

CLEVO CO.

Treatment Procedures for Making Transactions of Derivative Commodities

Article 1 Objective

- I. In order to ensure investment, implement information disclosure, and establish a risk management system for derivative commodity transactions of Our Company (including subsidiaries), these procedures are specially formulated.
- II. These procedures are handled according to the provisions of Tai Cai Zheng (I) Decree No. 0910006105 on December 10th, 2002 of the Financial Supervisory Commission of the Executive Office (hereinafter referred to as the competent authority).
- III. The formulation or revision of these treatment procedures shall be agreed upon by the Audit Committee, approved by the Board of Directors and submitted to the Board of Shareholders for approval before implementation.

If the preceding paragraph has not been agreed upon by more than one-half of all the members of the Board of Auditors, the consent of more than two-thirds of the directors is required, and the resolution of the Board of Auditors shall be stated in the proceedings of the Board of Directors.

When an independent director has been set according to the laws and regulations, and the treatment procedures for making transactions of derivative commodities have been submitted to the Board of Directors for discussion according to the provisions of the preceding paragraph, the opinions of the independent director shall be fully taken into account. If the independent director has objections or reservations, they shall be stated in the proceedings of the Board of Directors.

- IV. All members of the Audit Committee referred to in Paragraph 3 and all directors referred to in the preceding paragraph shall be calculated by the actual incumbent.

Article 2 Definition and scope of application

Derivative commodities mentioned in these treatment procedures refer to forward contracts, options contracts, futures contracts, leveraged margin contracts, exchange contracts and the combination of above contracts, combined contracts embedded in derivative commodities or structured commodities whose values are derived from interest rates, prices of financial instruments, prices of commodities, exchange rates, price or rate index, credit

ratings or credit indexes or other variables. The so-called forward contracts do not include insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term purchasing (selling) contracts.

Article 3 Transaction principles and guidelines

I. Types of transactions

Our company is currently engaged in the operation of commodities, limited to the use of forward foreign exchange (FORWARD) and options trading. The use of other commodities shall be approved by General Manager before trading.

II. Operational and risk avoidance strategies

Our company undertakes derivative commodities and its trading principle is to avoid the risk of foreign currency exchange rate arising from the operation of Our Company. Therefore, avoiding risk is the main strategy. First, it is necessary to clearly define where the exchange rate risk may arise in Our Company, and then formulate management policies according to the type of foreign currency and size of each part.

(i) Our company's foreign exchange risk part:

1. Revenue from sales quoted in non-domestic currencies.
2. Cost of purchasing materials quoted in non-domestic currencies.
3. Current assets quoted in non-domestic currencies.
4. Current liabilities quoted in non-domestic currencies.
5. Long-term investment equity quoted in non-domestic currencies.
6. Capital expenditure such as machine and equipment quoted in non-domestic currencies.
7. Long-term liabilities quoted in non-domestic currencies.

(ii) By the nature of business operation, the above-mentioned foreign exchange risk parts can be divided into general recurrent foreign exchange risk parts and non-recurrent foreign exchange risk parts. General recurrent parts refer to Paragraphs 1-4 above, while the non-recurrent parts refer to Paragraphs 5-7.

(iii) In view of Our Company's general recurrent foreign exchange risk part, its management is the integrated management of net parts. That is to say, with the concept of cash flow, the net foreign exchange part management strategy of income minus expenditure and assets minus liabilities is adopted.

(iv) For the non-recurrent foreign exchange risk parts of Our Company, the management is case handling. The transaction can only be made after approval by the Chairman.

III. Division of powers and responsibilities

Our company undertakes derivative commodity transactions. According to the operation execution procedures, they can be planned as management decision-making unit and executing unit. Their main unit members and responsibilities are as follows:

(i) Management decision-making unit:

1. Members: General Manager and head of financial unit.
2. Power and responsibilities: Check the risk avoidance parts of foreign exchange risk and execute according to the authorized amount.

(ii) Executing unit:

1. Members: Financial unit, cashier, and accounting unit.
2. Power and responsibilities: Financial unit
 - (1) Collect and analyze foreign exchange information, and regularly issue comments for the reference of management decision-making unit, business and purchasing unit.
 - (2) Collect and regularly put forward the net foreign exchange parts of the whole company for reference when the management decision-making unit decides the risk avoidance part.
 - (3) Make transactions to avoid foreign exchange risks according to the risk avoidance part determined by the management decision-making unit.
 - (4) Be familiar with financial commodities, rules, regulations and operational skills, and provide up-to-date and instant information for reference of the decision-making unit.

Accounting unit

- (1) Log in and confirm the foreign exchange order of the financial unit.
- (2) Enter according to the Bulletin of Financial Accounting Standards.
- (3) Assess the profit and loss of foreign exchange trading parts monthly and enter this estimate.

Cashier

- (1) Calculate cash flow in details and cooperate with the closing of foreign exchange transactions in financial accounting.
- (2) Reimbursement and scheduling of closing funds.

IV. Key points of performance evaluation

Our company undertakes derivative commodity transactions based on the principle of risk avoidance. Therefore, we need to evaluate the overall operating results in performance evaluation, including the analysis of foreign currency assets management, foreign currency liabilities management, foreign currency sales revenue, foreign currency material

purchasing cost and so on. That is to analyze and distinguish the impact on gross interest rate due to change of exchange rate, analyze non-business exchange gain or loss, cooperate with the analysis on change of exchange rate in the interval, and summarize the profit and loss situation of Our Company arising from change of foreign exchange. The performance evaluation report is submitted by the financial unit to Chairman and General Manager once a month for review.

V. Total contract amount of the transaction

(i) Total amount of all the contracts

The total amount of the transaction shall not exceed the risk avoidance part signed by the management decision-making unit.

(ii) Total amount of individual contracts

The amount of each transaction shall not exceed USD3 million to facilitate the fund dispatching arrangement at the time of delivery. If the amount is exceeded, it shall be executed according to the form of authorization amount.

VI. Definition of the upper limit of loss

(i) The upper limit of loss of the total amount of all the contracts

The upper limit of loss is determined by the size of the transaction part. In principle, when the loss of the total contract amount is more than 10% of the total contract amount, a management decision-making meeting shall be convened, and the General Manager shall decide whether to close out to stop loss.

(ii) The upper limit of loss of individual contracts

When the loss of individual contracts exceeds USD500,000, the General Manager shall be requested to decide whether to close out to stop loss.

Article 4 Operation procedures

(i) Authorization limit:

According to the growth of Our Company's turnover and the change of the risk part, the form of authorization limit shall be prepared and come into effect after approval by the Board of Directors. If revisions are made, they must be approved by the Board of Directors before execution.

	Foreign exchange risk avoidance part	Amount of a single transaction	Daily turnover	Upper limit of loss of individual contracts	Upper limit of loss of all the contracts
General	Six months'	USD10 million	USD20 million	USD500,000	10% of the

Manager	revenue				total contract amount
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If the above form of authorization powers is implemented and the authorization limit is exceeded, it must be approved by the person who meets the authorization limit before execution. If Our Company makes the derivative commodity transaction and authorizes the relevant personnel to handle the issue according to the provisions of the treatment procedures for derivative commodity transaction, it shall report to the Board of Directors afterwards.

- (ii) Execution process: The management decision-making unit shall check the operation parts, submit them to the financial unit for transaction and issue the bill according to market conditions, sign and seal according to the delegation of authorization, and submit them to the cashier for dispatching the delivery funds. The accountants shall enter them into accounts and reconcile.

Article 5 Announcement and declaration

- (i) Where the Company undertakes derivative commodities in each financial institution, the operator shall compile a summary of the transaction details at the end of each month according to the nature of the undertaking. The accountants shall check the accounts, and then input the conditions of the derivative commodity transaction of Our Company and its subsidiaries not belonging to domestic public companies into the information declaration website designated by the competent authority until the end of the last month according to the prescribed format before the tenth day of each month.
- (ii) In addition to the above monthly routine announcement, if the loss in derivative commodity transactions reaches the maximum amount of loss of all or individual contracts specified in the treatment procedures, the announcement and declaration shall be made within two days from the date of the occurrence of the facts.
- (iii) If there are errors or omissions in the above items to be announced according to the provisions and they shall be corrected, all the items shall be announced and declared again.

Article 6 Accounting treatment

Our company shall evaluate the disposal of derivative commodities and provide relevant information for the accountants to carry out necessary audit procedures and issue appropriate audit reports according to the generally accepted accounting principles.

Article 7 Internal control system

(i) Risk management measures

1. Credit risk management: The trading object of derivative commodities undertaken by Our Company must be a financial institution that has a credit relationship with Our Company.
2. Market risk management: The principle of derivative financial commodities undertaken by Our Company is mainly risk avoidance. Through the professional information of financial institutions and the total amount of the transaction contracts and upper limit of loss set by Our Company, the upper limit of losses that may arise from future market price fluctuations of commodities is within the set range.
3. Liquidity risk management: In order to ensure that Our Company meets the needs of market risk management, the bank of the trading object shall have sufficient trading capacity and equipment to swap and close out at any time according to the instructions of Our Company.
4. Operational risk management: The authorization limit and operational procedures must be observed to avoid operational risks.
5. Legal risk management: Any master contract of foreign exchange transaction signed with the bank must be formally signed after legal review to avoid legal risks.
6. Commodity risk management: Internal traders and trading banks shall have complete and correct expertise in commodities traded, and banks are required to disclose risks adequately in order to avoid losses caused by misuse of commodities.
7. Risk management of cash delivery: Authorized traders shall pay attention to Our Company's foreign currency cash flow in order to ensure adequate cash delivery in addition to abiding by the provisions of the form of authorization limit.

(ii) Internal control

1. For each derivative financial product undertaken by Our Company, its traders, accounting verifiers and deliverers must be different.
2. The trader shall submit each transaction voucher or contract to the person who confirms the entry of the transaction.
3. Accounting confirmation personnel shall regularly reconcile accounts or correspondence with correspondent banks for entry.
4. Accounting verifiers shall check whether the total amount of the transaction has exceeded the risk avoidance part approved by the management decision-making units and whether the transaction is executed according to the authorization limit at any time.
5. Where the derivative commodity transaction is made, the risk

measurement, supervision and control shall be reported to the Board of Directors or senior managers who are not responsible for the transaction or decision-making of the parts by the personnel of different departments.

(iii) Regular supervision and management

The Board of Directors shall perform the duties of supervision and management:

1. The authorized chairman shall always pay attention to the supervision and control of the risks in derivative commodity transactions.
2. Evaluate regularly whether the performance of derivative commodity transactions conforms to the established business strategy and whether the risks assumed are tolerable by Our Company.

The Chairman shall be responsible for supervision and control:

1. The Chairman shall regularly evaluate whether the risk management procedures currently in use properly and truly comply with Our Company's Treatment Procedures for Performing Transactions with Derivative Commodities.
2. If there is any abnormal situation in the market price evaluation report (if the part held has exceeded the upper limit of loss), it shall be reported to the Board of Directors immediately and necessary measures shall be taken.

The transaction department shall evaluate the parts held of the derivative commodities undertaken at least once a week. The risk avoidance transaction for business needs shall be evaluated at least twice a month. Its evaluation report shall be submitted to the Chairman for review.

The accounting unit shall present the estimated transaction gains and losses at the end of the month based on the fair value according to the provisions of the Bulletin of Accounting Standards.

(iv) Establishment of a reference book

When making derivative commodity transactions, Our Company shall establish a reference book by the trading unit. Detailed information on the type, amount, date of approval of the Board of Directors and matters to be carefully assessed according to these procedures for derivative commodity transaction shall be provided in the reference book.

Article 8 Internal audit system

- (i) Internal auditors shall regularly examine the appropriateness of the internal control of derivative commodity transactions, check the compliance of trading departments with Treatment Procedures for Making Transactions of Derivative Commodities on a monthly basis, analyze the transaction cycle,

and prepare the audit report. If significant violations are found, the Audit Committee shall be notified in writing.

- (ii) When the Audit Committee receives an audit report of a major violation, it shall require punishing the relevant personnel according to the violation.

Article 9 Subsidiaries shall submit the derivative commodity transaction reports to their parent company in writing before the 10th day of each month according to the provisions of Article 5, and the parent company shall announce the report. In case of any violation of these procedures, the relevant subsidiary personnel shall be punished according to the violation.

Article 10 The matters not mentioned in these operation procedures shall be handled according to the relevant statutes and regulations of Our Company.

Article 11 These operation procedures were formulated on July 30th, 1996.

The first revision was made on September 30th, 1996.

The second revision was made on June 12th, 2003.

The third revision was made on June 15th, 2006.

The fourth revision was made on June 11th, 2008.

The fifth revision was made on June 16th, 2015.

The sixth revision was made on June 14th, 2016.

The seventh revision was made on June 15th, 2018.

The eighth revision was made on June 18th, 2019.