- 16.2 The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a Special Resolution shall specify the intention to propose the resolution as a Special Resolution. Notice of every general meeting shall be given to all Members other than such as, under the provisions hereof or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company.
- 16.3 In cases where instruments of proxy are sent out with a notice of general meeting, the accidental omission to send such instrument of proxy to, or the non-receipt of any such instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.
- 16.4 No business may be transacted at any general meeting, other than business that is either (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Directors (or any duly authorised committee thereof), (B) otherwise properly brought before an annual general meeting by or at the direction of the Directors (or any duly authorised committee thereof) or (C) otherwise properly brought before an annual general meeting by any Member of the Company who (1) is a Member of record on both (x) the date of the giving of the notice by such Member provided for in this Article and (y) the record date for the determination of Members entitled to vote at such annual general meeting and (2) complies with the notice procedures set forth in this Article.
- (a) In addition to any other applicable requirements, for business to be brought properly before an annual general meeting by a Member, such Member must have given timely notice thereof in proper written form to the Secretary of the Company and comply with Article 16.4(c) and (f).
- (b) All notices of general meetings shall be sent or otherwise given in accordance with this Article not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of an extraordinary general meeting, the purpose or purposes for which the meeting is called (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual general meeting, those matters which the Directors, at the time of giving the notice, intends to present for action by the members (but any proper matter may be presented at the meeting for such action). The notice of any meeting at which Directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the Directors intend to present for election.
- (c) For matters other than for the nomination for election of a Director to be made by a Member, to be timely, such Member's notice shall be delivered to the Company at the principal executive offices of the Company not less than ninety (90) days and not more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual general meeting; provided, however, that if the Company's annual general meeting occurs on a date more than thirty (30) days earlier or later than the Company's prior year's annual general meeting, then the Directors shall determine a date a reasonable period prior to the Company's annual general meeting by which date the Members notice must be delivered and publicise such date in a filing pursuant to the Exchange Act, or via press release. Such publication shall occur at least ten (10) days prior to the date set by the Directors.
- (d) To be in proper written form, a Member's notice to the Company must set forth as to such matter such Member proposes to bring before the annual general meeting:
- (i) a reasonably brief description of the business desired to be brought before the annual general meeting, including the text of the proposal or business, and the reasons for conducting such business at the annual general meeting;
- (ii) the name and address, as they appear on the Company's Register of Members, of the Member proposing such business and any Member Associated Person (as defined below);
- (iii) the class or series and number of shares of the Company that are held of record or are beneficially owned by such Member or any Member Associated Person and any derivative positions held or beneficially held by the Member or any Member Associated Person;

- (iv) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such Member or any Member Associated Person with respect to any securities of the Company, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such Member or any Member Associated Person with respect to any securities of the Company;
- (v) any material interest of the Member or a Member Associated Person in such business, including a reasonably detailed description of all agreements, arrangements and understandings between or among any of such Members or between or among any proposing Members and any other person or entity (including their names) in connection with the proposal of such business by such Member; and
- (vi) a statement as to whether such Member or any Member Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the Company's voting shares required under applicable law and the rules of the Designated Stock Exchange to carry the proposal.

For purposes of this Article 16.4(d), a "**Member Associated Person**" of any Member shall mean (x) any Affiliate; or person acting in concert with, such Member, (y) any beneficial owner of shares of the Company owned of record or beneficially by such Member and on whose behalf the proposal or nomination, as the case may be, is being made, or (z) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (x) and (y).

- (e) In addition to any other applicable requirements, for a nomination for election of a Director to be made by a Member of the Company (other than Directors to be nominated by any series of Preferred Shares, voting separately as a class), such Member must (A) be a Member of record on both (x) the date of the giving of the notice by such Member provided for in this Article and (y) the record date for the determination of Members entitled to vote at such annual general meeting, and on each such date beneficially own more than 15% of the issued Ordinary Shares (unless otherwise provided in the Exchange Act or the rules and regulations of the Commission) and (B) have given timely notice thereof in proper written form to the Secretary of the Company. If a Member is entitled to vote only for a specific class or category of directors at a meeting of the Members, such Member's right to nominate one or more persons for election as a director at the meeting shall be limited to such class or category of directors.
- (f) To be timely for purposes of Article 16.4(e), a Member's notice shall be delivered to or mailed and received at the principal executive offices of the Company not less than ninety (90) nor more than one hundred twenty (120) days prior to the meeting; provided, however, that in the event less than one hundred thirty (130) days' notice or prior public disclosure of the date of the meeting is given or made to Members, notice by the Member to be timely must be so received not later than the close of business on the tenth (10th) day following the earlier of the day on which such notice of the date of the meeting was mailed or such public disclosure was made.
- (g) To be in proper written form for purposes of Article 16.4(f), a Nominating Member's notice to the Secretary must be set forth:
 - (i) as to each Nominating Member:
 - (A) the information that is requested in Article 16.4(d)(ii)-(vi); and
 - (B) any other information relating to such Member that would be required to be disclosed pursuant to any applicable law and rules of the Commission or of the Designated Stock Exchange.
 - (ii) as to each person whom the Member proposes to nominate for election as a director:

- (A) all information that would be required by Article 16.4(d)(ii)-(vi) if such nominee was a Nominating Member, except such information shall also include the business address and residence address of the person;
- (B) the principal occupation or employment of the person;
- (C) all information relating to such person that is required to be disclosed in solicitations of proxies for appointment of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act or any successor provisions thereto, and any other information relating to the person that would be required to be disclosed pursuant to any applicable law and rules of the Commission or of the Designated Stock Exchange; and
- (D) a description of all direct and indirect compensation and other material monetary arrangements and understandings during the past three years, and any other material relationship, between or among any Nominating Member and his Affiliates and associates, on the one hand, and each proposed nominee, his respective Affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K of the Exchange Act if such Nominating Member were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant.

Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected. The Company may require any proposed nominee to furnish such other information as may be reasonably required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company in accordance with the rules of the Designated Stock Exchange.

- (h) Unless otherwise provided by the terms of these Articles, any series of Preferred Shares or any agreement among Members or other agreement approved by the Directors, only persons who are nominated in accordance with the procedures set forth above shall be eligible to serve as Directors. If the chairman of a general meeting determines that a proposed nomination was not made in compliance with these Articles, he or she shall declare to the general meeting that nomination is defective and such defective nomination shall be disregarded. Notwithstanding the foregoing provisions of these Articles, if the Nominating Member (or a qualified representative of the Nominating Member) does not appear at the general meeting to present the nomination, such nomination shall be disregarded.

- 16.5 The Directors shall have power at any time and from time to time to appoint any person to be a Director, either as a result of a casual vacancy or as an additional Director, subject to the maximum number (if any) imposed by the Directors.
- 16.6 The Company may by Ordinary Resolution appoint any person to be a Director.
- 16.7 Subject to these Articles, a Director shall hold office until the expiry of his or her term as contemplated by Article 21.2 or, until such time as he or she vacates office in accordance with Article 24.1.
- 16.8 No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in this Article. If the chairman of an annual general meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded. This Article 16 shall not apply to any nomination of a director in an election in which only the holders of one or more series of Preferred Shares of the Company are entitled to vote (unless otherwise provided in the terms of such series of Preferred Shares).
- 16.9 The accidental omission to give notice of a meeting to or the non receipt of a notice of a meeting by any Member shall not invalidate the proceedings at any meeting.

17 Proceedings at General Meetings

- 17.1 No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Members holding in aggregate not less than a simple majority of all voting share capital of the Company in issue present in person or by proxy and entitled to vote shall be a quorum. A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting. If, however, such quorum is not present or represented at any general meeting, then either (i) the chairman of the meeting or (ii) the Members entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting.
- 17.2 When a meeting is adjourned to another time and place, unless these Articles otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting.
- 17.3 A determination of the Members of record entitled to notice of or to vote at a general meeting shall apply to any adjournment of such meeting unless the Directors fix a new record date for the adjourned meeting, but the Directors shall fix a new record date if the meeting is adjourned for more than thirty (30) days from the date set for the original meeting.
- 17.4 The chairman of the board of Directors shall preside as chairman at every general meeting of the Company. If at any meeting the chairman of the board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the Directors present shall elect one of their number as chairman of the meeting or if all the Directors present decline to take the chair, the Members present shall choose one of their own number to be the chairman of the meeting.
- 17.5 At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.
- 17.6 A poll shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting.
- 17.7 In the case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote.

18 Votes of Members

- 18.1 Subject to any rights and restrictions for the time being attached to any class or classes of shares, every Member present in person and every person representing a Member by proxy at a general meeting of the Company shall have one vote for each share registered in such Member's name in the Register of Members. No cumulative voting shall be allowed.
- 18.2 In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
- 18.3 A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote on a poll by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person, may on a poll, vote by proxy.
- 18.4 No Member shall be entitled to vote at any general meeting unless all sums presently payable by him in respect of shares in the Company have been paid.
- 18.5 On a poll, votes may be given either personally or by proxy.

- 18.6 The instrument appointing a proxy shall be in writing (whether by manual signature, typewriting, telegraphic transmission, telefacsimile or otherwise) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is an entity, either under seal or under the hand of an officer or attorney duly authorised in that behalf provided however, that a Member may also authorise the casting of a vote by proxy pursuant to telephonic or electronically transmitted instructions (including, without limitation, instructions transmitted over the internet) obtained pursuant to procedures approved by the Directors which are reasonably designed to verify that such instructions have been authorised by such Member. A proxy need not be a Member of the Company. Notwithstanding the foregoing, no proxy shall be voted or acted upon after three (3) years from its date unless the proxy provides for a longer period.
- 18.7 An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
- 18.8 The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- 18.9 Shares that are beneficially owned by the Company shall not be voted, directly or indirectly, at any general meeting and shall not be counted in determining the total number of issued Shares at any given time.

19 Corporations Acting by Representatives at Meeting

Any corporation or other entity which is a Member may, by resolution of its directors, other governing body or authorised individual(s), authorise such person as it thinks fit to act as its representative at any general meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member.

20 Clearing Houses

If a clearing house or depository (or its nominee) is a Member it may, by resolution of its directors, other governing body or authorised individual(s) or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of Members; provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

21 Directors

- 21.1 There shall be a board of Directors consisting of six (6) Directors, unless increased or decreased from time to time by the Directors or the Company in general meeting. So long as Shares are listed on the Designated Stock Exchange, the board of Directors shall include such number of "independent directors" as the relevant rules applicable to the listing of any Shares on the Designated Stock Exchange require (subject to any applicable exceptions for Controlled Companies).
- 21.2 Prior to the adoption of these Articles, the Directors have been divided into three (3) classes designated as Class I, Class II and Class III, respectively. The term of the Class I Directors in office as at the adoption of these Articles shall expire at the Company's annual general meeting held in 2023. The term of the Class II Directors in office as at the adoption of these Articles shall expire at the Company's annual general meeting held in 2024. The term of the Class III Directors in office as at the adoption of these Articles shall expire at the Company's annual general meeting held in 2025. Commencing at the Company's first annual general meeting following the adoption of these Articles and at each succeeding annual general meeting, upon the expiry of their term of office as set out in this Article, Directors shall be elected for a full term of one (1) year to succeed the Directors whose terms expire at such annual general meeting. Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his term, until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal. No decrease in the number of Directors constituting the Directors shall shorten the term of any incumbent Director.

- 21.3 The Directors by the affirmative vote of a simple majority of the remaining Directors present and voting at a meeting of the Directors, even if less than a quorum, shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the board of Directors or as an addition to the existing board of Directors, subject to these Articles, applicable law and the listing rules of the Designated Stock Exchange; provided that any vacancy not filled by the Directors may be filled by the Members by Ordinary Resolution at the next annual general meeting or extraordinary general meeting called for that purpose; provided further, that whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more Directors by the provisions of these Articles, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class or classes or series thereof then in office, or by a sole remaining Director so elected or by the Members holding such class or classes of shares or series thereof in accordance with these Articles. Any Director so appointed shall hold office until the expiration of the term of such class of Directors or until his earlier death, resignation or removal.
- 21.4 A director may be removed from office by the Members by Special Resolution only for cause ("cause" for removal of a Director shall be deemed to exist only if (a) the Director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (b) such Director has been found by the affirmative vote of a majority of the Directors then in office at any regular or special meeting of the board of Directors called for that purpose, or by a court of competent jurisdiction, to have been guilty of wilful misconduct in the performance of such Director's duties to the Company in a matter of substantial importance to the Company; or (c) such Director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects such director's ability to perform his or her obligations as a Director) at any time before the expiration of his term notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement). If the board of Directors makes a determination that removal of a Director by the Members by Special Resolution is in the best interests of the Company the above definition of "cause" shall not apply. A vacancy on the board of Directors created by the removal of a Director under the provisions of these Articles may be filled by the election or appointment by Ordinary Resolution at the general meeting at which such Director is removed or by the affirmative vote of a simple majority of the remaining Directors present and voting at a meeting of the Directors, subject to these Articles, applicable law and the listing rules of the Designated Stock Exchange. A Director appointed to fill a vacancy in accordance with this Article shall be of the same Class of Director as the Director he or she replaced and the term of such appointment shall terminate in accordance with that Class of Director.
- 21.5 The Directors may, from time to time, and except as required by applicable law or the listing rules of the Designated Stock Exchange, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Directors on various corporate governance related matters, as the Directors shall determine by resolution from time to time.
- 21.6 A Director shall not be required to hold any shares in the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at general meetings of the Company and all classes of shares of the Company.

22 Directors' Fees and Expenses

- 22.1 The Directors may receive such remuneration as the Directors may from time to time determine. The Directors may be entitled to be repaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Directors or committees of the Directors or general meetings or separate meetings of any class of securities of the Company or otherwise in connection with the discharge of his duties as a Director.
- 22.2 Any Director who performs services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for, by or pursuant to any other Article.

23 Powers and Duties of Directors

- 23.1 Subject to the provisions of the Statute, these Articles and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in a general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been made.
- 23.2 The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; provided that any committee so formed shall include amongst its members at least two Directors unless otherwise required by applicable law, rules and regulations and the rules of the Designated Stock Exchange; provided further that no committee shall have the power of authority to (a) recommend to the Members an amendment of these Articles (except that a committee may, to the extent authorised in the resolution or resolutions providing for the issuance of shares adopted by the Directors as provided under the laws of the Cayman Islands, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Company or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of shares of the Company); (b) adopt an agreement of merger or consolidation; (c) recommend to the Members the sale, lease or exchange of all or substantially all of the Company's property and assets; (d) recommend to the Members a dissolution of the Company or a revocation of a dissolution; (e) recommend to the Members an amendment of the Memorandum of Association of the Company; or (f) declare a dividend or authorise the issuance of shares unless the resolution establishing such committee (or the charter of such committee approved by the Directors) or the Memorandum of Association or these Articles so provide. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. The Directors may also delegate to any Director holding any executive office such of their powers as they consider desirable to be exercised by him or her. Any such delegation may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers, and may be revoked or altered.
- 23.3 The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.
- 23.4 The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the following paragraphs shall be without prejudice to the general powers conferred by this paragraph.
- 23.5 The Directors from time to time and at any time may establish any advisory committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such advisory committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any of the aforesaid.
- 23.6 The Directors from time to time and at any time may delegate to any such advisory committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
- 23.7 Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretions for the time being vested to them.

23.8 The Directors may elect, by the affirmative vote of a majority of the Directors then in office, a chairman. The chairman of the board of Directors may be a director or an officer of the Company. Subject to the provisions of these Articles and the direction of the Directors, the chairman of the board of Directors shall perform all duties and have all powers which are commonly incident to the position of chairman of a board or which are delegated to him or her by the Directors, preside at all general meetings and meetings of the Directors at which he or she is present and have such powers and perform such duties as the Directors may from time to time prescribe.

24 Disqualification of Directors

Subject to these Articles, the office of Director shall be vacated, if the Director:

- (a) becomes bankrupt or makes any arrangement or composition with his creditors;
- (b) dies or is found to be or becomes of unsound mind;
- (c) resigns his office by notice in writing to the Company;
- (d) is prohibited by applicable law or the Designated Stock Exchange from being a director;
- (e) without special leave of absence from the Directors, is absent from meetings of the Directors for six consecutive months and the Directors resolve that his office be vacated; or
- (f) if he or she shall be removed from office pursuant to these Articles.

25 Proceedings of Directors

25.1 Subject to these Articles, the Directors may meet together for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Such meetings may be held at any place within or outside the Cayman Islands that has been designated by the Directors. In the absence of such a designation, meetings of the Directors shall be held at the principal executive office of the Company. Questions arising at any meeting of the Directors shall be decided by the method set forth in Article 25.4.

25.2 The chairman of the board of Directors or the Secretary on request of a Director, may, at any time summon a meeting of the Directors by twenty-four (24) hour notice to each Director in person, by telephone, facsimile, electronic email, or in such other manner as the Directors may from time to time determine, which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors either at, before or after the meeting is held. Notice of a meeting need not be given to any Director (i) who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or (ii) who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Directors. All such waivers, consents, and approvals shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the Directors.

25.3 A Director or Directors may participate in any meeting of the Directors, or of any committee appointed by the Directors of which such Director or Directors are members, by means of telephone or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.

25.4 The quorum necessary for the transaction of the business of the Directors shall be a majority of the authorised number of Directors. If at any time there is only a sole Director, the quorum shall be one (1) Director. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Directors, subject to the provisions of these Articles and other applicable law. In the case of an equality of votes, the chairman shall not have an additional tie-breaking vote.

25.5 A meeting of the Directors may be held by means of telephone or teleconferencing or any other telecommunications facility provided that all participants are thereby able to communicate immediately by voice with all other participants.

- 25.6 Subject to these Articles, a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.
- 25.7 A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors 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 or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, 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. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement. Any Director who enters into a contract or arrangement or has a relationship that is reasonably likely to be implicated under this Article 25.7 or that would reasonably be likely to affect a Director's status as an "Independent Director" under applicable law or the rules of the Designated Stock Exchange shall disclose the nature of his or her interest in any such contract or arrangement in which he is interested or any such relationship.
- 25.8 Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to reasonable expense reimbursement consistent with the Company's policies in connection with such Directors service in his official capacity; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
- 25.9 The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:
- (a) all appointments of officers made by the Directors;
 - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
 - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.
- 25.10 When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
- 25.11 A resolution signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. When signed, a resolution may consist of several documents each signed by one or more of the Directors.
- 25.12 The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.
- 25.13 A committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.
- 25.14 A committee appointed by the Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall not have a second or casting vote.

25.15 Meetings and actions of committees of the Directors shall be governed by, and held and taken in accordance with, the provisions of Article 25.1 (place of meetings), Article 25.2 (notice), Article 25.3 (telephonic meetings), and Article 25.4 (quorum), with such changes in the context of these Articles as are necessary to substitute the committee and its members for the Directors; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Articles.

25.16 All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

26 Presumption of Assent

A Director of the Company who is present at a meeting of the Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent or abstention shall be entered in the Minutes of the meeting or unless he shall file his written dissent or abstention from such action with the person acting as the chairman or Secretary of the meeting before the adjournment thereof or shall forward such dissent or abstention by registered post to such person immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a Director who voted in favour of such action.

27 Dividends, Distributions and Reserve

27.1 Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor. All dividends unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Subject to any applicable unclaimed property or other laws, any dividend unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Directors of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

27.2 The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors shall establish an account to be called the "Share Premium Account" and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. Unless otherwise provided by the provisions of these Articles, the Directors may apply the share premium account in any manner permitted by the Statute and the rules of the Designated Stock Exchange. The Company shall at all times comply with the provisions of these Articles, the Statute and the rules of the Designated Stock Exchange in relation to the share premium account.

27.3 Any dividend may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the Member or person entitled, or such joint holders as the case may be, may direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled, or such joint holders as the case may be, may direct. Notwithstanding the foregoing, dividends may also be paid electronically to the account of the Members or persons entitled thereto or in such other manner approved by the Directors.

27.4 The Directors when paying dividends to the Members in accordance with the foregoing provisions may make such payment either in cash or in specie.

27.5 No dividend shall be paid otherwise than out of profits or, subject to the restrictions of the Statute, the share premium account.

27.6 Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as fully paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share.

27.7 If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

27.8 No dividend shall bear interest against the Company.

28 Book of Accounts

28.1 The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.

28.2 The books of account shall be kept at such place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

28.3 Except as provided in Article 14.1, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors.

28.4 The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Directors or failing any determination as aforesaid shall not be audited.

29 Audit

29.1 The Directors or, if authorised to do so, the audit committee of the Directors, may appoint an auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.

29.2 Every auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.

29.3 Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.

30 The Seal

30.1 The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Directors, provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

30.2 The Company may maintain a facsimile of its Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal of the Company is so affixed in their presence of and the instrument signed by a Director or the Secretary (or an Assistant Secretary) of the Company or in the presence of any one or more persons as the Directors may appoint for the purpose.

30.3 Notwithstanding the foregoing, a Director shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

31 Officers

Subject to these Articles, the Directors may from time to time appoint any person, whether or not a director of the Company, to hold the office of the Chief Executive Officer, the President, the Chief Financial Officer, one or more Vice Presidents or such other officers as the Directors may think necessary for the administration of the Company, for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit.

32 Register of Directors and Officers

The Company shall cause to be kept in one or more books at its office a Register of Directors and Officers in which there shall be entered the full names and addresses of the Directors and Officers and such other particulars as required by the Statute. The Company shall send to the Registrar of Companies in the Cayman Islands a copy of such register, and shall from time to time notify the said Registrar of any change that takes place in relation to such Directors and Officers as required by the Statute.

33 Capitalisation of Profits

Subject to the Statute and these Articles, the Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including a share premium account or a capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum 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 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. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power to the Directors to make such provisions as they think fit for the case of shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

34 Notices

34.1 Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members or, to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the Member to the Company or by placing it on the Company's Website, provided that, (i) with respect to notification via electronic means, the Company has obtained the Member's prior express positive confirmation in writing to receive or otherwise have made available to him notices in such fashion, and (i) with respect to posting to Company's Website, notification of such posting is provided to such Member. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

34.2 An affidavit of the mailing or other means of giving any notice of any general meeting, executed by the Secretary, Assistant Secretary or any transfer agent of the Company giving the notice, shall be prima facie evidence of the giving of such notice.

- 34.3 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 and, where requisite, of the purposes for which such meeting was convened.
- 34.4 Any notice or other document, if served by (a) post, shall be deemed to have been served when the letter containing the same is posted, or (b) facsimile, shall be deemed to have been served upon confirmation of successful transmission, or (c) recognised courier service, shall be deemed to have been served when the letter containing the same is delivered to the courier service and in proving such service it shall be sufficient to provide that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier, or (d) electronic means as provided herein shall be deemed to have been served and delivered on the day on which it is successfully transmitted or at such later time as may be prescribed by any applicable laws or regulations.
- 34.5 Any notice or document delivered or sent to any Member in accordance with the terms of 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 holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.
- 34.6 Notice of every general meeting shall be given to:
- (a) all Members who have supplied to the Company an address for the giving of notices to them, except that in case of joint holders, the notice shall be sufficient if given to the joint holder first named in the Register of Members; and
 - (b) each Director.
- 34.7 No other person shall be entitled to receive notices of general meetings.

35 Information

- 35.1 No Member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors would not be in the interests of the members of the Company to communicate to the public.
- 35.2 The Directors shall be entitled (but not required, except as provided by law) to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its Members including, without limitation, information contained in the Register of Members and transfer books of the Company.

36 Indemnity

- 36.1 The Company shall indemnify every Director and officer of the Company or any predecessor to the Company (which for the avoidance of doubt, shall not include auditors of the Company), together with every former Director and former officer of the Company or any predecessor to the Company, and may indemnify any person (other than current and former Directors and officers) (any such Director, officer or other person, an "**Indemnified Person**"), out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions in connection with the Company other than such liability (if any) that they may incur by reason of their own actual fraud or wilful default. No Indemnified Person shall be liable to the Company for any loss or damage incurred by the Company as a result (whether direct or indirect) of the carrying out of their functions unless that liability arises through the actual fraud or wilful default of such Indemnified Person. No person shall be found to have committed actual fraud or wilful default under this Article unless or until a court of competent jurisdiction shall have made a finding to that effect. Each Member agrees to waive any claim or right of action he or she might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any actual fraud or wilful default which may attach to such Director.

- 36.2 The Company shall advance to each Indemnified Person reasonable attorneys' fees and other costs and expenses incurred in connection with the defence of any action, suit, proceeding or investigation involving such Indemnified Person for which indemnity will or could be sought. In connection with any advance of any expenses hereunder, the Indemnified Person shall execute an undertaking to repay the advanced amount to the Company if it shall be determined by final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification pursuant to this Article. If it shall be determined by a final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification with respect to such judgment, costs or expenses, then such party shall not be indemnified with respect to such judgment, costs or expenses and any advancement shall be returned to the Company (without interest) by the Indemnified Person.
- 36.3 The Directors, on behalf of the Company, may purchase and maintain insurance for the benefit of any Director or other officer of the Company against any liability which, by virtue of any rule of law, would otherwise attach to such person in respect of any negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company.
- 36.4 Neither any amendment nor repeal of these Articles set forth under this heading of "**Indemnity**" (the "**Indemnification Articles**"), nor the adoption of any provision of the Company's Articles or Memorandum of Association inconsistent with the Indemnification Articles, shall eliminate or reduce the effect of the Indemnification Articles, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for these Indemnification Articles, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

37 Financial Year

Unless the Directors otherwise prescribe, the financial year of the Company shall end on the last Friday of December in each year and shall begin on the day following.

38 Winding Up

- 38.1 If the Company shall be wound up the liquidator shall apply the assets of the Company in satisfaction of creditors' claims in such manner and order as such liquidator thinks fit. Subject to the rights attaching to any shares, in a winding up:
- (a) if the assets available for distribution amongst the Members shall be insufficient to repay the whole of the Company's issued 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 par value of the shares held by them; or
 - (b) if the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the Company's issued share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise.
- 38.2 If the Company shall be wound up the liquidator may, subject to the rights attaching to any shares and with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. 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, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

39 Amendment of Memorandum and Articles of Association and Name of Company

Subject to the provisions of the Statute and the provisions of these Articles as regards the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution:

- (a) change its name;
- (b) alter or add to these Articles;
- (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; and
- (d) reduce its share capital or any capital redemption reserve fund.

40 Registration by Way of Continuation

Subject to these Articles, the Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

41 Mergers and Consolidations

The Company shall, with the approval of a Special Resolution, have the power to merge or consolidate with one or more constituent companies (as defined in the Statute), upon such terms as the Directors may determine.

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ichor Holdings, Ltd. (the “Company”) on Form 10-Q for the period ending July 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 10, 2022

By: _____ /s/ Jeffrey S. Andreson
Jeffrey S. Andreson
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ichor Holdings, Ltd. (the “Company”) on Form 10-Q for the period ending July 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 10, 2022

By: _____
/s/ Larry J. Sparks
Larry J. Sparks
Chief Financial Officer