



Stock Code: 2362

Clevo Co.

2019 Annual General Shareholders' Meeting Meeting Agenda

Date: June 18, 2019

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CLEVO CO.

Agenda of the Shareholders' Annual Meeting for 2019

Date of meeting: **9:00 a.m., June 18th, 2019 (Tuesday).**

Location: No. 129, Xingde Road, Sanchong District, New Taipei City

Agenda:

- I. Declare the commencement of the meeting
- II. Chairperson Takes Chair
- III. Perform the acts of ceremony
- IV. Chairperson Remarks
- V. Management Presentation
 - (I) 2018 Operation Results
 - (II) Audit Committee's Review Report on the 2018 Financial Statements
 - (III) Report on Distribution of Employees' Remuneration and Directors' Remuneration of 2018
 - (IV) Report on the Implementation of Our Company's Treasury Stock
 - (V) Revision of the report on the "Measures for Repurchasing Shares and Transferring to Employees" of Our Company
 - (VI) Other Management Presentation.
- VI. Recognition matters
 - (I) Recognition of the 2018 Financial Statement
 - (II) Recognition of the 2018 Earnings Distribution
- VII. Discussion Item 1
 - (I) Discussion about proposing to issue cash with capital reserve
 - (II) Discussion about the revision of Our Company's Articles of Association
 - (III) Discussion about the revision of Our Company's Operational procedures for Acquisition and Disposal of Assets
 - (IV) Discussion about the revision of Our Company's Procedures for the Disposal of Derivative Financial Commodities
 - (V) Discussion about the revision of Our Company's Operational Procedures for Loaning of Company Funds
 - (VI) Discussion about the revision of Our Company's Operation Procedures for Endorsement Guarantees
- VIII. Election matters
 - (I) By-election of a director of Our Company
- IX. Discussion Item 2
 - (I) Removal of the restriction on the non-competition of new director and his/her representative of our company
- X. Incidental motion
- XI. Meeting over

Management Presentation

Plan 1

Cause: Please refer to Our Company's Operation Results for 2018.

Note: For Our Company's Business Report for 2018, please refer to Page 28-34 of the Meeting Handbook.

Plan 2

Cause: Please refer to the Audit Committee's Review Report on the 2018 Financial Statements.

Note: For the report audited by the Audit Committee, please refer to Page 35 of the Meeting Handbook.

Plan 3

Cause: Report on the Distribution of Employees' Remuneration and Directors' Remuneration for 2018

Note:

- (I) The 2018 remuneration of employee and directors was ratified by the Board on March 27th, 2019. Allocation of remuneration is paid in case.
- (II) The Company paid NT\$95,600,000 of remuneration to employees and NT\$12,300,000 of remuneration to directors in 2018.

Plan 4

Cause: Report on the implementation of Our Company's treasury stock
Note:

- (I) According to the provisions of Clause 1 of Section 2 of Article 28 of the Securities and Exchange Act, the procedures for the repurchase of shares are governed by the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies formulated by the Securities and Futures Management Committee. The report is as follows:

Number of repurchases	16	17	18
Period of repurchase	2018.02.09~ 2018.04.08	2018.04.11~ 2018.06.08	2018.11.20~ 2019.01.14
Purpose of repurchase	Transfer to employees	Transfer to employees	Transfer to employees
Interval price of repurchase	NTD25-32/share	NTD21-44/share	NTD20-38/share
Type and quantity of repurchased shares	Common stock 10,000,000 shares	Common stock 10,000,000 shares	Common stock 7,500,000 shares
Total amount of repurchased shares	NTD294,157,220	NTD313,762,472	NTD225,566,268
Average unit price of repurchased shares	NTD29.42	NTD31.38	NTD30.08
Date of cancellation and transfer and number of shares	0 share	0 share	0 share
Number of Our Company's Shares accumulatively held	10,000,000 shares	20,000,000 shares	27,500,000 shares
The percentage of the number of Our Company's Shares accumulatively held in the total number of issued shares (%)	1.49%	2.99%	4.11%

- (II) Within three years from the date of repurchase of repurchased shares in the preceding paragraph, the shares are transferred to the employees of Our Company according to the Measures for Repurchasing Shares and Transferring to Employees formulated by Our Company. Up to now, 27,500,000 of Our Company's Shares have not been transferred.

Plan 5

Cause: Revision of the Report on the Measures for Repurchasing Shares and Transferring to Employees of Our Company

Note: According to the provisions of Jin Guan Zheng Shen Zi No. 1070121068 Letter of the FSC on December 27th, 2018 and the requirements of practical operation, it is proposed to revise some provisions of the Measures for Repurchasing Shares and Transferring to Employees. The comparison table of the revised provisions is as follows:

Article	Before revision	After revision	Note
Article 4	<u>After being reported to the Chairman for approval, Our Company's formally appointed employees, new colleagues with potential, and employees of affiliated companies with more than 50% reinvestment shareholding, who are qualified according to the relevant measures of the competent authorities</u> , may be eligible for subscription according to the number of shares subscribed in Article 5 of these measures.	Employees of Our Company and domestic and foreign controlled or affiliated companies <u>on the job on the base day of subscription for shares</u> (the said controlled or affiliated companies are recognized according to the standards in Section 2 of Article 369, Section 3 of Article 369, Paragraph 2 of Section 9 of Article 369 and Section 11 of Article 369 of the Company Act) shall be eligible for subscription for the number of shares specified by Article 5 of these measures.	Revise according to Article 28-3 and Clause 1 of Paragraph 1 of Article 28-2 of the Securities and Exchange Act.
Article 13	The formulation date of these measures is December 27 th , 89. Dates of the first to fifth revision (omitted). The sixth revision was made on February 23 rd , 2011.	The formulation date of these measures is December 27 th , 89. Dates of the first to sixth revision (omitted). The seventh revision was made on March 27 th , 2019.	

Plan 6

Other reporting items: **None**.

Recognition Matters

Plan 1 (proposed by the Board of Directors)

Cause: Please submit the Recognition of the 2018 Financial Statements.

Note: (I) The Operation Results and Consolidated Financial Statements for 2018 of Our Company are individual financial reports, and have been approved by the Board of Directors on March 27th, 2019 and submitted for recognition according to law.

(II) The above financial reports have been audited by Accountants Minjuan Feng and Hanqi Wu of PricewaterhouseCoopers. Their content is consistent with that approved by the Board of Directors by resolution and is the same as that of Our Company's Operation Results Please refer to Pages 28-34 and 36-64 of the Meeting Handbook.

(III) Please submit for recognition.

Resolution:

Plan 2 (proposed by the Board of Directors)

Cause: Please submit the Recognition of the 2018 Earnings Distribution.

Note:

(I) The undistributed surplus of Our Company at the beginning for 2018 was NTD0. After the current net profit was added, and a 10% statutory surplus reserve and special surplus reserve were accrued, the distributable surplus for the current period was NTD207,579,386. The list of the Earnings Distribution is as follows. Please submit for recognition.

CLEVO CO.
Earnings Distribution Statement for 2018

Unit: NTD

Summary	Amount
Beginning of undistributed Earnings	0
IFRS9 retroactive adjustment	97,878,517
The adjusted undistributed earnings - beginning of period	97,878,517
Pension fund adjustment	(5,267,368)
Subtotal	92,611,149
Add: Net profit after tax this term	1,454,904,448
Less: provision of legal reserve (10%)	(145,490,445)
Less: provision of special reserves - adjustment of other components	(1,377,756,598)
Add: Reversal (provision) of special reserve - Effect of Investment property net value	183,310,832
Current subtotal	114,968,237
Earnings available for distribution at the end of 2018	207,579,386
Items of distribution (Share: 642,263,000 shares)	
Shareholders' dividend (cash, NT\$0.2 per share)	128,452,600
End of Period Appropriation	79,126,786

Responsible person: Kuntai Xu

Manager: Mingxian Cai

Accountant in Charge: Tianrong You

- (II) The cash dividend of NTD0.20 per share is to be distributed this time, the cash dividend is rounded to NTD1 and the total amount will be included in the Company's other income.
- (III) After the Board of Shareholders approves the distribution plan referred to in the preceding paragraph, the Board of Shareholders shall authorize the Board of Directors to set the base date of ex-dividend, payment date and other related matters.
- (IV) Subsequently, if the total number of shares circulated outside the Company is affected by the change of laws and regulations, requirements of the competent authority, or Our Company's purchase of treasury shares, the Board of Shareholders shall authorize the Board of Directors to distribute the total surplus according to the ordinary shares decided by the Board of Shareholders, and adjust the distribution ratio according to the actual number of shares circulated outside the Company on the base date of dividend distribution.
- (V) Please submit for recognition.

Resolution:

Discussion Item 1

Plan 1 (proposed by the Board of Directors)

Cause: Proposing to issue cash with capital reserve. Please submit for discussion.

Note: (I) According to Article 241 of the Company Act, Our Company issued a NTD513,810,400 capital reserve of ordinary shares with a premium over par value, and issued the shares held by shareholders in the list of shareholders on the cash base date on the basis of a cash reserve. NTD0.8 was proposed to be issued per share. Cash given is rounded to NTD1, and the total amount will be included in the Company's other income.

(II) After the plan is passed by Board of Shareholders, the Board of Shareholders shall authorize the Board of Directors to set the ex-dividend base date, issuance date, and other related matters.

(III) Subsequently, if the total number of shares circulated outside the Company is affected by the change of laws and regulations, requirements of the competent authority, or Our Company's purchase of treasury shares, the Board of Shareholders shall authorize the Board of Directors to distribute the total surplus according to the ordinary shares decided by the Board of Shareholders, and adjust the distribution ratio according to the actual number of shares circulated outside the Company on the base date of dividend distribution.

(IV) Please submit for discussion.

Resolution:

Plan 2 (proposed by the Board of Directors)

Cause: The revision of Our Company's Articles of Association. Please submit for discussion.

Notes: (I) To meet the needs of the revision of the Company Act and practical operation, it is proposed to revise some provisions of Our Company's Articles of Association .

Article	Before revision	After revision	Note
Article 26	<p>If Our Company has a surplus in its annual final accounting, then we shall pay taxes and make up for any losses according to law, and accrue a 10% statutory surplus reserve, except for when the statutory surplus reserve has reached the total capital. In addition, the undistributed surplus at the beginning of the period is the accumulative distributable surplus of shareholders after the special surplus reserve is accrued or returned according to the relevant laws and regulations. The Board of Directors shall make the plan of surplus distribution and submit it to the Board of Shareholders for a resolution about distribution.</p> <p>In order to motivate employees and the operation team, Our Company shall distribute 5% to 15% of employees' remuneration and no more than 1% of directors' remuneration according to the current year's profit (i.e. profit before distribution of the employees' remuneration and directors' remuneration is deducted from pre-tax profit). However, if the Company still has accumulated losses, the amount of compensation shall be retained in advance.</p> <p>When the employees' remuneration is distributed by stock or cash, the Board of Directors shall make a resolution if more than two-thirds of the directors attend and more than half of the directors present</p>	<p>If Our Company has a surplus in its annual final accounting, then we shall pay taxes and make up for any losses according to law, and accrue a 10% statutory surplus reserve, except for when the statutory surplus reserve has reached the total capital. In addition, the undistributed surplus at the beginning of the period is the accumulative distributable surplus of shareholders after the special surplus reserve is accrued or turned back according <u>to</u> the relevant laws and regulations. <u>The Board of Directors shall make a distribution plan and submit it to the Board of Shareholders for a resolution before distribution.</u></p> <p><u>According to the provisions of the Company Act, Our Company authorizes the Board of Directors to make a resolution if more than two-thirds of the directors attend and more than half of the directors present agree, distribute all or part of dividends, bonuses, statutory surplus reserve and capital reserve in the form of cash distribution and report to the Board of Shareholders. The provisions of the preceding paragraph for which the Board of Shareholders shall make a resolution do not apply.</u></p> <p>In order to motivate employees and the operation team, Our Company shall distribute 5% to 15% of employees'</p>	Revise according to Article 240 of the Company Act and needs of actual operation

Article	Before revision	After revision	Note
	<p>agree, and report to the Board of Shareholders.</p> <p>The employees' remuneration in the preceding paragraph shall be given to full-time employees of subsidiary companies holding more than 50% of Our Company's Shares in shares or cash.</p>	<p>remuneration and no more than 1% of directors' remuneration according to the current year's profit (i.e. profit before distribution of the employees' remuneration and directors' remuneration is deducted from pre-tax profit). However, if the Company still has accumulated losses, the amount of compensation shall be retained in advance.</p> <p>When the employees' remuneration is distributed by stock or cash, the Board of Directors shall make a resolution if more than two-thirds of the directors attend and more than half of the directors present agree, and report to the Board of Shareholders.</p> <p><u>If it is issued in the form of shares, the Board of Directors may decide to issue new stocks or buy the shares that have been issued by themselves.</u></p> <p>The employees' remuneration in the preceding paragraph shall be given to employees of the subsidiary companies of Our Company who <u>meet certain conditions.</u></p>	
Article 29	<p>These Articles of Association were formulated on September 17th, 1983.</p> <p>Dates of the first to thirty-second revision (omitted).</p> <p>The thirty-third revision was made on June 15th, 2018.</p>	<p>These Articles of Association were formulated on September 17th, 1983.</p> <p>Dates of the first to thirty-third revision (omitted).</p> <p><u>The thirty-fourth revision was made on June 18th, 2019.</u></p>	The date of revision is added

(II) Please submit for discussion.

Resolution:

Plan 3 (proposed by the Board of Directors)

Cause: The Revision of Our Company's Operational procedures for Acquisition and Disposal of Assets. Please submit for discussion.

Note: (I) According to the provisions of Jin Guan Zheng Shen Zi No. 1070346971 Letter of the FSC on December 21st, 2018 and the requirements of practical operation, it is proposed to revise some provisions of the Operational procedures for Acquisition and Disposal of Assets. The comparison table of the revised provisions is as follows:

Article	Before revision	After revision	Note
Article 2	<p>Scope of assets: Assets referred to in this procedure refer to the following assets:</p> <p>(I) (omitted)</p> <p>(II) Real estate (including land, houses and buildings, investment real estate, land use rights, inventory of construction industry) and equipment.</p> <p>(III) ~ (IV) (omitted)</p> <p>(V) Creditor's rights of financial institutions (including receivables, discounts on foreign exchange, loans and receivable on demand).</p> <p>(VI) Derivatives.</p> <p>(VII) Assets acquired or disposed of by legal merger, division, acquisition, or transfer of shares.</p> <p>(VIII) Other important assets.</p>	<p>Scope of assets: Assets referred to in this procedure refer to the following assets:</p> <p>(I) (omitted)</p> <p>(II) Real estate (including land, houses and buildings, investment real estate, inventory of construction industry) and equipment.</p> <p>(III) ~ (IV) (omitted)</p> <p>(V) Right-of-use assets.</p> <p>(VI) Creditor's rights of financial institutions (including receivables, discounts on foreign exchange, loans and receivable on demand).</p> <p>(VII) Derivatives.</p> <p>(VIII) Assets acquired or disposed of by legal merger, division, acquisition, or transfers of shares.</p> <p>(IX) Other important assets.</p>	<p>Revise according to the provisions of Article 3 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies</p>
Article 5	<p>Procedures for determining the conditions for exchange of acquisition or disposal of assets:</p> <p>I. Price decision methods and reference basis (omitted)</p> <p>II. Authorization level:</p> <p>(I) If the amount of investment exceeds NTD300 million (including), the Board of Directors must agree before execution. If the amount of investment is below NTD300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition. If it is</p>	<p>Procedures for determining the conditions for exchange of acquisition or disposal of assets:</p> <p>I. Price decision methods and reference basis (omitted)</p> <p>II. Authorization level:</p> <p>(I) If the amount of investment exceeds NTD300 million (including), the Board of Directors must agree before execution. If the amount of investment is below NTD300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition. If it is</p>	<p>Revise according to the actual operation needs</p>

Article	Before revision	After revision	Note
	<p>related to financial scheduling (such as bonds and bond funds whose buying and selling has buy-back and sell-back conditions), it shall be executed according to the measures for delegation of Our Company's authority.</p> <p>(Below is omitted)</p>	<p>related to financial scheduling (such as bonds and monetary funds whose buying and selling has buy-back and sell-back conditions), it shall be executed according to the measures for delegation of Our Company's authority.</p> <p>(Below is omitted)</p>	
Article 8	<p>Experts shall give their opinions:</p> <p>I. In addition to acquiring or disposing of machinery and equipment for operation by making transactions with government agencies, commissioning to build on its own land or commissioning to build on leased land, if Our Company acquires or disposes of property or equipment and the amount of the transaction has reached 20% of Our Company's paid-up capital or NTD300 million, a valuation report issued by the professional valuator shall be obtained before the fact occurs and the following provisions shall be complied with:</p> <p>(I) When a fixed price, a specific price, or a special price is to be used as a reference basis for the transaction price for special reasons, the transaction shall first be approved by the Board of Directors by resolution. <u>The future changes in transaction conditions shall also be handled compared with the above procedures.</u></p> <p>(II) ~ (IV) (omitted)</p> <p>II. ~ V. (omitted)</p> <p>VI. Our company obtains the valuation report or opinions of accountants, lawyers, or securities underwriters. The professional valuator and his/her valutors, accountants, lawyers, <u>or securities underwriters shall not be related to the parties involved in the transaction.</u></p>	<p>Experts shall give their opinions:</p> <p>I. In addition to acquiring or disposing of machinery and <u>equipment for operations</u> by making transactions with domestic government agencies, commissioning to build on its own land or commissioning to build on leased land, if Our Company acquires or disposes of property, equipment <u>or its right-of-use assets,</u> and the amount of the transaction has reached 20% of Our Company's paid-up capital or NTD300 million, the valuation report issued by the professional valuator shall be obtained before the fact occurs and the following provisions shall be complied with:</p> <p>(I) When a fixed price, a specific price, or a special price is to be used as a reference basis for the transaction price for special reasons, the transaction shall first be approved by the Board of Directors by resolution. The <u>future changes</u> in transaction conditions shall also be handled in the <u>same</u> way.</p> <p>(II) ~ (IV) (omitted)</p> <p>II. ~ V. (omitted)</p> <p>VI. Our company obtains the valuation report or opinions of accountants, lawyers, or securities underwriters. The professional valuator and his/her valutors, accountants, lawyers, or securities underwriters <u>shall comply with the following provisions:</u></p> <p>(I) <u>They have never been declared to be sentenced to fixed-term imprisonment of more than one</u></p>	<p>Revise according to the provisions of Articles 5 and 9 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies with actual operation</p>

Article	Before revision	After revision	Note
		<p><u>year due to violation of these measures, Company Act, Banking Law, Insurance Law, Financial Holding Company Act or Commercial Accounting Law, or fraud, breach of trust, embezzlement, forgery of documents or business crime. However, if the execution has been completed, the probation period has expired, or the pardon has expired for three years, this limit shall not apply.</u></p> <p>(II) <u>They shall not be related to a party to a transaction or have a substantial relationship with the party concerned.</u></p> <p>(III) <u>If the Company must obtain the valuation reports of two or more professional valuers, different professional valuers, the valuers may not be related to each other or have a substantial relationship with each other.</u></p> <p><u>When issuing a valuation report or opinion, the personnel referred to in the preceding paragraph shall act according to the following matters:</u></p> <p>(I) <u>Before accepting a case, one shall carefully evaluate his/her professional ability, practical experience, and independence.</u></p> <p>(II) <u>When a case is examined and verified, appropriate operational procedures shall be properly planned and executed to form conclusions and prepare reports or opinions thereon, and execution procedures, data collection, and conclusions shall be registered in the working papers of the case in detail.</u></p> <p>(III) <u>The integrity, correctness, and rationality of the data sources, parameters, and information used shall be assessed item by</u></p>	

Article	Before revision	After revision	Note
		<p><u>item as the basis for the valuation report or opinions.</u></p> <p>(IV) <u>Statements shall include the professional and independent nature of the relevant personnel, the rationality and correctness of the information assessed and the compliance with the relevant laws and regulations.</u></p>	
Article 9	<p>Where Our Company acquires or disposes of real estate from or to the person concerned, or acquires or disposes of other assets other than real estate from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of total assets or more than NTD300 million, except for purchasing and selling government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts, the following information shall be agreed upon by more than one-half of the members of the Board of Auditors and submitted to the Board of Directors for resolution before signing a transaction contract and payment.</p> <p>I ~ II (omitted)</p> <p>III. Relevant information about acquiring real estate from the person concerned and evaluating the rationality of the predefined transaction conditions according to the provisions.</p> <p>IV ~ VII (omitted)</p> <p>The calculation of the amount of the transaction referred to in the preceding paragraph shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been submitted to the Board of Directors for approval according to the provisions of these standards shall be exempted from calculation.</p>	<p>Where Our Company acquires or disposes of real estate from or to the person concerned, or acquires or disposes of other assets other than real estate or <u>its right-of-use assets</u> from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of total assets or more than NTD300 million, except for purchasing and selling domestic government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts, the following information shall be agreed upon by more than one-half of the members of the Board of Auditors and submitted to the Board of Directors for resolution before signing of a transaction contract and payment.</p> <p>I. ~ II. (omitted)</p> <p>III. Relevant information about acquiring real estate <u>or its right-of-use assets</u> from the person concerned and evaluating the rationality of the predefined transaction conditions according to the provisions.</p> <p>IV. ~ VII. (omitted)</p> <p>The calculation of the amount of the transaction referred to in the preceding paragraph shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been submitted to the Board of Directors for approval according to the provisions of these</p>	<p>Revise according to the provisions of Article 15 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies and needs of actual operation</p>

Article	Before revision	After revision	Note
	<p>The Board of Directors shall authorize the Chairman of the Board of Directors to make a decision within a certain amount before submitting it to the Board of Directors for approval at the latest date according to the provisions of Clause 2 of Article 5 if Our Company and its parent company <u>or subsidiary acquire or dispose of machinery and equipment</u> for business use.</p> <p>When an independent director has been set according to the laws and regulations, and the Operational procedures for Acquisition and Disposal of Assets have been submitted to the Board of Directors for discussion according to the provisions of Paragraph 1, 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.</p> <p>When an audit committee has been established according to the laws and regulations, it shall be agreed upon by more than one-half of all the members of the audit committee according to the provisions of Paragraph 1 and submitted to the Board of Directors for a resolution.</p> <p>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.</p> <p>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.</p>	<p>standards shall be exempted from calculation.</p> <p>The Board of Directors <u>shall authorize the Chairman of the Board of Directors to make a decision within a certain amount before submitting it to the Board of Directors for approval at the latest date according to the provisions of Clause 2 of Article 5,</u> if Our Company and its parent company or subsidiary directly or indirectly owning 100% of the issued shares or total capital make the following transactions:</p> <ol style="list-style-type: none"> I. <u>Acquire or dispose of equipment used for business purposes or their right-of-use assets.</u> II. <u>Acquire or dispose of right-of-use assets of real estate used for business purposes.</u> <p>When an independent director has been set according to the laws and regulations, and the Operational procedures for Acquisition and Disposal of Assets have been submitted to the Board of Directors for discussion according to the provisions of Paragraph 1, 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.</p> <p>When an audit committee has been established according to the laws and regulations, it shall be agreed upon by more than one-half of all the members of the audit committee according to the provisions of Paragraph 1 and submitted to the Board of Directors for a resolution.</p> <p>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.</p> <p>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.</p>	

Article	Before revision	After revision	Note
Article 15	<p>Announcement and declaration procedures</p> <p>If Our Company acquires or disposes of assets in the following circumstances, it shall declare the relevant information on the website designated by the competent authority within two days from the date of the occurrence of the facts according to the nature and prescribed format.</p> <p>I. Our company acquires or disposes of real estate from or to the person concerned, or acquires or disposes of assets other than real estate from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of the total assets or more than NTD300 million, except for purchasing and selling government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts.</p> <p>II. Merger, division, acquisition, or transfer of shares.</p> <p>III. Losses incurred in derivative commodity transactions have reached the provision of the treatment procedures or the maximum individual contract losses.</p> <p>IV. The assets acquired or disposed of belong to equipment for business use, the object of the transaction is not the person concerned, and the amount of the transaction has reached one of the following provisions:</p> <p>(I) For a public company, the paid-in capital is less than NTD10 billion, and the amount of the transaction is more than NTD500 million.</p> <p>(II) For a public company, the paid-in capital is more than NTD10 billion, and the amount of the transaction is more than NTD1 billion.</p> <p>V. A public company acquires or disposes of the real estate for construction, the object of the transaction is not the person concerned, and the amount of</p>	<p>Announcement and declaration procedures</p> <p>If Our Company acquires or disposes of assets in the following circumstances, it shall declare the relevant information on the website designated by the competent authority within two days from the date of the occurrence of the facts according to the nature and prescribed format.</p> <p>I. Our company acquires or disposes of real estate <u>or their right-of-use assets</u> from or to the person concerned, or acquires or disposes of other assets <u>or their right-of-use assets</u> other than real estate from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of total assets or more than NTD300 million, Except for purchasing and selling <u>domestic</u> government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts.</p> <p>II. Merger, division, acquisition, or transfer of shares.</p> <p>III. Losses incurred in derivative commodity transactions have reached the provision of the treatment procedures or the maximum individual contract losses.</p> <p>IV. Our company acquires or disposes of equipment used for business purposes <u>or their right-of-use assets</u>, the object of the transaction is not the person concerned, and the amount of the transaction reaches one of the following provisions:</p> <p>(I) For a public company, the paid-in capital is less than NTD10 billion, and the amount of the transaction is more than NTD500 million.</p> <p>(II) For a public company, the paid-in capital is more than NTD10 billion, and the amount of the transaction is more than NTD1</p>	<p>Revise according to the provisions of Article 31 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies</p>

Article	Before revision	After revision	Note
	<p>the transaction is more than NTD500 million.</p> <p>VI. Real estate is acquired by means of commissioning to build on its own land, commissioning to build on leased land, co-building and sharing houses, co-building and sharing money or co-building and selling separately. Our company expects to invest more than NTD500 million in the transaction.</p> <p>VII. Except for asset transactions, disposal of creditors' rights by financial institutions, or investment in the Chinese mainland besides those items in the first six paragraphs, the amount of the transaction is more than 20% of Our Company's paid-in capital or more than NTD300 million. But the following circumstances are not included:</p> <p>(I) Purchasing and selling government bonds.</p> <p>(II) Negotiable securities purchased and sold on domestic and foreign stock exchanges and securities brokerages' business premises by people engaged in investment, ordinary corporate bonds subscribed to, raised and issued, and general financial bonds not involving equity in the domestic primary market, or negotiable securities subscribed to by a corporate body consulted and recommended by a securities brokerage as an emerging stock company according to the provisions of the Taipei Exchange for the needs of underwriting business.</p> <p>(III) Purchase and sell bonds with buy-back or sell-back conditions, and purchase or buy back money market funds issued by domestic securities investment trusts.</p> <p>The amount of the transaction referred to in the preceding paragraph shall be calculated in the following manner:</p>	<p>billion.</p> <p>V. A public company acquires or disposes of the real estate for construction <u>or its right-of-use assets</u>, the object of the transaction is not the person concerned, and the amount of the transaction is more than NTD500 million. <u>Among them, the paid-in capital is more than NTD10 billion. The Company disposes of the self-built and competed real estate, the object of the transaction is not the person concerned, and the amount of the transaction is more than NTD1 billion.</u></p> <p>VI. Real estate is acquired by means of commissioning to build on its own land, commissioning to build on leased land, co-building and sharing houses, co-building and sharing money or co-building and selling separately. <u>The object of the transaction is not the person concerned</u>, and Our Company expects to invest more than NTD500 million in the transaction.</p> <p>VII. Except for asset transactions, disposal of creditors' rights by financial institutions, or investment in the Chinese mainland besides those items in the first six paragraphs, the amount of the transaction is more than 20% of Our Company's paid-in capital or more than NTD300 million. But the following circumstances are not included:</p> <p>(I) Purchasing and selling <u>domestic</u> government bonds.</p> <p>(II) Negotiable securities purchased and sold on domestic and foreign stock exchanges and securities brokerages' business premises by people engaged in investment, ordinary corporate bonds subscribed to, raised and issued, and general financial bonds not</p>	

Article	Before revision	After revision	Note
	<p>(I) The amount of each transaction.</p> <p>(II) The accumulative amount of the transactions with the same counterpart within one year for subject matter of the same nature acquired or disposed of.</p> <p>(III) The accumulative amount of real estate acquired or disposed of (accumulated separately for acquiring or disposing of) in the same development plan within one year.</p> <p>(IV) The amount of negotiable securities acquired or disposed of (accumulated separately for acquiring or disposing of) within one year.</p> <p>The said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been announced according to the provisions of these treatment procedures shall be exempted from calculation.</p> <p>Our company shall announce and declare all items within one day from the date of knowledge, if the items to be announced by Our Company according to the regulations shall be corrected due to errors or omissions upon announcement. When acquiring or disposing of assets, Our Company shall keep the relevant contracts, proceedings, records, valuation reports, and opinions of accountants, lawyers, or securities underwriters in Our Company for at least five years, unless otherwise stipulated by law.</p>	<p>involving equity in the domestic primary market (<u>excluding subordinated bonds), securities investment trust funds or future trust funds purchased or bought back, or negotiable securities subscribed to by a corporate body consulted</u> and recommended by a securities brokerage as an emerging stock company according to the provisions of the Taipei Exchange for the needs of underwriting business.</p> <p>(III) Purchase and sell bonds with buy-back or sell-back conditions, and purchase or buy back money market funds issued by domestic securities investment trusts.</p> <p>The amount of the transaction referred to in the preceding paragraph shall be calculated in the following manner:</p> <p>(I) The amount of each transaction.</p> <p>(II) The accumulative amount of the transactions with the same counterpart within one year for subject matter of the same nature acquired or disposed of.</p> <p>(III) The accumulative amount of real estate <u>or its right-of-use assets</u> acquired or disposed of (accumulated separately for acquiring or disposing of) in the same development plan within one year.</p> <p>(IV) The amount of negotiable securities acquired or disposed of (accumulated separately for acquiring or disposing of) within one year.</p> <p>The said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been announced according to the provisions of these treatment procedures shall be exempted from</p>	

Article	Before revision	After revision	Note
		<p>calculation.</p> <p>Our company shall announce and declare all items within one day from the date of knowledge if the items to be announced by Our Company according to the regulations need to be corrected due to errors or omissions upon announcement.</p> <p>When acquiring or disposing of assets, Our Company shall keep the relevant contracts, proceedings, records, valuation reports, and opinions of accountants, lawyers, or securities underwriters in Our Company for at least five years, unless otherwise stipulated by law.</p>	
Article 17	<p>Provisions on the acquisition or disposal of subsidiary assets:</p> <p>I. The acquisition or disposal of assets by subsidiaries shall also be handled according to the provisions of the parent company.</p> <p>II. If a subsidiary is not a domestic public company and its assets acquired or disposed of are up to the declared declaration standard, the parent company shall handle the declaring matters.</p> <p>III. <u>"Reaching 20% of the Company's paid-in capital" or "10% of the total assets" in the announcement and declaration standards for subsidiaries</u> shall be based on the paid-in capital or total assets of the parent company.</p> <p>IV. If a foreign company's shares have no par value or the par value of each share is not NTD10, the amount of the transaction which shall reach 20% of the paid-in capital of the Company in Article 8, Article 9, Article 15 and Article 17 shall be 10% of the shareholders' equity of the parent company.</p> <p>A subsidiary shall submit information about acquiring or disposing of the relevant assets in writing to the parent company for</p>	<p>Provisions on the acquisition or disposal of subsidiary assets:</p> <p>I. The acquisition or disposal of assets by subsidiaries shall also be handled according to the provisions of the parent company.</p> <p>II. If a subsidiary is not a domestic public company and its assets acquired or disposed of are up to the declared declaration standard, the parent company shall handle the declaring matters.</p> <p>III. The provision about <u>"the amount of paid-in capital" or "total assets" in the announcement and declaration standards for subsidiaries</u> refers to the amount of paid-in capital or total assets of the parent company.</p> <p>IV. If a foreign company's shares have no par value or the par value of each share is not NTD10, the amount of the transaction which shall reach 20% of the paid-in capital of the Company in Article 8, Article 9, Article 15 and Article 17 shall be 10% of the shareholders' equity of the parent company. <u>The paid-in capital which shall reach NTD10 billion in these standards shall be the owner's equity in the parent company of NTD20 billion.</u></p>	Revise according to the provisions of Articles 34 and 35 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies

Article	Before revision	After revision	Note
	announcement and declaration according to the provisions. In case of a violation of the provisions of these operation procedures, the relevant personnel of the subsidiary shall be punished according to the violation.	A subsidiary shall submit information about acquiring or disposing of the relevant assets in writing to the parent company for announcement and declaration according to the provisions. In case of a violation of the provisions of these operation procedures, the relevant personnel of the subsidiary shall be punished according to the violation.	
Article 20	These treatment procedures were formulated on March 11 th , 1992. Date of the first to fourteenth revision (omitted). The fifteenth revision was made on June 15 th , 2018.	These treatment procedures were formulated on March 11 th , 1992. Date of the first to fifteenth revision (omitted) <u>The sixteenth revision was made on June 18th, 2019.</u>	The date of revision is added

(II) Please submit for discussion.

Resolution:

Plan 4 (proposed by the Board of Directors)

Cause: The revision of Our Company's Procedures for the Disposal of Derivative Financial Commodities. Please submit for discussion.

Note: (I) According to the provisions of Jin Guan Zheng Shen Zi No. 1070346971 Letter of the FSC on December 21st, 2018 and the requirements of practical operation, it is proposed to revise some provisions of the Procedures for the Disposal of Derivative Financial Commodities. The comparison table of the revised provisions is as follows:

Article	Before revision	After revision	Note
Article 1	<p>Objective</p> <p>I. ~ II (omitted)</p> <p>III、 The formulation or revision of these treatment procedures shall be agreed upon by more than one-half of all members of the Board of Auditors, and submitted to the Board of Directors for resolution.</p> <p>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. After the approval of the Board of Directors, it shall be submitted to the Board of Shareholders for approval.</p> <p>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.</p> <p>IV、 All members of the Audit Committee referred to in Paragraph</p>	<p>Objective</p> <p>I. ~ II (omitted)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>IV、 All members of the Audit Committee referred to in Paragraph 3 and all directors referred to in the preceding paragraph shall be</p>	<p>Revise according to the needs of the practical operation</p>

Article	Before revision	After revision	Note
	3 and all directors referred to in the preceding paragraph shall be calculated by the actual incumbent.	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 composite contracts formed by the above commodities whose values are derived from assets , interest rates, exchange rates, indexes, other benefits and other commodities. 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 .	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 the 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 indexes, 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 .	Revise according to the provisions of Article 4 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies
Article 11	These operation procedures were formulated on July 30 th , 1996. Dates of the first to sixth revision (omitted). The seventh revision was made on June 15 th , 2018.	These operation procedures were formulated on July 30 th , 1996. Date of the first to seventh revision (omitted). The eighth revision was made on June 18th, 2019.	The date of revision is added

(III) Please submit for discussion.

Resolution:

Plan 5 (proposed by the Board of Directors)

Cause: The revision of Our Company's Operational Procedures for Loaning of Company Funds. Please submit for discussion.

Note: (I) According to the provisions of Jin Guan Zheng Shen Zi No. 1080304826 Letter of the FSC on March 7th, 2019 and the requirements of practical operation, it is proposed to revise some provisions of the Operational Procedures for Loaning of Company Funds. The comparison table of the revised provisions is as follows:

Article	Before revision	After revision	Note
Article 16	<p>After the approval of the Board of Auditors and the Board of Directors, the Operational Procedures for Loaning of Company Funds formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the audit committees and the Board of Shareholders for discussion, and the revision shall be made in the same way. When the Operational Procedures for Loaning of Company Funds are submitted <u>to the Board of Directors for discussion according to the provisions of the preceding paragraph, the opinions of the independent directors shall be fully considered, and the clear opinions and reasons for their consent or opposition shall be included in the records of the Board of Directors.</u></p>	<p>After the approval of the Board of Auditors and the Board of Directors, the Operational Procedures for Loaning of Company Funds formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the audit committees and the Board of Shareholders for discussion, and the revision shall be made in the same way. When the Operational Procedures for Loaning of Company Funds are submitted to the Board of Directors for discussion according to the provisions of the preceding paragraph, <u>if the independent director has any objections or reservations, they shall be stated in the proceedings of the Board of Directors.</u></p> <p><u>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. All members of the Audit Committee and all directors referred to in the preceding paragraph shall be calculated by the actual incumbents.</u></p>	Revise according to the provisions of Article 8 of Guidelines for Handling Asset Acquisition or Disposal of Public Companies and needs of actual operation

Article	Before revision	After revision	Note
Article 11	These operation procedures were formulated on June 22 nd , 2000. Dates of the first to sixth revision (omitted). The seventh revision was made on June 15 th , 2018.	These operation procedures were formulated on June 22 nd , 2000. Date of the first to seventh revision (omitted). The eighth revision was made on June 18th, 2019.	The date of revision is added

(II) Please submit for discussion.

Resolution:

Plan 6 (proposed by the Board of Directors)

Cause: the revision of Our Company's Operation Procedures for Endorsement Guarantees. Please submit for discussion.

Note: (I) According to the provisions of Jin Guan Zheng Shen Zi No. 1080304826 Letter of the FSC on March 7th, 2019 and the requirements of practical operation, it is proposed to revise some provisions of the Operation Procedures for Endorsement Guarantees. The comparison table of the revised provisions is as follows:

Article	Before revision	After revision	Note
Article 2	<p>After the consent of the Board of Auditors and the approval of the Board of Directors by resolution, the Operation Procedures for Endorsement Guarantees formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the Audit Committee and the Board of Shareholders for discussion, and the revision shall be made in the same way.</p> <p>When the Operation Procedures for Endorsement Guarantees are submitted to the Board of Directors for discussion according to the provisions of the preceding paragraph, the opinions of the independent directors shall be fully considered, and the clear opinions and reasons for their consent or opposition shall be included in the records of the Board of Directors.</p>	<p>After the consent of the Board of Auditors and the approval of the Board of Directors by resolution, the Operation Procedures for Endorsement Guarantees formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the Audit Committee and the Board of Shareholders for discussion, and the revision shall be made in the same way.</p> <p>When the Operation Procedures for Endorsement Guarantees are submitted to the Board of Directors for <u>discussion according to the provisions of the preceding paragraph, if the independent director has any objections or reservations, they shall be stated in the proceedings of the Board of Directors.</u></p> <p><u>If the preceding paragraph has not</u></p>	Revise according to the provisions of Articles 8 and 11 of Guidelines for Handling Asset Acquisition or Disposal of Public Companies

Article	Before revision	After revision	Note
		<p><u>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.</u></p> <p><u>All members of the Audit Committee and all directors referred to in the preceding paragraph shall be calculated by the actual incumbents.</u></p>	
Article 13	<p>These operation procedures were formulated on July 30th, 1996.</p> <p>Dates of the first to ninth revision (omitted).</p> <p>The tenth revision was made on June 15th, 2018</p>	<p>These operation procedures were formulated on July 30th, 1996.</p> <p>Dates of the first to tenth revision (omitted).</p> <p><u>The eleventh revision was made on June 18th, 2019</u></p>	The date of revision is added

(ii) Please submit for discussion.

Resolution:

Election Matters (proposed by the Board of Directors)

Cause: By-election of a director of Our Company.

Note: (I)According to Our Company's Articles of Association and the resolution of the Board of Directors of March 27th, 2019, one member of the Board of Directors is proposed to be by-elected at the Annual Meeting of shareholders for a term from the date of election and appointment to June 14th, 2021.

(II)The nomination system for candidates is used for the election of Our Company's directors. Shareholders in the list of shareholder candidates shall be elected. For their educational background and experience, please refer to Pages 171 of the Meeting Handbook.

(III)For Our Company's Method for the Election of Directors, please refer to Pages 168-170 of the Meeting Handbook.

(IV)Please submit for by-election.

Election results:

Discussion Item 2

Plan 1 (proposed by the Board of Directors)

Cause: Removal of the restriction on the non-competition of new director and his/her representative of our company. Please submit for discussion.

Note: (I) Where Our Company's directors make contingent investment or operate other companies with the same or similar business scope with Our Company, the provisions of Article 209 of the Company Act shall be followed without prejudice to the interests of Our Company.

(II) We propose to submit to the Board of Shareholders for permission to remove the restriction on non-competition. It is the same for reappointment.

(III) Please refer to Pages 171 of the Meeting Handbook for a detailed list of the educational background, experience, and concurrent positions in other enterprises of new director candidates.

(IV) Please submit for discussion.

Resolution:

Incidental motion

Meeting over

CLEVO CO.

Operation Results

I. Operation Results of 2018

(I) Results of the implementation of operation plan for 2018

◆ Notebook Business Group

In 2018, the global economy was affected by the wave of America First and protectionism launched by US President Trump. The trade war between the United States and China began. Due to 4 rises of interest rates by the FED, the tight circulation of the US dollar, and the sharp fluctuation of oil prices, the emerging market currencies rapidly depreciated, which seriously attacked the emerging market economy. According to the International Monetary Fund (IMF), the growth rate of the global economy in 2018 changed from stable to 3.7%, the same as that in 2017. In the global notebook market, due to shortages and rising prices of DRAM, VRAM, SSD, MLCC, and CPUs, the costs of materials increased and the number of orders reduced. In 2018, the global sales volume of notebooks was 163 million, decreasing by 0.5% annually. Our company's annual sales volume of notebooks was 1.282 million, increasing by 0.8% annually. The turnover was NTD14.56 billion, increasing by 3% annually. Benefiting from the optimization of sales product mix, the proportion of electronic sports computers and new products increased, and the annual increase of ASP was 4.3% annually. Due to proper control of material costs and general costs, the business profit rate of the notebook business was 3.2%, increasing by 155% for the year. There is an opportunity to rebound.

◆ China Distribution Business Group

At present, Buynow Mall has become the only scientific and technological intelligent plaza in the local market.

Since the impact of e-commerce in 2013, Buynow Shopping Mall of China Distribution Business Group positively transformed in the past years. In addition to the original IT income, catering income, electronic sports

income, Lezhi Intelligent Mall and coffee operation income are added. The intelligent malls of science and technology are diversified and rich. From the original 25 stores to 19 stores after consolidation, it is the only "Intelligent Plaza of Science and Technology" in the local market. It aims to develop into a shopping mall of "science and technology, intelligence, life and fashion". Comparing 19 stores in the same period, the revenue was CNY670 million, increasing by 1% YoY. EBITDA was CNY322 million, increasing by 2% YoY. The operation of shopping malls has seen a steady rebound.

Continuous asset activation, continuous increase of cash flow

The operating benefits of China's asset projects are continuously calculated, the operating benefits and opportunity costs of different stores are prudently evaluated, and transformation and improvement are continuously made, so as to maximize the interests of the group. Buynow Wuhan Store was sold in 2018. Our company recovered its investment real estate funds, cash flowed in, debt reduced and interest was saved. After the store was merged into Part 2 of Wuhan Store of CHICONY Square, the growth rate of revenue of Qunbai Wuhan Store increased from 7% to 10.8%, and the revenue reached CNY2.88 billion, which was the best for the overall operating benefit of the group in the future.

The total revenue of China Distribution Business Group in 2018 was NTD5.233 billion (the revenue from selling buildings was NTD920 million), which was lower than NTD6.745 billion (the revenue from selling buildings was NTD2.263 billion) last year. Due to the factors of closing stores and selling in the same period, as mentioned above, the operation performance of 19 stores in the same period had been improved.

(II) Financial analysis

In 2018, the combined revenue of the group was NTD19.796 billion, decreasing by 5%. The gross operating profit was NTD5.28 billion, and the gross interest rate was 27%, increasing by 11% annually. The operating profit was NTD1.467 billion, and the profit rate was 7%, increasing by 113%. The net profit before tax was NTD2.356 billion, and the current net profit was NTD1.456 billion, increasing by 102%, and the earnings per

share was NTD2.32, increasing by 107% from last year per share of NTD1.12.

(III) Review of research and development

In 2018, Our Company continuously developed a number of types of computers to meet the needs of customers, and has mass-produced and developed 78 series of big computers. Among them, the dark blue and light blue series of big computers accounted for 54% of the sales volume, the revenue accounted for 70%, and the marginal contribution profit accounted for 73%, which was the main source of Our Company's profit from notebooks. This year, Our Company's computers were sent to NotebookCheck.net, a world-renowned professional evaluation media organization in Europe, for evaluation. The tests and comments were made on 12 items. Several kinds of computers became TOP10 in the evaluation. In this period, the dark blue models P775TM1-G, PB50ED-G, PA7ES-G, P960EP6 and P950EP6 were unique and expensive. The differentiated and customized products allow customers to enjoy honors. Our company has more than 100 customer groups. In response to customized product demands, Our Company has highly satisfied customer needs in product research and development speed, mass production quality of factory and delivery speed. Over the years, it has established supply chains with hundreds of large and small distributors around the world. This is a production and marketing strategy that cannot be provided by ordinary OEM factories. It is also a way for CLEVO Notebook Business Group to join hands with customers to create win-win business.

II. Business Plan of 2019

(I) Operating policies, expected sales quantity, and its basis, and important production and marketing policies

◆ Notebook Business Group

According to data from MIC, a research organization, in 2018, global brand manufacturers of notebooks faced the pressure of shortage and price increases of key components, which restrained the

overall sales momentum. In 2019, INTEL will shift the focus of CPU supply to 14nm. The forecast sales volume of notebooks in 2019 will increase slightly to 164 million, increasing by 0.3% annually. Our company's operating target is to focus both on sales volume and profit. The target of sales volume is 1.52 million. Compared with 1.28 million in 2018, the target of sales volume will increase by 240,000, with an average monthly increase of 20,000.

This year, the sales volume in the American region will increase by 7,000 per month. We expect to increase the proportion of sales volume in America region from 9% to 13%, and increase the YoY decrease of sales volume last year. According to the demands of new customers in China, the proportion of 37% will increase by 6%. The Asia-Pacific region and European region will achieve this year's sales target if they keep steady and upward.

In response to the differentiated needs of customers in different regions, this year Our Company is also fully engaged in the power of products. CLEVO launched a series of 15.6-inch, 16.1-inch, and 17.3-inch narrow-frame computers this year, together with a series of computers with the ninth generation of INTEL processor one after another. It is estimated that the average unit price of products will further increase driven by the new series of products and new platform products. Q1 of this year is a traditional off-season. Due to the continuous shortage of CPUs, the sales volume of notebooks of Our Company was 300,000 in Q1, and the revenue was NTD3.36 billion, decreasing by 8.7% annually. In Q2, more computer replacement demands can be attracted with the easing of the CPU shortage and the arrival of the new generation of GeForce RTX, GTX, and mid-level video cards. Especially the sales volume in the electronic sports industry was 8.5 million in 2018. It is expected to reach 9.8 million in 2019, increasing by 15% annually. With the peak season demands and the forthcoming launch of new models, the benefits and prices of CLEVO Notebook Blue Sea Market increased steadily.

◆ China Distribution Business Group

China's GDP growth rate in 2018 was 6.6%, in which consumption was the driving force of economic growth. The contribution of final consumption expenditure to GDP growth was 76.2%. From the perspective of demand structure, consumption and investment both supported China's economic development. In March, Chinese Premier Keqiang Li proposed to reduce the tax burden on enterprises and social security contribution by NTD9 trillion and increase the tax reduction by 50% compared with last year. He said that the GDP growth target for 2019 was 6% to 6.5%. He also announced that the current tax rate of 16% for the manufacturing industry and other industries would be reduced to 13%, and the current tax rate of 10% for transportation industry, construction industry, and other industries would be reduced to 9%. He adopted measures to improve production and livelihood. Supporting measures such as increasing tax credits in production and life service industries will ensure that tax burdens in all industries will only be reduced but not increased. This year, the scale of the fiscal policy of tax reduction and fee reduction in China will help SMEs revive their business vitality, stimulate consumption, and stabilize the economy, so as to mitigate the economic impact of the Sino-US trade war.

In recent years, Buynow has been continuously adjusting its business structure, actively creating an innovative shopping mall environment and atmosphere, emphasizing the supply of content and services, increasing entertainment and catering industries, combining with e-commerce businesses, integrating online and offline business, and being engaged in the new retail market. In 2018, China's online retail sales reached CNY9.0 trillion, increasing by 23.9% annually. After years of innovation and change, this year 19 Buynow Science and Technology Intelligent Plazas turned around gorgeously to increase revenue and interests, so as to closely keep pace with the rapid growth of China's service consumption.

(II) Influence of the Company's development strategy by external

competitive environment, regulatory environment, and overall operating environment in the future

Because China has upgraded "Internet+" to the national strategic action plan, people's food, clothing, housing, transportation, child raising, and entertainment have basically been Internet-based, leading to the rapid development of various APP software development and intelligent product research and development. Therefore, the demands for intelligent technology distribution are increasing. At present, there are about 500 brands and nearly 7000 commodities in Lezhi Science and Technology Intelligence Exhibition Hall of Buynow, which is the most professional and largest entity distributor in the field of intelligent science and technology and Internet of Things in China. The shopping mall contains seven categories of commodities: high and new technology, smart clothing, video and audio, intelligent life, creative digital products, electronic sports notebooks and peripheral industries and intelligent toys. In the future, it will continue to work in this direction, make products more refined, and become the best connecting platform between smart technology and consumers.

Looking forward to the future, with the completion of construction projects, accounting of sales volume of office buildings each quarter, accelerated activation of assets, optimization of recovered funds, improvement of financial structure, and active adjustment of operating strategies, profits will steadily increase, and the group's finance will be better. RMB is continuously and stably upward with the development of China's economy, and has gone through three years of depreciation. Morgan Stanley pointed out that this year RMB had a good start. It is expected that the exchange rate of RMB to US dollars will continue to increase, and the trend of RMB will be noticeable. Morgan Stanley stated that it was optimistic about the RMB at present, with the target of 6.55 in 2019 and 6.3 in 2020. The RMB began to rise slowly, which was good for the group. The Company's total assets continuously increased. At the same time, it also led to the recovery of shareholders' rights and interests. At present, shareholders' rights and interests per share have reached CNY68. With the process of asset activation, the accumulated corporate value of

these long-term efforts will be returned to long-term supportive shareholders in the future.

At the same time, all employees of CLEVO Group will work harder for the growth and prosperity of Our Company, create better profits for Our Company, share with shareholders, benefit mankind and give back to society. Finally, I wish you

good health

and all the best.

Responsible person: Chairman

Manager: Vice Chairman and General
Manager

Accounting Officer: Tianrong You

Review Report of the Audit Committee

We hereby allow

the Board of Directors to prepare Our Company's business report, financial statements and surplus distribution for 2018. Among them, the financial statements have been audited by Accountants Minjuan Feng and Hanqi Wu of PricewaterhouseCoopers, and the audit report has been issued. The above business report, financial statements, and surplus distribution proposal have been audited by our committee and found to be consistent. The above report is submitted according to Section 4 of Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Best regards

CLEVO CO.

Shareholders' Annual Meeting of 2019

Convener of the Audit Committee: Bojiao Zhou

March 27th, 2019

REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Clevo Co.

PWCR 18004334

Opinion

We have audited the accompanying parent company only balance sheets of Clevo Co. (the “Company”) as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, financial position of Clevo Co. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of the current period are stated as follows:

Valuation of investment properties

Description

Refer to Note 4(15) for accounting policies on investment properties, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to the fair value measurement of investment properties, and Note 6(7) for details of investment properties. As at December 31, 2018, investment properties at fair value amounted to NT\$1,576,905 thousand.

The parent company measures investment properties with fair value model. The fair value measurement is based on income approach and the discounted cash flow by using estimated future rental income deduct essential costs, and obtaining the valuation report by appraiser as valuation basis in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

The discount rate and future rental income used as the basis of fair value measurement mentioned above involves future prediction, and the estimated result has a significant impact on fair value measurement. Therefore, we consider the valuation of investment properties as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Examined the analysis period and assumption methods used in the valuation report by the independent appraisers in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”
2. Evaluated the reasonableness of rental earnings related to individual investment property, current market rents for similar comparable properties, rental growth rate and industry forecast reports.
3. Evaluated the reasonableness of discount rate used in valuation and capital costs caused by local property environment.

Valuation of inventories

Description

Refer to Note 4(12) for accounting policy on the valuation of inventories, Note 5(2) for uncertainty of accounting estimations and assumptions in relation to inventory valuation, and Note 6(4) for the details for inventory valuation. As at December 31, 2018, the balance of inventory and allowance for inventory valuation losses amounted to NT\$304,936 thousand and NT\$11,293 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of notebook computers. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk for inventory losses due from market value decline or obsolescence.

The parent company recognises inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on the age and the damage of inventory. As the amounts of inventories

are material, the types of inventories vary, and the estimation of net realizable value is subject to management's judgment, we consider the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following procedures in respect of the above key audit matter:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Obtained the listings of lower of cost or net realizable value and obsolescence losses amount, sampled and inspected related supporting documents. Calculated the accuracy and assessed the accordance and reasonableness of the estimation of net realizable value.
3. Verified information obtained from physical inventory of notebook computers, and inquired management and relevant staff if the inventory is identified as slow-moving, surplus, obsolete or damaged.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not

a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Min-Juan Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 27, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CLEVO CO.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,775,480	7	\$ 5,016,809	7
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	655,929	1	179,568	-
1125	Available-for-sale financial assets - current	12(4)	-	-	384,117	1
1136	Financial assets at amortised cost - current	6(1)	3,409,922	5	-	-
1170	Accounts receivable, net	6(3)	1,418,908	2	1,692,558	2
1180	Accounts receivable - related parties	7	818,974	1	536,019	1
130X	Inventories	6(4)	293,643	-	430,964	1
1410	Prepayments	7	1,232,073	2	65,901	-
1476	Other financial assets - current	6(1)	-	-	3,084,800	5
1479	Other current assets	7	111,704	-	147,719	-
11XX	Total current assets		<u>12,716,633</u>	<u>18</u>	<u>11,538,455</u>	<u>17</u>
Non-current assets						
1550	Investments accounted for under the equity method	6(5)	50,526,073	73	49,457,752	72
1600	Property, plant and equipment	6(6) and 8	340,737	1	345,165	-
1760	Investment property, net	6(7) and 8	1,576,905	2	1,568,993	2
1780	Intangible assets		4,972	-	9,323	-
1840	Deferred income tax assets	6(24)	139,132	-	132,105	-
1920	Refundable deposits		7,985	-	7,965	-
1960	Prepayments for investments	6(5) and 7	4,425,325	6	5,860,760	9
1990	Other non-current assets		14,165	-	3,424	-
15XX	Total non-current assets		<u>57,035,294</u>	<u>82</u>	<u>57,385,487</u>	<u>83</u>
1XXX	Total assets		<u>\$ 69,751,927</u>	<u>100</u>	<u>\$ 68,923,942</u>	<u>100</u>

(Continued)

CLEVO CO.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)	\$ 3,594,790	5	\$ 3,702,000	5
2130	Contract liabilities, current	12(5)	24,382	-	-	-
2150	Notes payable		15,070	-	15,236	-
2170	Accounts payable		270,965	-	443,784	1
2200	Other payables	7	363,089	1	333,785	1
2230	Current income tax liabilities		-	-	-	-
2250	Provisions	6(12)	50,523	-	50,523	-
2305	Other current financial liabilities	7	91,000	-	85,000	-
2320	Long-term liabilities, current portion	6(10)	-	-	820,000	1
2399	Other current liabilities		9,139	-	574,637	1
21XX	Current Liabilities		<u>4,418,958</u>	<u>6</u>	<u>6,024,965</u>	<u>9</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(9)	5,000,000	7	5,000,000	7
2540	Long-term borrowings	6(10)	17,555,000	25	13,401,539	20
2570	Deferred income tax liabilities	6(24)	721,984	1	626,740	1
2645	Guarantee deposits received		11,548	-	9,948	-
2670	Other non-current liabilities	6(11)(13) and 7	204,595	1	1,576,613	2
25XX	Non-current liabilities		<u>23,493,127</u>	<u>34</u>	<u>20,614,840</u>	<u>30</u>
2XXX	Total Liabilities		<u>27,912,085</u>	<u>40</u>	<u>26,639,805</u>	<u>39</u>
	Equity					
	Share capital	6(14)				
3110	Common stock		6,797,630	10	6,831,630	10
	Capital surplus	6(15)				
3200	Capital surplus		982,539	1	1,581,974	2
	Retained earnings	6(16)				
3310	Legal reserve		1,578,852	3	1,507,074	2
3320	Special reserve		34,937,216	50	33,929,051	49
3350	Unappropriated retained earnings		1,547,516	2	1,079,944	2
	Other equity interest	6(17)				
3400	Other equity interest		(2,720,683)	(4)	(2,020,190)	(3)
3500	Treasury stocks	6(14)	<u>(1,283,228)</u>	<u>(2)</u>	<u>(625,346)</u>	<u>(1)</u>
3XXX	Total equity		<u>41,839,842</u>	<u>60</u>	<u>42,284,137</u>	<u>61</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 69,751,927</u>	<u>100</u>	<u>\$ 68,923,942</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, for earnings per share amounts)

Items	Notes	For the years ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18)	\$ 14,560,392	100	\$ 14,131,684	100
5000 Operating costs	6(4)(22)(23) and 7	(13,551,524)	(93)	(13,052,004)	(92)
5900 Net operating margin		<u>1,008,868</u>	<u>7</u>	<u>1,079,680</u>	<u>8</u>
5910 Unrealized profit from sales		(65)	-	(1,574)	-
5920 Realized profit (loss) from sales		<u>1,574</u>	-	(<u>1,153</u>)	-
5950 Net operating margin		<u>1,010,377</u>	<u>7</u>	<u>1,076,953</u>	<u>8</u>
Operating expenses	6(22)(23)				
6100 Selling expenses		(214,454)	(1)	(221,265)	(1)
6200 General and administrative expenses		(497,039)	(3)	(538,814)	(4)
6300 Research and development expenses		(528,608)	(4)	(520,312)	(4)
6000 Total operating expenses		(<u>1,240,101</u>)	(<u>8</u>)	(<u>1,280,391</u>)	(<u>9</u>)
6900 Operating profit		(<u>229,724</u>)	(<u>1</u>)	(<u>203,438</u>)	(<u>1</u>)
Non-operating income and expenses					
7010 Other income	6(7)(19)	347,876	2	345,377	2
7020 Other gains and losses	6(20)	73,410	1	(406,566)	(3)
7050 Finance costs	6(21) and 7	(391,025)	(3)	(391,840)	(3)
7070 Share of profit of associates and joint ventures accounted for using equity method, net		<u>1,750,117</u>	<u>12</u>	<u>1,518,916</u>	<u>11</u>
7000 Total non-operating income and expenses		<u>1,780,378</u>	<u>12</u>	<u>1,065,887</u>	<u>7</u>
7900 Profit before income tax		<u>1,550,654</u>	<u>11</u>	<u>862,449</u>	<u>6</u>
7950 Income tax expense	6(24)	(95,750)	(1)	(144,665)	(1)
8200 Profit for the year		<u>\$ 1,454,904</u>	<u>10</u>	<u>\$ 717,784</u>	<u>5</u>

(Continued)

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, for earnings per share amounts)

Items	Notes	For the years ended December 31				
		2018		2017		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Loss on remeasurements on defined benefit plan	6(11)	(\$ 6,585)	-	(\$ 4,946)	-
8312	Gain on revaluation		-	-	25,207	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	1,317	-	(3,444)	-
8310	Other comprehensive income that will not be reclassified to profit or loss		(5,268)	-	16,817	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(17)	(594,951)	(4)	(1,209,919)	(9)
8362	Unrealized loss on valuation of available-for-sale financial assets	6(17)	-	-	(60,061)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method		-	-	83	-
8399	Income tax related to the components of other comprehensive income	6(24)	(7,663)	-	(12,156)	-
8360	Other comprehensive income that will be reclassified to profit or		(602,614)	(4)	(1,282,053)	(9)

The accompanying notes are an integral part of these parent company only financial statements.

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, for earnings per share amounts)

	loss					
8300	Other comprehensive loss for the year		<u>(\$ 607,882)</u>	<u>(4)</u>	<u>(\$ 1,265,236)</u>	<u>(9)</u>
8500	Total comprehensive income (loss) for the year		<u>\$ 847,022</u>	<u> 6</u>	<u>(\$ 547,452)</u>	<u>(4)</u>
	Earnings per share					
9750	Basic earnings per share	6(25)	<u>\$ 2.32</u>		<u>\$ 1.12</u>	
9850	Diluted earnings per share	6(25)	<u>\$ 2.30</u>		<u>\$ 1.11</u>	

The accompanying notes are an integral part of these parent company only financial statements.

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Notes	Capital surplus			Retained earnings			Other equity interest				Total equity
	Share capital	Additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) in available-for-sale financial assets	Asset revaluation increment	Treasury stocks	
<u>For the year ended December 31,</u>											
<u>2017</u>											
	\$ 6,831,630	\$ 1,379,498	\$ 183,164	\$ 1,447,592	\$ 33,727,355	\$ 1,105,657	(\$ 916,916)	\$ 157,857	\$ -	(\$ 625,346)	\$ 43,290,491
Profit for the year	-	-	-	-	-	717,784	-	-	-	-	717,784
Other comprehensive income (loss) for the year	-	-	-	-	-	(4,105)	(1,222,075)	(59,978)	20,922	-	(1,265,236)
Total comprehensive income (loss) for the year	-	-	-	-	-	713,679	(1,222,075)	(59,978)	20,922	-	(547,452)
Appropriations of 2016 earnings											
Legal reserve	-	-	-	59,482	-	(59,482)	-	-	-	-	-
Special reserve	-	-	-	-	201,696	(201,696)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(478,214)	-	-	-	-	(478,214)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	19,312	-	-	-	-	-	-	-	19,312
Balance at December 31, 2017	\$ 6,831,630	\$ 1,379,498	\$ 202,476	\$ 1,507,074	\$ 33,929,051	\$ 1,079,944	(\$ 2,138,991)	\$ 97,879	\$ 20,922	(\$ 625,346)	\$ 42,284,137
<u>For the year ended December 31,</u>											
<u>2018</u>											
Balance at January 1, 2018	\$ 6,831,630	\$ 1,379,498	\$ 202,476	\$ 1,507,074	\$ 33,929,051	\$ 1,079,944	(\$ 2,138,991)	\$ 97,879	\$ 20,922	(\$ 625,346)	\$ 42,284,137
Effects of retrospective application and retrospective restatement	-	-	-	-	-	97,879	-	(97,879)	-	-	-
Balance at January 1, 2018 after adjustments	6,831,630	1,379,498	202,476	1,507,074	33,929,051	1,177,823	(2,138,991)	-	20,922	(625,346)	42,284,137
Profit for the year	-	-	-	-	-	1,454,904	-	-	-	-	1,454,904
Other comprehensive income	-	-	-	-	-	(5,268)	(602,614)	-	-	-	(607,882)

The accompanying notes are an integral part of these parent company only financial statements.

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained earnings			Other equity interest				Total equity
		Share capital	Additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) in available-for-sale financial assets	Asset revaluation increment	Treasury stocks	
(loss) for the year												
Total comprehensive income												
(loss) for the year		-	-	-	-	-	1,449,636	(602,614)	-	-	-	847,022
Appropriations of 2017 earnings 6(16)												
Legal reserve		-	-	-	71,778	-	(71,778)	-	-	-	-	-
Special reserve		-	-	-	-	1,008,165	(1,008,165)	-	-	-	-	-
Capital dividends	6(16)	-	(546,530)	-	-	-	-	-	-	-	-	(546,530)
Treasury stock acquired	6(14)	-	-	-	-	-	-	-	-	-	(767,537)	(767,537)
Treasury stock canceled	6(14)	(34,000)	-	(75,655)	-	-	-	-	-	-	109,655	-
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	22,750	-	-	-	-	-	-	-	22,750
Balance at December 31, 2018		<u>\$ 6,797,630</u>	<u>\$ 832,968</u>	<u>\$ 149,571</u>	<u>\$ 1,578,852</u>	<u>\$ 34,937,216</u>	<u>\$ 1,547,516</u>	<u>(\$ 2,741,605)</u>	<u>\$ -</u>	<u>\$ 20,922</u>	<u>(\$ 1,283,228)</u>	<u>\$ 41,839,842</u>

The accompanying notes are an integral part of these parent company only financial statements.

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,550,654	\$ 862,449
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(22)	11,651	10,932
Amortisation	6(22)	5,819	7,441
Loss on financial assets at fair value through profit or loss	6(20)	124,827	25,421
Interest expense	6(21)	391,025	391,840
Interest income	6(19)	(101,081)	(64,569)
Dividend income	6(19)	(30,702)	(42,836)
Share of profit of associates and joint ventures accounted for under the equity method	6(5)	(1,750,117)	(1,518,916)
Loss on disposal of property, plant and equipment	6(6)(20)	-	(476)
Loss (gain) on disposal of investments	6(20)	13,410	(113,160)
Loss (gain) on adjustments of investment properties at fair value	6(7)(20)	(7,912)	120
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(230,481)	388,436
Accounts receivable		(9,305)	258,875
Inventories		137,321	59,279
Prepayments		(1,166,172)	1,076,674
Other current assets		53,405	33,237
Changes in operating liabilities			
Contract liabilities - current		(542,263)	342,770
Notes payable		(166)	1,134
Accounts payable		(172,819)	(250,486)
Other payables		20,935	(49,401)
Provisions		-	2,966
Other current liabilities		1,147	-
Other non-current liabilities		(9,879)	(14,120)
Cash (outflow) inflow generated from operations		(1,710,703)	1,407,610
Interest received		98,951	57,765
Dividends received		30,702	42,836
Cash dividends received from investments accounted for under the equity method		111,105	136,047

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
Interest paid	(400,114)	(495,066)
Income taxes paid	(13,879)	(30,803)
Net cash flows (used in) from operating activities		(1,883,938)	1,118,389

(Continued)

CLEVO CO.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31</u>	
		<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets	6(27)	\$ -	\$ 461,615
Decrease in prepayments for investments		1,435,435	-
Acquisition of property, plant and equipment	6(27)	(6,098)	(14,332)
Proceeds from disposal of property, plant and equipment	6(6)	-	476
Decrease in refundable deposits		(20)	(1,330)
Acquisition of intangible assets		(1,468)	(2,188)
Increase in other non-current assets		(11,866)	(1,126)
Increase in financial assets at amortised cost - current		(325,122)	-
Decrease in other financial assets - current		-	95,209
Net cash flows from investing activities		<u>1,090,861</u>	<u>538,324</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		62,798,107	42,460,634
Repayments of short-term borrowings		(62,905,317)	(43,271,143)
Proceeds from long-term borrowings		45,374,453	18,775,000
Repayments of long-term borrowings		(42,040,992)	(17,640,477)
Increase (decrease) in guarantee deposit		1,600	(2,627)
Increase (decrease) in other financial liabilities - current	7	6,000	(15,000)
Decrease (increase) in other financial liabilities - non-current	7	(1,368,723)	546,306
Payment of cash dividends	6(16)	(546,530)	(478,214)
Acquisition of treasury stock	6(27)	(750,079)	-
Net cash flows from financing activities		<u>568,519</u>	<u>374,479</u>
Effect of changes in exchange rates		(16,771)	(46,458)
Net (decrease) increase in cash and cash equivalents		(241,329)	1,984,734
Cash and cash equivalents at beginning of year		<u>5,016,809</u>	<u>3,032,075</u>
Cash and cash equivalents at end of year		<u>\$ 4,775,480</u>	<u>\$ 5,016,809</u>

The accompanying notes are an integral part of these parent company only financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Clevo Co.

PWCR 18004683

Opinion

We have audited the accompanying consolidated balance sheets of Clevo Co. and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements for the year ended December

31, 2018 were as follows:

Valuation of investment properties

Description

Refer to Note 4(17) for accounting policies on investment properties, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to the fair value measurement of investment properties, and Note 6(8) for details of investment properties. As at December 31, 2018, the Group's investment properties at fair value amounted to NT\$65,426,212 thousand.

The Group measures investment properties with fair value model. The fair value measurement is based on income approach and the discounted cash flow by using estimated future rental income deduct essential costs, and obtaining the valuation report by appraiser as valuation basis in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

The discount rate and future rental income used as the basis of fair value measurement mentioned above involves future prediction, and the estimated result has a significant impact on fair value measurement. Therefore, we consider the valuation of investment properties as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Examined the analysis period and assumption methods used in the valuation report by the independent appraisers in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
2. Evaluated the reasonableness of rental earnings related to individual investment property, current market rents for similar comparable properties, rental growth rate and industry forecast reports.
3. Evaluated the reasonableness of discount rate used in valuation and capital costs caused by local property environment.

Existence of booth rental revenue

Description

Refer to Note 4(33) for accounting policies on revenue recognition and Note 6(21) for details of operating revenue. As at December 31, 2018, the Group's rental revenue amounted to NT\$3,720,007 thousand.

One of the operating revenue in the Group is to earn booth rental income by holding investment properties. After customers sign the contracts, the Group allocates and recognises booth rental revenue

based on the period of realisation of agreements.

The customers of booth rental revenue are merchants in the location of investment property, the customers are numerous and most contract periods are from 6 months to one year. The main customers are primarily engaged in the sales of 3C products and food service. In recent years, the growth of e-commerce in China has made an impact on the sales of bricks-and-mortar stores. Therefore, there is higher uncertainty of existence of rental revenue. We consider the existence of booth rental revenue as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Ensured the reasonableness by validating and testing the appropriateness of internal controls over booth rental revenue, including inspecting the lease contracts and related supporting documents.
2. Verified existence of merchants by performing physical count of the booths.
3. Obtained the listings of booth rental revenue and confirmed the existence of booth rental revenue by sampling and inspecting the lease contracts and physical inventory lists.

Valuation of inventories

Description

Refer to Note 4(13) for accounting policy on the evaluation of inventories, Note 5(2) for uncertainty of accounting estimations and assumptions in relation to inventory valuation, and Note 6(4) for the details for inventory valuation. As at December 31, 2018, the balance of inventory and allowance for inventory valuation losses amounted to NT\$7,983,465 thousand and NT\$89,434 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of notebook computers, construction in progress and buildings and land held for sale. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. Additionally, most of construction in progress and buildings and land held for sale are located in second-tier or third-tier cities. The property cycle is mostly influenced by local policy and economic situation. Due to long inventory holding period, there is a higher risk for inventory losses due from market value decline.

The Group recognises inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on the age and the damage of inventory. The allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged. As the amounts of inventories are material, the types of inventories vary, and the

estimation of net realizable value is subject to management's judgment, we consider the allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We performed the following procedures in respect of the above key audit matter:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Obtained the listings of lower of cost or net realizable value and obsolescence losses amount, sampled and inspected related supporting documents. Calculated the accuracy and assessed the reasonableness of the estimation of net realizable value.
3. Verified information obtained from physical inventory of notebook computers, and inquired management and relevant staff if the inventory is identified as slow-moving, surplus, obsolete or damaged.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Clevo Co. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Min-Juan Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 27, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 7,796,543	7	\$ 7,522,579	7
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	1,322,990	1	1,000,504	1
1125	Available-for-sale financial assets - current	12(4)	-	-	400,754	-
1136	Financial assets at amortised cost - current	6(1)	4,749,768	4	-	-
1150	Notes receivable, net	6(3)	-	-	1,127	-
1170	Accounts receivable, net	6(3)	1,623,861	2	1,911,346	2
1180	Accounts receivable - related parties	6(3) and 7	3,166	-	1,813	-
1220	Current income tax assets		9,984	-	6,009	-
130X	Inventories	6(4) and 8	7,896,031	7	7,495,871	7
1410	Prepayments		674,364	1	463,898	-
1470	Other current assets	6(1)(5), 7 and 8	1,514,472	1	4,017,078	3
11XX	Total current assets		<u>25,591,179</u>	<u>23</u>	<u>22,820,979</u>	<u>20</u>
Non-current assets						
1535	Financial assets at amortised cost - non-current	6(1)	115,850	-	-	-
1550	Investments accounted for the equity method	6(6)	2,518,217	2	2,561,215	2
1600	Property, plant and equipment	6(7) and 8	9,970,165	9	8,474,857	8
1760	Investment property, net	6(8) and 8	65,426,212	58	69,922,175	62
1780	Intangible assets	6(9)	21,311	-	31,042	-
1840	Deferred income tax assets	6(27)	214,011	-	207,609	-
1920	Refundable deposits		113,106	-	116,554	-
1985	Long-term prepaid rents	6(10) and 8	6,675,527	6	6,822,488	6
1990	Other non-current assets	8	1,814,279	2	1,510,319	2
15XX	Total non-current assets		<u>86,868,678</u>	<u>77</u>	<u>89,646,259</u>	<u>80</u>
1XXX	Total assets		<u>\$ 112,459,857</u>	<u>100</u>	<u>\$ 112,467,238</u>	<u>100</u>

(Continued)

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 8,426,966	8	\$ 6,221,472	5
2130	Contract liabilities, current	6(21)	3,146,037	3	-	-
2150	Notes payable		15,135	-	15,236	-
2170	Accounts payable		1,590,415	1	1,852,899	2
2180	Accounts payable - related parties	7	262,229	-	269,209	-
2200	Other payables		2,008,965	2	2,303,738	2
2230	Current income tax liabilities	6(27)	170,192	-	83,953	-
2250	Provisions	6(16)	50,523	-	50,523	-
2320	Long-term liabilities, current portion	6(14)	2,747,011	2	7,352,876	7
2399	Other current liabilities	6(12) and 7	646,170	1	3,744,259	3
21XX	Total current liabilities		<u>19,063,643</u>	<u>17</u>	<u>21,894,165</u>	<u>19</u>
Non-current liabilities						
2530	Corporate bonds payable	6(13)	5,000,000	5	5,000,000	4
2540	Long-term borrowings	6(14)	31,837,471	28	28,052,753	25
2570	Deferred income tax liabilities	6(27)	12,380,424	11	12,444,243	11
2670	Other non-current liabilities	6(6)(15) and 7	2,321,189	2	2,776,042	3
25XX	Total non-current liabilities		<u>51,539,084</u>	<u>46</u>	<u>48,273,038</u>	<u>43</u>
2XXX	Total liabilities		<u>70,602,727</u>	<u>63</u>	<u>70,167,203</u>	<u>62</u>
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(17)	6,797,630	6	6,831,630	6
Capital surplus						
3200	Capital surplus	6(18)	982,539	1	1,581,974	1
Retained earnings						
3310	Legal reserve	6(19)	1,578,852	1	1,507,074	2
3320	Special reserve		34,937,216	31	33,929,051	30
3350	Unappropriated retained earnings		1,547,516	1	1,079,944	1
Other equity interest						
3400	Other equity interest	6(20)	(2,720,683)	(2)	(2,020,190)	(2)
3500	Treasury stocks	6(17)	(1,283,228)	(1)	(625,346)	-
31XX	Equity attributable to owners of the parent		<u>41,839,842</u>	<u>37</u>	<u>42,284,137</u>	<u>38</u>
36XX	Non-controlling interest		<u>17,288</u>	<u>-</u>	<u>15,898</u>	<u>-</u>
3XXX	Total equity		<u>41,857,130</u>	<u>37</u>	<u>42,300,035</u>	<u>38</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 112,459,857</u>	<u>100</u>	<u>\$ 112,467,238</u>	<u>100</u>

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

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31				
		2018		2017		
		AMOUNT	%	AMOUNT	%	
000	Operating revenue	6(21) and 7	\$ 19,796,072	100	\$ 20,876,980	100
5000	Operating costs	6(4)(25)(26) and 7	(14,515,709)	(73)	(16,098,384)	(77)
5900	Net operating margin		5,280,363	27	4,778,596	23
	Operating expenses	6(25)(26)				
6100	Selling expenses		(1,365,770)	(7)	(1,332,439)	(6)
6200	General and administrative expenses		(1,901,144)	(9)	(2,237,922)	(11)
6300	Research and development expenses		(528,608)	(3)	(520,312)	(3)
6450	Expected credit losses	12(2)	(17,992)	-	-	-
6000	Total operating expenses		(3,813,514)	(19)	(4,090,673)	(20)
6900	Operating profit		1,466,849	8	687,923	3
	Non-operating income and expenses					
7010	Other income	6(22)	616,195	3	620,998	3
7020	Other gains and losses	6(23) and 7	1,174,967	6	748,491	4
7050	Finance costs	6(24) and 7	(878,327)	(4)	(1,035,543)	(5)
7060	Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	(24,009)	-	481,087	2
7000	Total non-operating income and expenses		888,826	5	815,033	4
7900	Profit before income tax		2,355,675	13	1,502,956	7
7950	Income tax expense	6(27)	(899,316)	(5)	(782,298)	(4)
8200	Profit for the year		\$ 1,456,359	8	\$ 720,658	3

(Continued)

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31				
		2018		2017		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
8311	Loss on remeasurements on defined benefit plans	6(15)	(\$ 6,585)	-	(\$ 4,946)	-
8312	Gain on revaluation	6(20)	-	-	25,207	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	1,317	-	(3,444)	-
8310	Other comprehensive income that will not be reclassified to profit or loss		(5,268)	-	16,817	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(20)	(544,392)	(3)	(1,323,231)	(6)
8362	Unrealized loss on valuation of available-for-sale financial assets	6(20) and 12(4)	-	-	(59,978)	-
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method	6(20)	(49,680)	-	112,960	-
8399	Income tax related to the components of other comprehensive income	6(27)	(7,663)	-	(12,156)	-
8360	Other comprehensive income that will be reclassified to profit or loss		(601,735)	(3)	(1,282,405)	(6)
8300	Total other comprehensive loss for the year		(\$ 607,003)	(3)	(\$ 1,265,588)	(6)
8500	Total comprehensive income (loss) for the year		\$ 849,356	5	(\$ 544,930)	(3)
Net income attributable to:						
8610	Owners of the parent		\$ 1,454,904	8	\$ 717,784	3

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

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

8620	Non-controlling interest	\$	1,455	-	\$	2,874	-
	Comprehensive income						
	(loss) attributable to:						
8710	Owners of the parent	\$	847,022	5	(\$	547,452)	(3)
8720	Non-controlling interest	\$	2,334	-	\$	2,522	-
	Earnings per share						
				6(28)			
9750	Basic earnings per share	\$		2.32	\$		1.12
				6(28)			
9850	Diluted earnings per share	\$		2.30	\$		1.11

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

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent											Non-controlling interests	Total equity
		Capital surplus			Retained earnings			Other equity interest						
		Share Capital	Additional Paid-in Capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Asset revaluation increment	Treasury stocks	Total		
For the year ended December 31, 2017														
Balance at January 1, 2017		\$ 6,831,630	\$ 1,379,498	\$ 183,164	\$ 1,447,592	\$ 33,727,355	\$ 1,105,657	(\$ 916,916)	\$ 157,857	\$ -	(\$ 625,346)	\$ 43,290,491	\$ 14,355	\$ 43,304,846
Profit for the year		-	-	-	-	-	717,784	-	-	-	-	717,784	2,874	720,658
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(4,105)	(1,222,075)	(59,978)	20,922	-	(1,265,236)	(352)	(1,265,588)	
Total comprehensive income (loss) for the year		-	-	-	-	713,679	(1,222,075)	(59,978)	20,922	-	(547,452)	2,522	(544,930)	
Appropriations of 2016 earnings	6(19)	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	-	59,482	(59,482)	-	-	-	-	-	-	-	
Special reserve		-	-	-	-	201,696	(201,696)	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(478,214)	-	-	-	(478,214)	-	(478,214)	-	
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	19,312	-	-	-	-	-	-	19,312	-	19,312	
Changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	(979)	(979)	
Balance at December 31, 2017		\$ 6,831,630	\$ 1,379,498	\$ 202,476	\$ 1,507,074	\$ 33,929,051	\$ 1,079,944	(\$ 2,138,991)	\$ 97,879	\$ 20,922	(\$ 625,346)	\$ 42,284,137	\$ 15,898	\$ 42,300,035
For the year ended December 31, 2018														
Balance at January 1, 2018		\$ 6,831,630	\$ 1,379,498	\$ 202,476	\$ 1,507,074	\$ 33,929,051	\$ 1,079,944	(\$ 2,138,991)	\$ 97,879	\$ 20,922	(\$ 625,346)	\$ 42,284,137	\$ 15,898	\$ 42,300,035
Effects of retrospective application and retrospective restatement	3(1) and 12(4)	-	-	-	-	-	97,879	-	(97,879)	-	-	-	-	-
Balance at January 1, 2018 after adjustments		6,831,630	1,379,498	202,476	1,507,074	33,929,051	1,177,823	(2,138,991)	-	20,922	(625,346)	42,284,137	15,898	42,300,035
Profit for the year		-	-	-	-	-	1,454,904	-	-	-	-	1,454,904	1,455	1,456,359
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(5,268)	(602,614)	-	-	-	(607,882)	879	(607,003)	
Total comprehensive income (loss) for the year		-	-	-	-	1,449,636	(602,614)	-	-	-	847,022	2,334	849,356	
Appropriations of 2017 earnings	6(19)	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	-	71,778	(71,778)	-	-	-	-	-	-	-	
Special reserve		-	-	-	-	1,008,165	(1,008,165)	-	-	-	-	-	-	
Capital dividends	6(19)	-	(546,530)	-	-	-	-	-	-	-	(546,530)	-	(546,530)	
Treasury stock acquired	6(17)	-	-	-	-	-	-	-	-	(657,882)	(657,882)	-	(657,882)	
Treasury stock canceled	6(17)	(34,000)	-	(75,655)	-	-	-	-	-	-	(109,655)	-	(109,655)	
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	22,750	-	-	-	-	-	-	22,750	-	22,750	
Changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	(944)	(944)	
Balance at December 31, 2018		\$ 6,797,630	\$ 832,968	\$ 149,571	\$ 1,578,852	\$ 34,937,216	\$ 1,547,516	(\$ 2,741,605)	\$ -	\$ 20,922	(\$ 1,283,228)	\$ 41,839,842	\$ 17,288	\$ 41,857,130

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

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 2,355,675	\$ 1,502,956
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(25)	154,122	169,655
Amortisation	6(9)(10)(25)	18,930	26,095
Provision for bad debts expense		-	14,726
Expected credit loss	12(2)	17,992	-
Loss on financial assets at fair value through profit or loss	6(23)	405,608	(198,520)
Interest expense	6(24)	878,327	1,035,543
Interest income	6(22)	(130,921)	(85,274)
Dividend income	6(22)	(33,114)	(45,386)
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	24,009	(481,087)
Loss on disposal of property, plant and equipment	6(7)(23)	1,490	3,508
Gain on disposal of investments	6(23)	(928,375)	(114,666)
Gain on adjustments of investment properties at fair value	6(8)(23)	(913,763)	(682,125)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(350,522)	283,759
Notes receivable, net		1,127	3,291
Accounts receivable		270,992	72,100
Inventories		(289,080)	2,402,551
Capitalisation of interest (inventories)	6(4)	(111,080)	(163,911)
Prepayments		(210,596)	45,432
Other current assets		182,366	5,853
Changes in operating liabilities			
Contract liabilities - current		52,018	-
Notes payable		-	1,134
Accounts payable		(262,484)	(540,146)
Accounts payable - related parties		(6,980)	(119,463)
Other payables		(204,811)	(31,936)
Provisions		-	2,966
Other current liabilities		560	83,177
Other non-current liabilities		(1,249)	19,847
Cash inflow generated from operations		920,241	3,210,079
Interest received		128,788	78,461
Dividends received		33,114	45,386
Interest paid		(847,665)	(1,015,242)
Income taxes paid		(285,814)	(361,178)
Net cash flows (used in) from operating activities		(51,336)	1,957,506

(Continued)

CLEVO CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets	6(30)	\$ -	\$ 461,615
Repayment of disposal of available-for-sale financial assets	6(30)	44,115	-
Increase in financial assets at amortised cost - current		(1,465,783)	-
Increase in financial assets at amortised cost - non-current		(22,574)	-
Proceeds from disposal of subsidiaries	6(30)	994,893	-
Acquisition of property, plant and equipment	6(30)	(938,533)	(844,450)
Proceeds from disposal of property, plant and equipment		11,464	16,587
Decrease in refundable deposits paid		1,163	152,842
Acquisition of intangible assets	6(9)	(2,158)	(7,973)
Acquisition of investment properties	6(30)	(198,729)	(188,739)
Proceeds from disposal of investment properties	6(8)	3,864	3,818
Interest paid (capitalisation of interest)	6(8)	(397,441)	(312,216)
Increase in other current assets		-	(49,176)
Increase in other non-current assets		(374,166)	(160,260)
Increase in long-term prepaid rent		(12,881)	-
Net cash flows used in investing activities		(2,356,766)	(927,952)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(31)	72,058,041	50,216,018
Repayments of short-term borrowings	6(31)	(69,856,355)	(50,815,932)
Proceeds from long-term borrowings	6(31)	52,017,987	23,458,421
Repayments of long-term borrowings	6(31)	(50,267,748)	(22,747,220)
Increase in guarantee deposit		866,522	7,630
Increase in other financial liabilities - current		6,728	-
Payment of cash dividends	6(19)	(546,530)	(478,214)
Decrease in other financial liabilities - non-current		(585,947)	1,645,562
Acquisition of treasury stock	6(30)	(750,079)	-
Changes in non-controlling interests		(944)	(979)
Net cash flows from financing activities		2,941,675	1,285,286
Effect of changes in exchange rates		(259,609)	(302,623)
Net increase in cash and cash equivalents		273,964	2,012,217
Cash and cash equivalents at beginning of year		7,522,579	5,510,362
Cash and cash equivalents at end of year		\$ 7,796,543	\$ 7,522,579

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

Before revision

CLEVO CO.

Articles of Association

Chapter 1 General Provisions

Article 1: Our company is established according to the provisions of the Company Act and named CLEVO CO.

Article 2: The licensed businesses operated by Our Company are as follows:

The licensed businesses operated by Our Company are as follows:

- 1.CC01060 Wired Communication Equipment and Apparatus Manufacturing
- 2.CC01070 Telecommunication Equipment and Apparatus Manufacturing
- 3.CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
- 4.CC01110 Computers and Computing Peripheral Equipments Manufacturing
- 5.E605010 Computing Equipments Installation Construction
- 6.F113070 Wholesales of communication equipment
- 7.F118010 Wholesale of Computer Software
- 8.F119010 Wholesale of Electronic Materials
- 9.F213060 Retail of communication equipment
- 10.F218010 Retail Sale of Computer Software
- 11.F219010 Retail Sale of Electronic Materials
- 12.F401010 International trade
- 13.F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- 14.I301010 Software Design Services
- 15.I301020 Data processing services
- 16.I301030 Digital Information Supply Services
- 17.J901011 International and General Tourist Hotels
- 18.J901020 Hotels and Motels
- 19.ZZ99999 All business items that are not prohibited or restricted by

law, except those that are subject to special approval.

Article 3: Our company shall be the guarantor of the guarantee matters of subsidiaries and related enterprises established by investment.

Article 4: Our company has its head office in Xinbei City and shall set up branches at home and abroad according to its business needs.

Article 5: Our company may invest in other companies as a shareholder with limited liability, and is not subject to the limitation of Paragraph 1 of Article 13 of the Company Act that the total amount of investment shall not exceed 40% of the paid-in equity.

Chapter 2 Shares

Article 6: The total capital of Our Company is rated at NTD9 billion, which is divided into 900 million shares with NTD10 per share. Our company shall issue ordinary shares and special shares and authorize the Board of Directors to issue them in installments.

Within the total amount of capital mentioned in the preceding paragraph, NTD200 million is retained for issuing employee stock option certificates for 20 million shares. Each share is NTD10. The Board of Directors is authorized to issue by installments according to actual needs.

Article 7: Our company's stock affairs shall be handled according to the provisions of the competent authority.

Article 8: Shares issued by Our Company shall be shares exempted from printing and registered by the centralized custody institution of securities.

Article 9: The renaming and transfer of shares shall stop within 60 days before the shareholders' Annual Meeting, 30 days before a shareholders' provisional meeting, or five days before the benchmark date of Our Company's decision to distribute dividends and bonuses or other benefits.

Chapter 3 Shareholders' Meeting

Article 10: Shareholders' meetings are divided into Annual Meetings and provisional meetings. The Annual Meeting is held once a year within six months after the end of each accounting year. The provisional meeting shall be convened according to the relevant decrees when necessary.

The shareholders' meeting referred to in the preceding paragraph shall be convened by the Board of Directors, unless otherwise stipulated in Company Act.

Article 11: When shareholders are unable to attend the shareholders' meeting for some reasons, a power of attorney issued by Our Company specifying the scope of authorization shall be issued. The entrusted agents shall attend the shareholders' meeting according to Article 177 of the Company Act and the Rules on the Use of Power of Attorney for Attending Shareholders' Meeting in a Public Company promulgated by the competent authority.

Article 12: The shareholders of Our Company shall have one vote per share, except in cases where the voting rights of shares are restricted or there is no voting right as stipulated in Company Act.

Article 13: Except for the minimum limit of voting rights for special resolutions stipulated in Company Act on special matters, the resolution shall be attended by shareholders representing more than half of the total number of shares issued and the general resolution shall be agreed upon by more than half of the voting rights of the shareholders present.

Article 14: A Shareholders' meeting shall be convened by the Board of Directors, with the Chairman as its Chairman. In the absence of the Chairman, the Vice-Chairman shall act in their place. In the absence of the Vice-Chairman, the directors shall elect one of them to act in the place of the Vice-Chairman. When the shareholders' meeting is convened by people with convening power other than the Board of Directors, the person with convening power shall serve as the Chairman. When there are more than two people with convening power, one person shall be elected.

Article 15: Records shall be made for resolutions of the shareholders' meeting, signed or sealed by the Chairman of the Shareholders' Meeting, and distributed to all shareholders within 20 days after the meeting. The distribution of the above records shall be announced.

Article 16: The procedures of the shareholders' meeting shall be executed according to the Rules of Procedures for Shareholders' Meetings of CLEVO CO.

Chapter IV Directors and Audit Committee

Article 17: Our company shall have seven to nine directors, who shall be elected by the Board of Shareholders on the list of candidates under the system of nomination of candidates. They shall serve for three years and be re-elected. According to Section 2 of Article 14 of the Securities and Exchange Act, the number of independent directors shall not be less than three and not less than one fifth of the directors' seats in the above number of Our Company's directors. The relevant provisions of the securities authority shall be followed in respect of the professional qualifications, shareholding, part-time restrictions, nomination and selection methods and other matters of independent directors.

The total shareholding ratio of all Our Company's directors shall be governed by the provisions of the regulatory authority of securities. According to Section 4 of Article 14 of the Securities and Exchange Act, Our Company shall establish an audit committee to replace the functions and powers of the supervisors. The Audit Committee is composed of all independent directors, the number of whom shall not be less than three. One of them is the convener. The exercise of its functions and powers and related matters shall be handled according to the provisions of relevant laws and regulations and decided by the Board of Directors separately.

Article 18: When the shortage of directors is up to one third, the Board of Directors shall hold a temporary meeting of shareholders for by-election within sixty days. The term of office shall fill the original term.

Article 19: The board meeting shall be attended by more than two-thirds of the directors and agreed upon by more than half of the directors present. One of the directors shall be elected as Chairman, and one of them shall be elected as Vice-Chairman. The Chairman shall represent Our Company to the outside.

Article 20: The execution of Our Company's business shall be decided by the Board of Directors, except for the matters stipulated in Company Act and Articles of Association that shall be decided by the Board of

Shareholders.

Article 21: Except for the first board meeting of each session convened according to Article 203 of the Company Act, the rest of the board meetings are convened by the Chairman, who serves as the Chairman. When the Chairman is absent or unable to exercise their functions and powers for some reason, the Vice-Chairman shall act as their agent. When the Vice-Chairman is absent or unable to exercise their functions and powers for some reason, the Chairman shall appoint one of the directors to act as the agent. If the Chairman fails to appoint, the directors shall elect one of themselves as the agent.

The board meeting of Our Company shall be convened at least once a quarter.

For the convening of the board of meeting, the reasons shall be stated and the directors shall be notified seven days in advance, but in case of an emergency, it may be convened at any time.

The convening of the preceding paragraph may be notified in writing, by fax or by e-mail.

Article 22: Except as otherwise stipulated in Company Act, a resolution of the board meeting shall be attended by more than half of the directors and agreed upon by more than half of the directors present. When a director is unable to attend due to some reason, a power of attorney shall be issued, and the scope of authorization for the subject of convocation shall be listed. Another director shall be entrusted to attend the board meeting, but the agent shall be entrusted by one person.

When the board meeting is held by video conference, the directors attending the meeting by video conference shall be deemed as attending in person.

Article 23: The Board of Directors shall be authorized to decide the remuneration of the Chairman, Vice-Chairman, and Director according to their participation in the operation of Our Company and the value of their contribution, taking into account the usual level of the same profession.

Section 1 of Article 23: By resolution of the Board of Directors, Our Company shall purchase liability insurance for directors and important staff

members.

Section 2 of Article 23: The Board of Directors of Our Company shall set Remuneration Committee or other functional committees for the sake of business operation.

Chapter V Managers

Article 24: Our Company shall have a manager, whose appointment, dismissal and remuneration shall be handled according to Article 29 of the Company Act.

Chapter VI Accounting

Article 25: At the end of each accounting year of Our Company and the Board of Directors shall compile the following forms and submit them to the shareholders' Annual Meeting for recognition.

1. Business report.
2. Financial statements.
3. Proposal for the distribution of surplus or the distribution of loss.

Article 26: If Our Company has a surplus in its annual final accounting, it shall pay taxes and make up for its losses according to law, and 10% shall be accrued as the statutory surplus reserve. However, when the statutory surplus reserve has reached the total capital, this does not apply. In addition, the undistributed surplus at the beginning of the period is the accumulative distributable surplus of shareholders after the special surplus reserve is accrued or turned back according to relevant laws and regulations. The Board of Directors shall make a distribution plan and submit it to the Board of Shareholders for a resolution before distribution.

In order to motivate employees and the operation team, Our Company shall distribute 5% to 15% of employees' remuneration and no more than 1% of directors' remuneration according to the current year's profit (i.e. profit before distribution of the employees' remuneration and directors' remuneration is deducted from pre-tax profit). However, if the Company still has accumulated losses, the amount of compensation shall be retained in advance.

When the employees' remuneration is distributed by stock or cash, the Board of Directors shall make a resolution if more than two-thirds of the directors attend and more than half of the directors present agree, and report to the Board of Shareholders.

The employees' remuneration in the preceding paragraph shall be given to full-time employees of subsidiary companies holding more than 50% of the Our Company's Shares by shares or cash.

Article 27: Our company belongs to the electronic high-tech industry. Based on the industry development prospect, capital expenditure needs, sound financial planning and the protection of investors' rights and interests, the dividend policy of Our Company is to distribute the dividend by taking into account factors such as capital reserve, surplus retention, financial structure and operating conditions. Under the goal of maintaining a stable dividend, the cash dividend shall not be less than 10% of the total dividend.

Chapter VII Supplementary Provisions

Article 28: Matters not specified in these Articles of Association shall be handled according to the provisions of the Company Act and relevant decrees.

Article 29: These Articles of Association were signed on September 17th, 1983.

The first revision was made on May 17th, 1984.

The second revision was made on February 23rd, 1987.

The third revision was made on November 25th, 1988.

The fourth revision was made on December 16th, 1988.

The fifth revision was made on April 22nd, 1990.

The sixth revision was made on July 15th, 1991.

The seventh revision was made on March 31st, 1992.

The eighth revision was made on July 21st, 1992.

The ninth revision was made on April 27th, 1993.

The tenth revision was made on June 3rd, 1993.

The eleventh revision was made on September 21st, 1993.

The twelfth revision was made on May 10th, 1994.

The thirteenth revision was made on April 21st, 1995.

The fourteenth revision was made on May 30th, 1996.

The fifteenth revision was made on May 5th, 1997.
The sixteenth revision was made on January 20th, 1998.
The seventeenth revision was made on April 29th, 1998.
The eighteenth revision was made on May 13th, 1999.
The nineteenth revision was made on June 8th, 2000.
The twentieth revision was made on May 31st, 2002.
The twenty-first revision was made on May 25th, 2004.
The twenty-second revision was made on June 14th, 2005.
The twenty-third revision was made on June 15th, 2006.
The twenty-fourth revision was made on June 15th, 2007.
The twenty-fifth revision was made on June 11th, 2008.
The twenty-sixth revision was made on June 19th, 2009.
The twenty-seventh revision was made on June 14th, 2010.
The twenty-eighth revision was made on June 17th, 2011.
The twenty-ninth revision was made on June 15th, 2012.
The thirtieth revision was made on June 14th, 2013.
The thirty-first revision was made on June 12th, 2014.
The thirty-second revision was made on June 14th, 2016.
The thirty-third revision was made on June 15th, 2018.

After revision:

CLEVO CO.

Articles of Association

Chapter 1 General Provisions

Article 1: Our company is established according to the provisions of the Company Act and named CLEVO CO.

Article 2: The licensed businesses operated by Our Company are as follows:

The licensed businesses operated by Our Company are as follows:

- 1.CC01060 Wired Communication Equipment and Apparatus
Manufacturing
- 2.CC01070 Telecommunication Equipment and Apparatus
Manufacturing
- 3.CC01101 Restrained Telecom Radio Frequency Equipments and
Materials Manufacturing
- 4.CC01110 Computers and Computing Peripheral Equipments
Manufacturing
- 5.E605010 Computing Equipments Installation Construction
- 6.F113070 Wholesales of communication equipment
- 7.F118010 Wholesale of Computer Software
- 8.F119010 Wholesale of Electronic Materials
- 9.F213060 Retail of communication equipment
- 10.F218010 Retail Sale of Computer Software
- 11.F219010 Retail Sale of Electronic Materials
- 12.F401010 International trade
- 13.F401021 Restrained Telecom Radio Frequency Equipments and
Materials Import
- 14.I301010 Software Design Services
- 15.I301020 Data processing services
- 16.I301030 Digital Information Supply Services
- 17.J901011 International and General Tourist Hotels
- 18.J901020 Hotels and Motels
- 19.ZZ99999 All business items that are not prohibited or restricted by
law, except those that are subject to special approval.

Article 3: Our company shall be the guarantor of the guarantee matters of subsidiaries and related enterprises established by investment.

Article 4: Our company has its head office in Xinbei City and shall set up branches at home and abroad according to its business needs.

Article 5: Our company may invest in other companies as a shareholder with limited liability, and is not subject to the limitation of Paragraph 1 of Article 13 of the Company Act that the total amount of investment shall not exceed 40% of the paid-in equity.

Chapter 2 Shares

Article 6: The total capital of Our Company is rated at NTD9 billion, which is divided into 900 million shares with NTD10 per share. Our company shall issue ordinary shares and special shares and authorize the Board of Directors to issue them in installments.

Within the total amount of capital mentioned in the preceding paragraph, NTD200 million is retained for issuing employee stock option certificates for 20 million shares. Each share is NTD10. The Board of Directors is authorized to issue by installments according to actual needs.

Article 7: Our company's stock affairs shall be handled according to the provisions of the competent authority.

Article 8: Shares issued by Our Company shall be shares exempted from printing and registered by the centralized custody institution of securities.

Article 9: The renaming and transfer of shares shall stop within 60 days before the shareholders' Annual Meeting, 30 days before a shareholders' provisional meeting, or five days before the benchmark date of Our Company's decision to distribute dividends and bonuses or other benefits.

Chapter 3 Shareholders' Meeting

Article 10: Shareholders' meetings are divided into Annual Meetings and provisional meetings. The Annual Meeting is held once a year within six months after the end of each accounting year. The provisional meeting shall be convened according to the relevant decrees when necessary.

The shareholders' meeting referred to in the preceding paragraph shall

be convened by the Board of Directors, unless otherwise stipulated in Company Act.

Article 11: When shareholders are unable to attend the shareholders' meeting for some reasons, a power of attorney issued by Our Company specifying the scope of authorization shall be issued. The entrusted agents shall attend the shareholders' meeting according to Article 177 of the Company Act and the Rules on the Use of Power of Attorney for Attending Shareholders' Meeting in a Public Company promulgated by the competent authority.

Article 12: The shareholders of Our Company shall have one vote per share, except in cases where the voting rights of shares are restricted or there is no voting right as stipulated in Company Act.

Article 13: Except for the minimum limit of voting rights for special resolutions stipulated in Company Act on special matters, the resolution shall be attended by shareholders representing more than half of the total number of shares issued and the general resolution shall be agreed upon by more than half of the voting rights of the shareholders present.

Article 14: A Shareholders' meeting shall be convened by the Board of Directors, with the Chairman as its Chairman. In the absence of the Chairman, the Vice-Chairman shall act in their place. In the absence of the Vice-Chairman, the directors shall elect one of them to act in the place of the Vice-Chairman. When the shareholders' meeting is convened by people with convening power other than the Board of Directors, the person with convening power shall serve as the Chairman. When there are more than two people with convening power, one person shall be elected.

Article 15: Records shall be made for resolutions of the shareholders' meeting, signed or sealed by the Chairman of the Shareholders' Meeting, and distributed to all shareholders within 20 days after the meeting. The distribution of the above records shall be announced.

Article 16: The procedures of the shareholders' meeting shall be executed according to the Rules of Procedures for Shareholders' Meetings of CLEVO CO.

Chapter 4 Directors and Audit Committee

Article 17: Our company shall have seven to nine directors, who shall be elected by the Board of Shareholders on the list of candidates under the system of nomination of candidates. They shall serve for three years and be re-elected. According to Section 2 of Article 14 of the Securities and Exchange Act, the number of independent directors shall not be less than three and not less than one fifth of the directors' seats in the above number of Our Company's directors. The relevant provisions of the securities authority shall be followed in respect of the professional qualifications, shareholding, part-time restrictions, nomination and selection methods and other matters of independent directors.

The total shareholding ratio of all Our Company's directors shall be governed by the provisions of the regulatory authority of securities. According to Section 4 of Article 14 of the Securities and Exchange Act, Our Company shall establish an audit committee to replace the functions and powers of the supervisors. The Audit Committee is composed of all independent directors, the number of whom shall not be less than three. One of them is the convener. The exercise of its functions and powers and related matters shall be handled according to the provisions of relevant laws and regulations and decided by the Board of Directors separately.

Article 18: When the shortage of directors is up to one third, the Board of Directors shall hold a temporary meeting of shareholders for by-election within sixty days. The term of office shall fill the original term.

Article 19: The board meeting shall be attended by more than two-thirds of the directors and agreed upon by more than half of the directors present. One of the directors shall be elected as Chairman, and one of them shall be elected as Vice-Chairman. The Chairman shall represent Our Company to the outside.

Article 20: The execution of Our Company's business shall be decided by the Board of Directors, except for the matters stipulated in Company Act and Articles of Association that shall be decided by the Board of Shareholders.

Article 21: Except for the first board meeting of each session convened according to Article 203 of the Company Act, the rest of the board meetings are convened by the Chairman, who serves as the Chairman. When the Chairman is absent or unable to exercise their functions and powers for some reason, the Vice-Chairman shall act as their agent. When the Vice-Chairman is absent or unable to exercise their functions and powers for some reason, the Chairman shall appoint one of the directors to act as the agent. If the Chairman fails to appoint, the directors shall elect one of themselves as the agent.

The board meeting of Our Company shall be convened at least once a quarter.

For the convening of the board of meeting, the reasons shall be stated and the directors shall be notified seven days in advance, but in case of an emergency, it may be convened at any time.

The convening of the preceding paragraph may be notified in writing, by fax or by e-mail.

Article 22: Except as otherwise stipulated in Company Act, a resolution of the board meeting shall be attended by more than half of the directors and agreed upon by more than half of the directors present. When a director is unable to attend due to some reason, a power of attorney shall be issued, and the scope of authorization for the subject of convocation shall be listed. Another director shall be entrusted to attend the board meeting, but the agent shall be entrusted by one person.

When the board meeting is held by video conference, the directors attending the meeting by video conference shall be deemed as attending in person.

Article 23: The Board of Directors shall be authorized to decide the remuneration of the Chairman, Vice-Chairman, and Director according to their participation in the operation of Our Company and the value of their contribution, taking into account the usual level of the same profession.

Section 1 of Article 23: By resolution of the Board of Directors, Our Company shall purchase liability insurance for directors and important staff members.

Section 2 of Article 23: The Board of Directors of Our Company shall set Remuneration Committee or other functional committees for the sake of business operation.

Chapter V Managers

Article 24: Our Company shall have a manager, whose appointment, dismissal and remuneration shall be handled according to Article 29 of the Company Act.

Chapter VI Accounting

Article 25: At the end of each accounting year of Our Company and the Board of Directors shall compile the following forms and submit them to the shareholders' Annual Meeting for recognition.

1. Business report.
2. Financial statements.
3. Proposal for the distribution of surplus or the distribution of loss.

Article 26: If Our Company has a surplus in its annual final accounting, it shall pay taxes and make up for its losses according to law, and 10% shall be accrued as the statutory surplus reserve. However, when the statutory surplus reserve has reached the total capital, this does not apply. In addition, the undistributed surplus at the beginning of the period is the accumulative distributable surplus of shareholders after the special surplus reserve is accrued or returned according to the relevant laws and regulations. The Board of Directors shall make a plan for surplus distribution and **submit it to the Board of Shareholders for a resolution about distribution.**

According to the provisions of the Company Act, Our Company authorizes the Board of Directors to make a resolution if more than two-thirds of the directors attend and more than half of the directors present agree, distribute all or part of dividends, bonuses, statutory surplus reserve and capital reserve in the form of cash distribution and report to the Board of Shareholders. The provisions of the preceding paragraph for which the Board of Shareholders shall make a resolution do not apply.

In order to motivate employees and the operation team, Our Company shall distribute 5% to 15% of employees' remuneration and no more than 1% of directors' remuneration according to the current year's profit (i.e. profit before distribution of the employees' remuneration and directors' remuneration is deducted from pre-tax profit). However, if the Company still has accumulated losses, the amount of compensation shall be retained in advance.

When the employees' remuneration is distributed by stock or cash, the Board of Directors shall make a resolution if more than two-thirds of the directors attend and more than half of the directors present agree, and report to the Board of Shareholders.

If it is issued in the form of shares, the Board of Directors may decide to issue new stocks or buy the shares that have been issued by themselves.

The employees' remuneration in the preceding paragraph shall be given to employees of the subsidiary companies of Our Company who **meet certain conditions.**

Article 27: Our company belongs to the electronic high-tech industry. Based on the industry development prospect, capital expenditure needs, sound financial planning and the protection of investors' rights and interests, the dividend policy of Our Company is to distribute the dividend by taking into account factors such as capital reserve, surplus retention, financial structure and operating conditions. Under the goal of maintaining a stable dividend, the cash dividend shall not be less than 10% of the total dividend.

Chapter VII Supplementary Provisions

Article 28: Matters not specified in these Articles of Association shall be handled according to the provisions of the Company Act and relevant decrees.

Article 29: These Articles of Association were signed on September 17th, 1983.

The first revision was made on May 17th, 1984.

The second revision was made on February 23rd, 1987.

The third revision was made on November 25th, 1988.

The fourth revision was made on December 16th, 1988.

The fifth revision was made on April 22nd, 1990.

The sixth revision was made on July 15th, 1991.
The seventh revision was made on March 31st, 1992.
The eighth revision was made on July 21st, 1992.
The ninth revision was made on April 27th, 1993.
The tenth revision was made on June 3rd, 1993.
The eleventh revision was made on September 21st, 1993.
The twelfth revision was made on May 10th, 1994.
The thirteenth revision was made on April 21st, 1995.
The fourteenth revision was made on May 30th, 1996.
The fifteenth revision was made on May 5th, 1997.
The sixteenth revision was made on January 20th, 1998.
The seventeenth revision was made on April 29th, 1998.
The eighteenth revision was made on May 13th, 1999.
The nineteenth revision was made on June 8th, 2000.
The twentieth revision was made on May 31st, 2002.
The twenty-first revision was made on May 25th, 2004.
The twenty-second revision was made on June 14th, 2005.
The twenty-third revision was made on June 15th, 2006.
The twenty-fourth revision was made on June 15th, 2007.
The twenty-fifth revision was made on June 11th, 2008.
The twenty-sixth revision was made on June 19th, 2009.
The twenty-seventh revision was made on June 14th, 2010.
The twenty-eighth revision was made on June 17th, 2011.
The twenty-ninth revision was made on June 15th, 2012.
The thirtieth revision was made on June 14th, 2013.
The thirty-first revision was made on June 12th, 2014.
The thirty-second revision was made on June 14th, 2016.
The thirty-third revision was made on June 15th, 2018.
The thirty-fourth revision was made on June 18th, 2019.

Before revision

CLEVO CO.

Operational procedures for Acquisition and Disposal of Assets

Article 1 Purpose and legal basis:

- (I) These procedures are specially formulated for the purpose of information disclosure, investment protection, and strengthening the management of the acquisition and disposal of assets of Our Company (including subsidiaries).
- (II) These procedures are handled according to the provisions of Section 1 of Article 36 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the Financial Supervisory Commission of the Executive Office (hereinafter referred to as the competent authority). However, if there are other provisions in other decrees, such provisions shall prevail.

Article 2 Scope of assets:

Assets referred to in this procedure refer to the following assets:

- (I) Investments such as stocks, bonds, corporate bonds, financial bonds, marketable securities of recognition funds, depository receipts, subscription (sale) warrants, beneficiary securities and asset-based securities.
- (II) Real estate (including land, houses and buildings, investment real estate, land use rights, inventory of construction industry) and equipment.
- (III) Membership card.
- (IV) Intangible assets such as patent rights, copyrights, trademark rights and franchise rights.
- (V) Creditor's rights of financial institutions (including receivables, discounts on foreign exchange, loans and receivable on demand).
- (VI) Derivatives.
- (VII) Assets acquired or disposed of by legal merger, division,

acquisition, or transfer of shares.

(VIII) Other important assets.

Article 3 Definition of terms:

- (I) The term "date of actual occurrence" used in these procedures refers to the date of the signing of the transaction, date of payment, date of entrusting the transaction, date of transfer, date of resolution of the Board of Directors, or the other dates on which the subject of the transaction and the amount of the transaction are determined with sufficient funds (whichever is the former). However, if the investor is subject to the approval of the competent authority, the former of the above date or the date of receipt of the approval of the competent authority shall prevail.
- (II) The term "professional valuator" in these procedures refers to a real estate valuator or other professional who is legally engaged in the valuation business of real estate and other fixed assets.
- (III) Related persons and subsidiaries shall be identified according to the preparation for standards of financial report of securities issuers.
- (IV) The term "within one year" used in these treatment procedures shall be based on the date on which the assets are acquired or disposed of, and shall be counted back for one year. The part that has been announced shall be exempted from calculation.
- (V) The term "financial statements of the latest period" used in these treatment procedures refers to the financial statements of the Company that have been made available to the public according to law and audited or reviewed by an accountant before the Company acquires or disposes of the assets.
- (VI) The term "related person" in these treatment procedures refers to the person specified in Bulletin No. 6 of the Financial Accounting Standards issued by the Foundation for Accounting Research and Development.
- (VII) Investment in the Chinese mainland refers to investment in the Chinese mainland of the Investment Review Committee of the

Ministry of Economy according to the provisions of the Licensing Measures for Investment or Technical Cooperation in Chinese Mainland.

Article 4 Assessment and operation procedures for acquisition or disposal of assets:

- (I) Negotiable securities investment assessment and operational procedures:
 1. The negotiable securities acquired or disposed of by Our Company shall be handled by the agency according to Article 5 of these procedures. After the relevant benefits and risks of purpose or use of the transaction are assessed, the application shall be made according to Our Company's measures for delegation of authorization, and the transaction shall be made after approval.
 2. The purchase and sales of negotiable securities shall be assessed and accounted for by the accounting unit immediately and reasonably according to generally accepted accounting principles.
 3. Various negotiable security certificates shall be handled according to the relevant provisions of the Cashier Management Measures of Our Company's accounting system, and stored in places where fire protection or protective measures are sound. If they are managed by a specially-assigned person, the depository shall record the changes in the depository data in detail, including:
 - (1) Name of securities.
 - (2) Quantity of securities.
 - (3) Other matters to be recorded according to the provisions of Our Company.
- (II) Assessment and operation procedures for investment in real estate and other fixed assets:
 1. The handling unit shall make a capital expenditure plan in advance, and after feasibility analysis on the purpose or use of

purchase and sales and the expected benefits, it shall send it to the financial unit to prepare the capital expenditure budget and execute and control according to the content of the plan.

2. The handling unit shall propose to sign off according to Our Company's measures for delegation of authorization. If the requirements of the regulations are met, an objective, fair, and independent professional real estate valuation agency shall be employed for valuation and issue a valuation report according to the provisions.
3. When acquiring or disposing of the assets, the handling unit shall register, manage, and use the fixed assets according to the relevant provisions of the Management Measures for Property of Our Company's accounting system. Those who reach the standard of public announcement shall be handled according to the provisions.

(III) Internal auditors of Our Company shall regularly check and evaluate the execution of relevant operations, and regularly check the certificates of important assets. If a violation of the relevant provisions is found to be serious, they shall notify the Audit Committee in writing immediately.

Article 5 Procedures for determining the conditions for exchange of acquisition or disposal of assets:

I. Price determination methods and reference basis

- (I) The method and reference basis for determining the price of investment of negotiable securities:
 1. For negotiable securities not traded in a centralized securities exchange market, an over-the-counter trading center or a securities firm's business premises, the handling unit shall submit the reference or calculation basis of the sales price and the trading conditions to the General Manager and Chairman of the Board of Directors for approval before handling.
 2. Negotiable securities traded in a centralized securities exchange market, an over-the-counter trading center, or a

securities firm's business premises shall be determined according to the stock price or bond price at that time.

- (II) The methods and reference basis for determining the investment price of real estate and other fixed assets:
The handling unit shall submit the reference basis for price determination and the mode of transaction to the General Manager and Chairman of the Board of Directors for approval before the transaction. If it meets the requirements of Article 8 of these procedures, the valuation report of the professional valuator shall be obtained.

II. Authorization level:

- (I) If the amount of investment exceeds NTD300 million (including), the Board of Directors must agree before execution. If the amount of investment is below NTD300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition. If it is related to financial scheduling (such as bonds and bond funds whose buying and selling has buy-back and sell-back conditions), it shall be executed according to the measures for delegation of Our Company's authority.
- (II) When a contract of purchase and sales is entered into with the counterpart of the transaction, in order to meet the business needs and improve time efficiency, it shall be submitted to the next board meeting for recognition after it is approved by the Chairman of the Board of Directors, the contract is signed and the transaction is made.
- (III) The acquisition or disposal of assets shall be handled according to the provisions of the Company Act or other decrees, and subject to the resolution, recognition, or reporting to the Board of Shareholders.

Article 6 Executing unit:

The executing unit of investment in relevant negotiable securities is a financial unit, and the executing unit of real estate and other fixed

assets is the use departments and relevant power and responsibility units.

Article 7 Scope and amount of investment:

(I) Our company's investment scope and amount:

The amount of assets in the scope of investment of Our Company is as follows:

1. The amount of real estate not for business use shall not exceed 20% of the paid-in capital. However, the real estate originally acquired for business use is not included in the above amount if it is listed as idle assets because of the change of business environment.
2. The total amount of investment in negotiable securities (excluding bond funds) shall not exceed the net value of Our Company in the latest financial statements certified by accountants, but the investment in individual negotiable securities shall not exceed 40% of the net value of Our Company in the latest period of financial statements certified by the accountants.

For the scope of individual investment in negotiable securities, if it is a long-term equity investor, the amount of individual investment in negotiable securities shall not be limited by Sub-paragraph 2 of the preceding paragraph. The amount of individual investment in negotiable securities shall not exceed the net value of Our Company in the latest period of financial statements, but this does not apply to those specially examined and approved by the Board of Directors.

(II) The investment scope and amount of subsidiaries of Our Company:

The amount of assets referred to in these procedures in the investment scope of subsidiaries of Our Company:

1. The amount of real estate not for business use shall not exceed 20% of the paid-in capital.
2. The total amount of investment in negotiable securities (excluding bond funds) shall not exceed 40% of the net value of

Our Company in the latest financial statements certified by accountants, but the investment in individual negotiable securities shall not exceed 20% of the net value of Our Company in the latest period of financial statements certified by the accountants.

For the scope of individual investment in negotiable securities, if it is a long-term equity investor, the amount of individual investment in negotiable securities shall not be limited by Sub-paragraph 2 of the preceding paragraph. The amount of individual investment in negotiable securities shall not exceed the net value of Our Company in the latest period of financial statements.

Article 8 Experts shall give their opinions:

- I. In addition to acquiring or disposing of machines and equipment by making transactions with government agencies, commissioning to build on its own land or commissioning to build on leased land, if Our Company acquires or disposes of real estate or equipment and the amount of the transaction has reached 20% of Our Company's paid-up capital or NTD300 million, the valuation report issued by the professional valuator shall be obtained before the fact occurs and the following provisions shall be complied with:
 - (I) When a fixed price, a specific price, or a special price is to be used as a reference basis for the transaction price for special reasons, the transaction shall first be approved by the Board of Directors by resolution. The future changes in transaction conditions shall also be handled compared with the above procedures.
 - (II) If the amount of the transaction is more than NTD1 billion, two or more professional valutors shall be invited for valuation.
 - (III) In any of the following cases of the professional valuator's valuation results, except where the valuation results of the acquired assets are higher than the amount of the transaction, or the valuation results of the disposed assets are lower than the amount of the transaction, accountants shall be employed

to handle the issue according to the provisions of Bulletin No. 20 of the Auditing Standards issued by the Foundation for Accounting Research and Development, and express specific opinions on the causes of the differences and the fairness of the transaction price:

1. The difference between the valuation result and the amount of the transaction is more than 20% of the amount of the transaction.
2. The difference between the valuation results of two or more professional valuers is more than 10% of the amount of the transaction.

(IV) The difference between the date of issuance of the report and the date of signing of the contract by the professional evaluator shall not exceed three months. However, if the present value of the same period of announcement is applicable and the difference has not exceeded six months, the original professional evaluator shall give opinions.

- II. If Our Company acquires or disposes of negotiable securities, it shall take the latest period of financial statements of the Company with the subject matter which has been checked by the accountant before the fact occurs as a reference for evaluating the transaction price. If the amount of the transaction reaches 20% of Our Company's paid-in capital or more than NTD300 million, it shall consult the accountant before the fact occurs to express its views on the rationality of the transaction price. If an accountant needs to adopt an expert report, he or she shall comply with the provisions of Bulletin No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation. However, this does not apply if the negotiable securities have an open quotation in a flexible market or the competent authority has other provisions.
- III. If Our Company obtains or disposes of membership cards or intangible assets, whose amount of the transaction reaches 20% of Our Company's paid-in capital or is more than NTD300 million,

except for transactions with government agencies, an accountant shall be invited to express opinions on the rationality of the transaction price before the fact occurs. The accountant shall also act according to the provisions of Bulletin No. 20 of the Audit Standards issued by the Accounting Research and Development Foundation.

- IV. The calculation of the amount of the transactions mentioned in the first three paragraphs shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part for which the valuation report issued by a professional valuator or accountant's opinion has been obtained according to the provisions of these standards shall be exempted from calculation.
- V. Where Our Company acquires or disposes of assets through the auction procedures of the court, the certificate issued by the court may replace the valuation report or the opinions of the accountant.
- VI. For the valuation report or opinions of accountants, lawyers, or securities underwriters obtained by Our Company, the professional valutors, their valutors, accountants, lawyers, or securities underwriters shall not be persons concerned with the parties involved in the transaction.

Article 9 Where Our Company acquires or disposes of real estate from or to the person concerned, or acquires or disposes of assets other than real estate from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of total assets or more than NTD300 million, except for purchasing and selling government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts, the following information shall be agreed upon by more than one-half of the members of the Board of

Auditors and submitted to the Board of Directors for resolution before signing of a transaction contract and payment.

- I. The purpose, necessity, and expected benefits of acquiring or disposing of assets.
- II. Reasons for choosing the person concerned as a trading object.
- III. Relevant information about acquiring real estate from the person concerned and assessing the rationality of the predefined transaction terms according to the provisions.
- IV. The date and price of the original acquisition, object of the transaction, its relationship with Our Company and its person concerned, etc.
- V. The cash receipt and expenditure forecast for each month of the next year from the month expected contract signing, the necessity of accessing the transaction and the rationality of the use of funds.
- VI. Valuation report or opinions of accountants issued by professional valuers obtained according to the provisions of the preceding article.
- VII. Restrictions on this transaction and other important agreements.

The calculation of the amount of the transaction referred to in the preceding paragraph shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been submitted to the Board of Directors for approval according to the provisions of these standards shall be exempted from calculation.

Where Our Company and its parent or subsidiary acquire or dispose of machines and equipment for business use, the Board of Directors shall authorize the Chairman of the Board of Directors to make a decision within a certain amount before submitting it to the latest board meeting for approval according to the provisions of Clause 2 of Article 5.

When an independent director has been set according to the laws and regulations, and the Operational procedures for Acquisition and

Disposal of Assets have been submitted to the Board of Directors for discussion according to the provisions of Paragraph 1, 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.

When an audit committee has been established according to the laws and regulations, it shall be agreed upon by more than one-half of all the members of the audit committee according to the provisions of Paragraph 1 and submitted to the Board of Directors for a resolution. 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.

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 10 When the person concerned of Our Company acquires or disposes of assets, in addition to handling the relevant resolution procedures and evaluating the rationality of transaction conditions according to regulations, a valuation report issued by a professional valuator or opinions of accountants should be obtained according to the provisions of Articles 8 and 9 if the amount of the transaction reaches more than 10% of the total assets of Our Company.

The calculation of the amount of the transaction referred to in the preceding paragraph shall be made according to the provisions of Paragraph 2 of Article 15.

When judging whether the trading object is a person concerned, we shall not only pay attention to legal form, but also consider the substantive relationship.

Article 11 When making transactions of derivative commodities, Our Company shall follow the Treatment Procedures for Making Transactions of

Derivative Commodities, and pay attention to risk management and auditing, so as to ensure investment and strengthen management.

Article 12 When Our Company handles mergers, divisions, acquisitions, or transfer of shares, before the resolution of the board meeting, accountants, lawyers, or securities underwriters shall be entrusted to give opinions on the rationality of the share exchange ratio, the purchase price or cash or other properties distributed to shareholders, which shall be submitted to the Board of Directors for discussion and approval. However, if a public company merges its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, or the merger is between its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, it may avoid obtaining the reasonable opinions of the experts before acquisition. For the important agreed contents and related matters of merger, division or acquisition, public documents to shareholders shall be made before the board meeting, and submitted to shareholders together with the expert opinions in the preceding paragraph and the notice of the board meeting, for reference of whether to agree to the merger, division or acquisition. However, this does not apply when the board meeting does not have to be held to decide the merger, division, or acquisition matters according to other laws. If the board meeting of either party cannot be held due to the lack of attendance, voting rights or other legal restrictions, or the resolution or proposal is rejected by the Board of Directors, the Company participating in the merger, division, or acquisition shall immediately disclose the reasons for the occurrence, subsequent processing operations, and the expected date of holding of the board meeting to the public. Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, the board meeting and shareholders' meeting shall be held on the same day to decide on matters relating to merger, division, or acquisition. Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, a company

participating in the transfer of shares shall hold the board meeting on the same day.

A company participating in merger, division, acquisition, or transfer of shares which is listed or whose shares are traded in the business premises of securities brokerages shall keep the following information in complete written records for five years for checking.

- I. Basic information of personnel: including titles, names and ID card numbers (passport numbers for foreigners) of all people participating in the plan of merger, division, acquisition, or transfer of shares or the implementation of the plan before the disclosure of information.
- II. Dates of important matters: including the date of signing the letter of intent or memorandum, entrusting financial or legal adviser, signing contract, board meeting, etc.
- III. Important documents and proceedings: including plans for merger, division, acquisition, or transfer of shares, letters of intention or memorandum, important contract, board proceedings, etc.

Within two days from the date of the adoption of the resolution of the board meeting, a company participating in merger, division, acquisition, or transfer of shares which is listed or whose shares are traded in the business premises of securities brokerages shall report the information in Sub-paragraphs 1 and 2 of the preceding paragraph to the competent authority according to the prescribed format in the Internet Information System for reference.

A company participating in merger, division, acquisition, or transfer of shares which is not listed or whose shares are not traded in the business premises of securities brokerages shall sign an agreement with a company which is listed or whose shares are traded in the business premises of securities brokerages, which shall be handled according to the provisions of Paragraphs 5 and 6.

Article 13 If Our Company participates in merger, division, acquisition, or transfer of shares, the share exchange ratio or acquisition price shall

not be arbitrarily changed except in the following circumstances, and any change shall be specified in the contract of merger, division, acquisition, or transfer of shares:

- I. Handle cash capital increase, issue and convert corporate bonds, allocate shares free of charge, or issue warranted corporate bonds, warranted special bonds, stock option certificates and other negotiable securities with the nature of equity.
- II. Disposing of important assets of branch offices and other behaviors affecting the Company's financial business.
- III. Major disasters, major technological changes, and other matters affecting the rights and interests of shareholders or securities prices of the Company.
- IV. Adjustment of treasury shares bought by any party of the Company participating in the merger, division, acquisition, or transfer of shares according to the law.
- V. The increase or decrease of the number of subjects participating in merger, division, acquisition, or transfer of shares.
- VI. Other conditions changed in the contract which have been disclosed to the public.

Article 14 Where Our Company participates in a merger, division, acquisition, or transfer of shares, the contract shall specify the rights and obligations of the company participating in the merger, division, acquisition, or transfer of shares, and the following matters:

- I. Treatment of breach of contract.
- II. Treatment principles of negotiable securities with an equity nature issued or treasury shares bought back from a company that has been eliminated or divided due to merger.
- III. Treatment principles of the number of treasury shares to be bought back by a participating company according to the law after the base date on which the share exchange rate is calculated.
- IV. The way to deal with the change of participants or their number.
- V. Expected progress of implementation of the plan and expected

completion schedule.

- VI. The expected date of board meetings to be held according to law and other relevant treatment procedures when the plan is not completed within the time limit.

Article 15 Announcement and declaration procedures

If Our Company acquires or disposes of assets in the following circumstances, it shall declare the relevant information on the website designated by the competent authority within two days from the date of the occurrence of the facts according to the nature and prescribed format.

- I. Our company acquires or disposes of real estate from or to the person concerned, or acquires or disposes of assets other than real estate from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of the total assets or more than NTD300 million, except for purchasing and selling government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts.
- II. Merger, division, acquisition, or transfer of shares.
- III. Losses incurred in derivative commodity transactions have reached the provision of the treatment procedures or the maximum individual contract losses.
- IV. The type of assets acquired or disposed of belongs to the equipment for business use, the object of transaction is not the person concerned, and the amount of the transaction has reached one of following specified values:
 - (I) For a public company, the paid-in capital is less than NTD10 billion, and the amount of the transaction is more than NTD500 million.
 - (II) For a public company, the paid-in capital is more than NTD10 billion, and the amount of the transaction is more than NTD1 billion.
- V. A public company acquires or disposes of the real estate for

construction, the object of the transaction is not the person concerned, and the amount of the transaction is more than NTD500 million.

- VI. Real estate is acquired by means of commissioning to build on its own land, commissioning to build on leased land, co-building and sharing houses, co-building and sharing money or co-building and selling separately. Our company expects to invest more than NTD500 million in the transaction.
- VII. Except for asset transactions, disposal of creditors' rights by financial institutions, or investment in the Chinese mainland besides those items in the first six Sub-paragraphs, the amount of the transaction is more than 20% of Our Company's paid-in capital or more than NTD300 million. But the following circumstances are not included:
 - (I) Purchasing and selling government bonds.
 - (II) Negotiable securities purchased and sold on domestic and foreign stock exchanges and securities brokerages' business premises by people engaged in investment, ordinary corporate bonds subscribed to, raised and issued, and general financial bonds not involving equity in the domestic primary market, or negotiable securities subscribed to by a corporate body consulted and recommended by a securities brokerage as an emerging stock company according to the provisions of the Taipei Exchange for the needs of underwriting business.
 - (III) Purchase and sell bonds with buy-back or sell-back conditions, and purchase or buy back money market funds issued by domestic securities investment trusts.

The amount of the transaction referred to in the preceding paragraph shall be calculated in the following manner:

- (I) The amount of each transaction.
- (II) The accumulative amount of the transactions with the same counterpart within one year for subject matter of the same nature acquired or disposed of.
- (III) The accumulative amount of real estate acquired or disposed

of (accumulated separately for acquiring or disposing of) in the same development plan within one year.

- (IV) The amount of negotiable securities acquired or disposed of (accumulated separately for acquiring or disposing of) within one year.

The said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been announced according to the provisions of these treatment procedures shall be exempted from calculation.

Our company shall announce and declare all items within one day from the date of knowledge if the items to be announced by Our Company according to the regulations need to be corrected due to errors or omissions upon announcement.

When acquiring or disposing of assets, Our Company shall keep the relevant contracts, proceedings, records, valuation reports, and opinions of accountants, lawyers, or securities underwriters in Our Company for at least five years, unless otherwise stipulated by law.

Article 16 The time limit for announcement and declaration:

In case of any of the following circumstances, after the transaction is announced and declared by Our Company according to the provisions of the preceding article, the relevant information shall be announced and declared on the website designated by our meeting within two days from the date of the occurrence of the facts:

- I. There are alterations, terminations, or cancellations of the relevant contracts concluded in the original transaction.
- II. Merger, division, acquisition, or transfer of shares has not been completed according to the formulated schedule of the contract.
- III. The contents of the original announcement and declaration have been changed.

Article 17 Provisions on the acquisition or disposal of subsidiary assets:

- I. The acquisition or disposal of assets by subsidiaries shall also be handled according to the provisions of the parent company.
- II. If a subsidiary is not a domestic public company and its assets acquired or disposed of are up to the declared declaration standard, the parent company shall handle the declaring matters.
- III. "Reaching 20% of Our Company's paid-in capital" or "10% of the total assets" in the announcement and declaration standards of subsidiaries are based on the parent company's paid-in capital or total assets.
- IV. If a foreign company's shares have no par value or the par value of each share is not NTD10, the amount of the transaction which shall reach 20% of the paid-in capital of the Company in Article 8, Article 9, Article 15 and Article 17 shall be 10% of the shareholders' equity of the parent company.
- V. A subsidiary shall submit information about acquiring or disposing of the relevant assets in writing to the parent company for announcement and declaration according to the provisions. In case of a violation of the provisions of these operation procedures, the relevant personnel of the subsidiary shall be punished according to the violation.

Article 18 The acquisition of assets or related operations shall be handled according to these procedures. If any violation of the provisions of these procedures is found, the relevant personnel shall be punished according to the violation.

Article 19 These procedures shall be formulated or revised with the consent of more than one-half of all members of the Board of Auditors and submitted to the Board of Directors for resolution.

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.

All members of the Audit Committee and all directors referred to in the preceding paragraph shall be calculated by the actual incumbents.

After these treatment procedures have been approved by the Board of Directors, they shall be submitted to the Board of Shareholders for approval, and the revision shall be the same.

When an independent director has been set up according to the laws and regulations, the Operational procedures for Acquisition and Disposal of Assets shall be 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.

Article 20 These treatment procedures were formulated on March 11th, 1992.

The first revision was made on July 18th, 1995.

The second revision was made on March 10th, 1996.

The third revision was made on March 10th, 1997.

The fourth revision was made on March 11th, 1999.

The fifth revision was made on November 29th, 1999.

The sixth revision was made on December 12th, 2000.

The seventh revision was made on March 12th, 2002.

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

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

The tenth revision was made on June 19th, 2009.

The eleventh revision was made on June 17th, 2011.

The twelfth revision was made on June 15th, 2011.

The thirteenth revision was made on June 12th, 2014.

The fourteenth revision was made on June 15th, 2017.

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

After revision

CLEVO CO.

Operational procedures for Acquisition and Disposal of Assets

Article 1 Purpose and legal basis:

- (I) These procedures are specially formulated for the purpose of information disclosure, investment protection, and strengthening the management of the acquisition and disposal of assets of Our Company (including subsidiaries).
- (II) These procedures are handled according to the provisions of Section 1 of Article 36 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the Financial Supervisory Commission of the Executive Office (hereinafter referred to as the competent authority). However, if there are other provisions in other decrees, such provisions shall prevail.

Article 2 Scope of assets:

Assets referred to in this procedure refer to the following assets:

- (I) Investments such as stocks, bonds, corporate bonds, financial bonds, marketable securities of recognition funds, depository receipts, subscription (sale) warrants, beneficiary securities and asset-based securities.
- (II) Real estate (including land, houses and buildings, investment real estate, inventory of construction industry) and equipment.
- (III) Membership card.
- (IV) Intangible assets such as patent rights, copyrights, trademark rights and franchise rights.
- (V) Right-of-use assets.**
- (VI) Creditor's rights of financial institutions (including receivables, discounts on foreign exchange, loans and receivable on demand).
- (VII) Derivatives.
- (VIII) Assets acquired or disposed of by legal merger, division,

acquisition, or transfer of shares.

(IX) Other important assets.

Article 3 Definition of terms:

- (I) The term "date of actual occurrence" used in these procedures refers to the date of the signing of the transaction, date of payment, date of entrusting the transaction, date of transfer, date of resolution of the Board of Directors, or the other dates on which the subject of the transaction and the amount of the transaction are determined with sufficient funds (whichever is the former). However, if the investor is subject to the approval of the competent authority, the former of the above date or the date of receipt of the approval of the competent authority shall prevail.
- (II) The term "professional valuator" in these procedures refers to a real estate valuator or other professional who is legally engaged in the valuation business of real estate and other fixed assets.
- (III) Related persons and subsidiaries shall be identified according to the preparation for standards of financial report of securities issuers.
- (IV) The term "within one year" used in these treatment procedures shall be based on the date on which the assets are acquired or disposed of, and shall be counted back for one year. The part that has been announced shall be exempted from calculation.
- (V) The term "financial statements of the latest period" used in these treatment procedures refers to the financial statements of the Company that have been made available to the public according to law and audited or reviewed by an accountant before the Company acquires or disposes of the assets.
- (VI) The term "related person" in these treatment procedures refers to the person specified in Bulletin No. 6 of the Financial Accounting Standards issued by the Foundation for Accounting Research and Development.
- (VII) Investment in the Chinese mainland refers to investment in the Chinese mainland of the Investment Review Committee of the

Ministry of Economy according to the provisions of the Licensing Measures for Investment or Technical Cooperation in Chinese Mainland.

Article 4 Assessment and operation procedures for acquisition or disposal of assets:

- (I) Negotiable securities investment assessment and operational procedures:
 1. The negotiable securities acquired or disposed of by Our Company shall be handled by the agency according to Article 5 of these procedures. After the relevant benefits and risks of purpose or use of the transaction are assessed, the application shall be made according to Our Company's measures for delegation of authorization, and the transaction shall be made after approval.
 2. The purchase and sales of negotiable securities shall be assessed and accounted for by the accounting unit immediately and reasonably according to generally accepted accounting principles.
 3. Various negotiable security certificates shall be handled according to the relevant provisions of the Cashier Management Measures of Our Company's accounting system, and stored in places where fire protection or protective measures are sound. If they are managed by a specially-assigned person, the depository shall record the changes in the depository data in detail, including:
 - (1) Name of securities.
 - (2) Quantity of securities.
 - (3) Other matters to be recorded according to the provisions of Our Company.
- (II) Assessment and operation procedures for investment in real estate and other fixed assets:
 1. The handling unit shall make a capital expenditure plan in advance, and after feasibility analysis on the purpose or use of

purchase and sales and the expected benefits, it shall send it to the financial unit to prepare the capital expenditure budget and execute and control according to the content of the plan.

2. The handling unit shall propose to sign off according to Our Company's measures for delegation of authorization. If the requirements of the regulations are met, an objective, fair, and independent professional real estate valuation agency shall be employed for valuation and issue a valuation report according to the provisions.
3. When acquiring or disposing of the assets, the handling unit shall register, manage, and use the fixed assets according to the relevant provisions of the Management Measures for Property of Our Company's accounting system. Those who reach the standard of public announcement shall be handled according to the provisions.

(III) Internal auditors of Our Company shall regularly check and evaluate the execution of relevant operations, and regularly check the certificates of important assets. If a violation of the relevant provisions is found to be serious, they shall notify the Audit Committee in writing immediately.

Article 5 Procedures for determining the conditions for exchange of acquisition or disposal of assets:

I. Price determination methods and reference basis

- (I) The method and reference basis for determining the price of investment of negotiable securities:
 1. For negotiable securities not traded in a centralized securities exchange market, an over-the-counter trading center or a securities firm's business premises, the handling unit shall submit the reference or calculation basis of the sales price and the trading conditions to the General Manager and Chairman of the Board of Directors for approval before handling.
 2. Negotiable securities traded in a centralized securities

exchange market, an over-the-counter trading center, or a securities firm's business premises shall be determined according to the stock price or bond price at that time.

- (II) The methods and reference basis for determining the investment price of real estate and other fixed assets:
The handling unit shall submit the reference basis for price determination and the mode of transaction to the General Manager and Chairman of the Board of Directors for approval before the transaction. If it meets the requirements of Article 8 of these procedures, the valuation report of the professional valuator shall be obtained.

II. Authorization level:

- (I) If the amount of investment exceeds NTD300 million (including), the Board of Directors must agree before execution. If the amount of investment is below NTD300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition. If it is related to financial scheduling (such as bonds and **monetary** funds whose buying and selling has buy-back and sell-back conditions), it shall be executed according to the measures for delegation of Our Company's authority.
- (II) When a contract of purchase and sales is entered into with the counterpart of the transaction, in order to meet the business needs and improve time efficiency, it shall be submitted to the next board meeting for recognition after it is approved by the Chairman of the Board of Directors, the contract is signed and the transaction is made.
- (III) The acquisition or disposal of assets shall be handled according to the provisions of the Company Act or other decrees, and subject to the resolution, recognition, or reporting to the Board of Shareholders.

Article 6 Executing unit:

The executing unit of investment in relevant negotiable securities is a

financial unit, and the executing unit of real estate and other fixed assets is the use departments and relevant power and responsibility units.

Article 7 Scope and amount of investment:

(I) Our company's investment scope and amount:

The amount of assets in the scope of investment of Our Company is as follows:

1. Real estate that is not for business use shall not exceed 20% of the paid-in capital. However, the real estate originally acquired for business use is not included in the above amount if it is listed as idle assets because of the change of business environment.
2. The total amount of investment in negotiable securities (excluding bond funds) shall not exceed the net value of Our Company in the latest financial statements certified by accountants, but the investment in individual negotiable securities shall not exceed 40% of the net value of Our Company in the latest period of financial statements certified by the accountants.

For the scope of individual investment in negotiable securities, if it is a long-term equity investor, the amount of individual investment in negotiable securities shall not be limited by Sub-paragraph 2 of the preceding paragraph. The amount of individual investment in negotiable securities shall not exceed the net value of Our Company in the latest period of financial statements, but this does not apply to those specially examined and approved by the Board of Directors.

(II) The investment scope and amount of subsidiaries of Our Company:

The amount of assets referred to in these procedures in the investment scope of subsidiaries of Our Company:

1. The amount of real estate not for business use shall not exceed 20% of the paid-in capital.
2. The total amount of investment in negotiable securities (excluding bond funds) shall not exceed 40% of the net value of

Our Company in the latest financial statements certified by accountants, but the investment in individual negotiable securities shall not exceed 20% of the net value of Our Company in the latest period of financial statements certified by the accountants.

For the scope of individual investment in negotiable securities, if it is a long-term equity investor, the amount of individual investment in negotiable securities shall not be limited by Sub-paragraph 2 of the preceding paragraph. The amount of individual investment in negotiable securities shall not exceed the net value of Our Company in the latest period of financial statements.

Article 8 Experts shall give their opinions:

- I. In addition to acquiring or disposing of equipment for business use or their **right-of-use assets** by making transactions with **domestic** government agencies, commissioning to build on its own land **or** commissioning to build on leased land, if Our Company acquires or disposes of real estate equipment or their **right-of-use assets** and the amount of the transaction has reached 20% of Our Company's paid-up capital or NTD300 million, the valuation report issued by the professional valuator shall be obtained before the fact occurs and the following provisions shall be complied with:
 - (I) When a fixed price, a specific price, or a special price is to be used as a reference basis for the transaction price for special reasons, the transaction shall first be approved by the Board of Directors by resolution. The **future changes** in transaction conditions shall also be handled in the **same** way.
 - (II) If the amount of the transaction is more than NTD1 billion, two or more professional valutors shall be invited for valuation.
 - (III) In any of the following cases of the professional valuator's valuation results, except where the valuation results of the acquired assets are higher than the amount of the transaction, or the valuation results of the disposed assets are lower than the amount of the transaction, accountants shall be employed to

handle the issue according to the provisions of Bulletin No. 20 of the Auditing Standards issued by the Foundation for Accounting Research and Development, and express specific opinions on the causes of the differences and the fairness of the transaction price:

1. The difference between the valuation result and the amount of the transaction is more than 20% of the amount of the transaction.
 2. The difference between the valuation results of two or more professional valuers is more than 10% of the amount of the transaction.
- (IV) The difference between the date of issuance of the report and the date of signing of the contract by the professional evaluator shall not exceed three months. However, if the present value of the same period of announcement is applicable and the difference has not exceeded six months, the original professional evaluator shall give opinions.
- II. If Our Company acquires or disposes of negotiable securities, it shall take the latest period of financial statements of the Company with the subject matter which has been checked by the accountant before the fact occurs as a reference for evaluating the transaction price. If the amount of the transaction reaches 20% of Our Company's paid-in capital or more than NTD300 million, it shall consult the accountant before the fact occurs to express its views on the rationality of the transaction price. If an accountant needs to adopt an expert report, he or she shall comply with the provisions of Bulletin No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation. However, this does not apply if the negotiable securities have an open quotation in a flexible market or the competent authority has other provisions.
- III. If Our Company obtains or disposes of intangible assets, their right-of-use assets, or membership cards, whose amount of the transaction reaches 20% of Our Company's paid-in capital or is more than NTD300 million, except for transactions with

government agencies, an accountant shall be invited to express opinions on the rationality of the transaction price before the fact occurs. The accountant shall also act according to the provisions of Bulletin No. 20 of the Audit Standards issued by the Accounting Research and Development Foundation.

- IV. The calculation of the amount of the transactions mentioned in the first three Sub-paragraph shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part for which the valuation report issued by a professional valuator or accountant's opinion has been obtained according to the provisions of these standards shall be exempted from calculation.
- V. Where Our Company acquires or disposes of assets through the auction procedures of the court, the certificate issued by the court may replace the valuation report or the opinions of the accountant.
- VI. Our company obtains the valuation report or opinions of accountants, lawyers, or securities underwriters. The professional valuator and his/her valutors, accountants, lawyers, or securities underwriters shall comply with the following provisions:
 - (I) **They have never been declared to be sentenced to fixed-term imprisonment of more than one year due to violation of these measures, Company Act, Banking Law, Insurance Law, Financial Holding Company Act or Commercial Accounting Law, or fraud, breach of trust, embezzlement, forgery of documents or business crime. However, if the execution has been completed, the probation period has expired, or the pardon has expired for three years, this limit shall not apply.**
 - (II) **They shall not be related to a party to a transaction or have a substantial relationship with the party concerned.**
 - (III) **If the Company must obtain the valuation reports of two**

or more professional valuers, different professional valuers, the valuers may not be related to each other or have a substantial relationship with each other.

When issuing a valuation report or opinions, the personnel referred to in the preceding paragraph shall handle the issue according to the following matters: .

- (I) Before accepting a case, one shall carefully evaluate his/her professional ability, practical experience, and independence.
- (II) When a case is examined and verified, appropriate operational procedures shall be properly planned and executed to form conclusions and prepare reports or opinions thereon, and execution procedures, data collection, and conclusions shall be registered in the working papers of the case in detail.
- (III) The integrity, correctness, and rationality of the data sources, parameters, and information used shall be assessed item by item as the basis for the valuation report or opinions.
- (IV) Statement matters shall include the professionalism and independence of the relevant personnel, the rationality, correctness and compliance with relevant laws and regulations of the information used according to evaluation, etc.

Article 9 Where Our Company acquires or disposes of real estate from or its right-of-use assets from to the person concerned, or acquires or disposes of other assets other than real estate or its right-of-use assets from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of total assets or more than NTD300 million, except for purchasing and selling domestic government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts, the following information

shall be agreed upon by more than one-half of the members of the Board of Auditors and submitted to the Board of Directors for resolution before signing of a transaction contract and payment.

- I. The purpose, necessity, and expected benefits of acquiring or disposing of assets.
- II. Reasons for choosing the person concerned as a trading object.
- III. Relevant information about acquiring real estate **or its right-of-use assets** from the person concerned and evaluating the rationality of the predefined transaction conditions according to the provisions.
- IV. The date and price of the original acquisition, object of the transaction, its relationship with Our Company and its person concerned, etc.
- V. The cash receipt and expenditure forecast for each month of the next year from the month expected contract signing, the necessity of accessing the transaction and the rationality of the use of funds.
- VI. Valuation report or opinions of accountants issued by professional valuers obtained according to the provisions of the preceding article.
- VII. Restrictions on this transaction and other important agreements.

The calculation of the amount of the transaction referred to in the preceding paragraph shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been submitted to the Board of Directors for approval according to the provisions of these standards shall be exempted from calculation.

The Board of Directors **shall authorize the Chairman of the Board of Directors to make a decision within a certain amount before submitting it to the Board of Directors for approval at the latest date according to the provisions of Sub-paragraph 2 of Article 5,** if Our Company and its parent company or subsidiary directly or

indirectly owning 100% of the issued shares or total capital make the following transactions:

- I. **Acquire or dispose of equipment used for business purposes or their right-of-use assets.**
- II. **Acquire or dispose of right-of-use assets of real estate used for business purposes.**

When an independent director has been set according to the laws and regulations, and the Operational procedures for Acquisition and Disposal of Assets have been submitted to the Board of Directors for discussion according to the provisions of Paragraph 1, 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.

When an audit committee has been established according to the laws and regulations, it shall be agreed upon by more than one-half of all the members of the audit committee according to the provisions of Paragraph 1 and submitted to the Board of Directors for a resolution. 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.

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 10 When the person concerned of Our Company acquires or disposes of assets, in addition to handling the relevant resolution procedures and evaluating the rationality of transaction conditions according to regulations, a valuation report issued by a professional valuator or opinions of accountants should be obtained according to the provisions of Articles 8 and 9 if the amount of the transaction reaches more than 10% of the total assets of Our Company.

The calculation of the amount of the transaction referred to in the

preceding paragraph shall be made according to the provisions of Paragraph 2 of Article 15.

When judging whether the trading object is a person concerned, we shall not only pay attention to legal form, but also consider the substantive relationship.

Article 11 When making transactions of derivative commodities, Our Company shall follow the Treatment Procedures for Making Transactions of Derivative Commodities, and pay attention to risk management and auditing, so as to ensure investment and strengthen management.

Article 12 When Our Company handles mergers, divisions, acquisitions, or transfer of shares, before the resolution of the board meeting, accountants, lawyers, or securities underwriters shall be entrusted to give opinions on the rationality of the share exchange ratio, the purchase price or cash or other properties distributed to shareholders, which shall be submitted to the Board of Directors for discussion and approval. However, if a public company merges its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, or the merger is between its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, it may avoid obtaining the reasonable opinions of the experts before acquisition. For the important agreed contents and related matters of merger, division or acquisition, public documents to shareholders shall be made before the board meeting, and submitted to shareholders together with the expert opinions in the preceding paragraph and the notice of the board meeting, for reference of whether to agree to the merger, division or acquisition. However, this does not apply when the board meeting does not have to be held to decide the merger, division, or acquisition matters according to other laws. If the board meeting of either party cannot be held due to the lack of attendance, voting rights or other legal restrictions, or the resolution or proposal is rejected by the Board of Directors, the Company participating in the merger, division, or acquisition shall immediately

disclose the reasons for the occurrence, subsequent processing operations, and the expected date of holding of the board meeting to the public. Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, the board meeting and shareholders' meeting shall be held on the same day to decide on matters relating to merger, division, or acquisition. Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, a company participating in the transfer of shares shall hold the board meeting on the same day.

A company participating in merger, division, acquisition, or transfer of shares which is listed or whose shares are traded in the business premises of securities brokerages shall keep the following information in complete written records for five years for checking.

- I. Basic information of personnel: including titles, names and ID card numbers (passport numbers for foreigners) of all people participating in the plan of merger, division, acquisition, or transfer of shares or the implementation of the plan before the disclosure of information.
- II. Dates of important matters: including the date of signing the letter of intent or memorandum, entrusting financial or legal adviser, signing contract, board meeting, etc.
- III. Important documents and proceedings: including plans for merger, division, acquisition, or transfer of shares, letters of intention or memorandum, important contract, board proceedings, etc.

Within two days from the date of the adoption of the resolution of the board meeting, a company participating in merger, division, acquisition, or transfer of shares which is listed or whose shares are traded in the business premises of securities brokerages shall report the information in Sub-paragraphs 1 and 2 of the preceding paragraph to the competent authority according to the prescribed format in the Internet Information System for reference.

A company participating in merger, division, acquisition, or transfer of

shares which is not listed or whose shares are not traded in the business premises of securities brokerages shall sign an agreement with a company which is listed or whose shares are traded in the business premises of securities brokerages, which shall be handled according to the provisions of Paragraphs 5 and 6.

Article 13 If Our Company participates in merger, division, acquisition, or transfer of shares, the share exchange ratio or acquisition price shall not be arbitrarily changed except in the following circumstances, and any change shall be specified in the contract of merger, division, acquisition, or transfer of shares:

- I. Handle cash capital increase, issue and convert corporate bonds, allocate shares free of charge, or issue warranted corporate bonds, warranted special bonds, stock option certificates and other negotiable securities with the nature of equity.
- II. Disposing of important assets of branch offices and other behaviors affecting the Company's financial business.
- III. Major disasters, major technological changes, and other matters affecting the rights and interests of shareholders or securities prices of the Company.
- IV. Adjustment of treasury shares bought by any party of the Company participating in the merger, division, acquisition, or transfer of shares according to the law.
- V. The increase or decrease of the number of subjects participating in merger, division, acquisition, or transfer of shares.
- VI. Other conditions changed in the contract which have been disclosed to the public.

Article 14 Where Our Company participates in a merger, division, acquisition, or transfer of shares, the contract shall specify the rights and obligations of company participating in the merger, division, acquisition, or transfer of shares, and the following matters:

- I. Treatment of breach of contract.
- II. Treatment principles of negotiable securities with an equity

nature issued or treasury shares bought back from a company that has been eliminated or divided due to merger.

- III. Treatment principles of the number of treasury shares to be bought back by a participating company according to the law after the base date on which the share exchange rate is calculated.
- IV. The way to deal with the change of participants or their number.
- V. Expected progress of implementation of the plan and expected completion schedule.
- VI. The expected date of board meetings to be held according to law and other relevant treatment procedures when the plan is not completed within the time limit.

Article 15 Announcement and declaration procedures

If Our Company acquires or disposes of assets in the following circumstances, it shall declare the relevant information on the website designated by the competent authority within two days from the date of the occurrence of the facts according to the nature and prescribed format.

- I. Our company acquires or disposes of real estate **or their right-of-use assets** from or to the person concerned, or acquires or disposes of other assets **or their right-of-use assets** other than real estate from or to the person concerned, and the amount of the transaction reaches 20% of Our Company's paid-in capital, 10% of total assets or more than NTD300 million, Except for purchasing and selling **domestic** government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts.
- II. Merger, division, acquisition, or transfer of shares.
- III. Losses incurred in derivative commodity transactions have reached the provision of the treatment procedures or the maximum individual contract losses.
- IV. Our company acquires or disposes of equipment used for

business purposes **or their right-of-use assets**, the object of the transaction is not the person concerned, and the amount of the transaction reaches one of the following provisions.

- (I) For a public company, the paid-in capital is less than NTD10 billion, and the amount of the transaction is more than NTD500 million.
 - (II) For a public company, the paid-in capital is more than NTD10 billion, and the amount of the transaction is more than NTD1 billion.
- V. A public company acquires or disposes of the real estate for construction **or its right-of-use assets**, the object of the transaction is not the person concerned, and the amount of the transaction is more than NTD500 million. **Among them, the paid-in capital is more than NTD10 billion. The Company disposes of the self-built and completed real estate, the object of the transaction is not the person concerned, and the amount of the transaction is more than NTD1 billion.**
- VI. Real estate is acquired by means of commissioning to build on its own land, commissioning to build on leased land, co-building and sharing houses, co-building and sharing money or co-building and selling separately. **The object of the transaction is not the person concerned**, and Our Company expects to invest more than NTD500 million in the transaction.
- VII. Except for asset transactions, disposal of creditors' rights by financial institutions, or investment in the Chinese mainland besides those items in the first six paragraphs, the amount of the transaction is more than 20% of Our Company's paid-in capital or more than NTD300 million. But the following circumstances are not included:
- (I) Purchasing and selling **domestic** government bonds.
 - (II) Negotiable securities purchased and sold on domestic and foreign stock exchanges and securities brokerages' business premises by people engaged in investment, ordinary corporate bonds subscribed to, raised and issued, and general

financial bonds not involving equity in the domestic primary market (excluding subordinated bonds), securities investment trust funds or future trust funds purchased or bought back, or negotiable securities subscribed to by a corporate body consulted and recommended by a securities brokerage as an emerging stock company according to the provisions of the Taipei Exchange for the needs of underwriting business.

- (III) Purchase and sell bonds with buy-back or sell-back conditions, and purchase or buy back money market funds issued by domestic securities investment trusts.

The amount of the transaction referred to in the preceding paragraph shall be calculated in the following manner:

- (I) The amount of each transaction.
- (II) The accumulative amount of the transactions with the same counterpart within one year for subject matter of the same nature acquired or disposed of.
- (III) The accumulative amount of real estate or its right-of-use assets acquired or disposed of (accumulated separately for acquiring or disposing of) in the same development plan within one year.
- (IV) The amount of negotiable securities acquired or disposed of (accumulated separately for acquiring or disposing of) within one year.

The said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part that has been announced according to the provisions of these treatment procedures shall be exempted from calculation. Our company shall announce and declare all items within one day from the date of knowledge if the items to be announced by Our Company according to the regulations need to be corrected due to errors or omissions upon announcement.

When acquiring or disposing of assets, Our Company shall keep the relevant contracts, proceedings, records, valuation reports, and

opinions of accountants, lawyers, or securities underwriters in Our Company for at least five years, unless otherwise stipulated by law.

Article 16 The time limit for announcement and declaration:

In case of any of the following circumstances, after the transaction is announced and declared by Our Company according to the provisions of the preceding article, the relevant information shall be announced and declared on the website designated by our meeting within two days from the date of the occurrence of the facts:

- I. There are alterations, terminations, or cancellations of the relevant contracts concluded in the original transaction.
- II. Merger, division, acquisition, or transfer of shares has not been completed according to the formulated schedule of the contract.
- III. The contents of the original announcement and declaration have been changed.

Article 17 Provisions on the acquisition or disposal of subsidiary assets:

- I. The acquisition or disposal of assets by subsidiaries shall also be handled according to the provisions of the parent company.
- II. If a subsidiary is not a domestic public company and its assets acquired or disposed of are up to the declared declaration standard, the parent company shall handle the declaring matters.
- III. The provision about "**the amount of paid-in capital**" or "**total assets**" in the announcement and declaration standards for subsidiaries refers to the amount of paid-in capital or total assets of the parent company.
- IV. If a foreign company's shares have no par value or the par value of each share is not NTD10, the amount of the transaction which shall reach 20% of the paid-in capital of the Company in Article 8, Article 9, Article 15 and Article 17 shall be 10% of the shareholders' equity of the parent company. **The paid-in capital which shall reach NTD10 billion in these standards shall be the owner's equity in the parent company of NTD20 billion.**
- V. A subsidiary shall submit information about acquiring or

disposing of the relevant assets in writing to the parent company for announcement and declaration according to the provisions. In case of a violation of the provisions of these operation procedures, the relevant personnel of the subsidiary shall be punished according to the violation.

Article 18 The acquisition of assets or related operations shall be handled according to these procedures. If any violation of the provisions of these procedures is found, the relevant personnel shall be punished according to the violation.

Article 19 These procedures shall be formulated or revised with the consent of more than one-half of all members of the Board of Auditors and submitted to the Board of Directors for resolution.

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.

All members of the Audit Committee and all directors referred to in the preceding paragraph shall be calculated by the actual incumbents.

After approval by the Board of Directors, they shall be submitted to the Board of Shareholders for approval, and the revision shall be the same.

When an independent director has been set up according to the laws and regulations, the Operational procedures for Acquisition and Disposal of Assets shall be 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.

Article 20 These treatment procedures were formulated on March 11th, 1992.

The first revision was made on July 18th, 1995.
The second revision was made on March 10th, 1996.
The third revision was made on March 10th, 1997.
The fourth revision was made on March 11th, 1999.
The fifth revision was made on November 29th, 1999.
The sixth revision was made on December 12th, 2000.
The seventh revision was made on March 12th, 2002.
The eighth revision was made on June 12th, 2003.
The ninth revision was made on June 11th, 2008.
The tenth revision was made on June 19th, 2009.
The eleventh revision was made on June 17th, 2011.
The twelfth revision was made on June 15th, 2011.
The thirteenth revision was made on June 12th, 2011.
The fourteenth revision was made on June 15th, 2017.
The fifteenth revision was made on June 15th, 2018.
The sixteenth revision was made on June 18th, 2019.

Before revision:

CLEVO CO.

Procedures for the Disposal of Derivative Financial 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. These procedures shall be formulated or revised with the consent of more than one-half of all members of the Board of Auditors and submitted to the Board of Directors for resolution.

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. After these procedures have been approved by the Board of Directors, they shall be submitted to the Board of Shareholders for approval.

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 procedures refer to forward contracts, options contracts, futures contracts, leveraged margin contracts, exchange contracts and compound contracts formed by the above commodities derived from assets, interest rates, exchange rates, indices or other interests. 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 Manager	Six months' revenue	USD10 million	USD20 million	USD500,000	10% of the total contract amount

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 report 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.

After revision:

CLEVO CO.

Procedures for the Disposal of Derivative Financial 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 Manager	Six months' revenue	USD10 million	USD20 million	USD500,000	10% of the total contract amount

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.

Before revision:

CLEVO CO.

Operational Procedures for Loaning of Company Funds

Article 1 Objective

- I. In order to strengthen the management of loans to others of Our Company, these procedures are specially formulated to safeguard the rights and interests of Our Company.
- II. It shall be handled according to Section 1 of Article 36 of the Securities and Exchange Act.

Article 2 Scope of application

Where Our Company's funds are loaned to others, the procedures for the loan shall be handled according to the provisions of these procedures.

Article 3 Object of loans to others

Our company's funds shall not be loaned to shareholders or any other people except in the following circumstances:
Companies that directly or indirectly own more than 50% of the common stock.

The lender and borrower of funds in the preceding paragraph shall have business or short-term financing.

For the joint investment relationship, none of the shareholders loaning to the invested company according to their shareholding ratio are restricted by the above provisions, and may loan the funds. The term "contribution" refers to Our Company's direct contribution or contribution through a subsidiary company holding 100% of the voting shares.

Article 4 Total loans and limits for individual objects

- I. Our company's total amount of loans shall not exceed 40% of the net value of Our Company.
- II. For a single enterprise, the loan limit shall not exceed 30% of the net value of Our Company.

According to Article 3, due to business contacts with Our Company

and the loan object, individual loans and amounts shall not exceed the amount of business contacts between the two parties in the last year. The amount of business contacts refers to the amount of goods purchased or sold between the two parties which is higher, but it is still subject to the restrictions of Clause 1 of the preceding paragraph.

Article 5 Handling unit

Unless otherwise stipulated, the financial unit shall be responsible for the loan of funds.

Article 6 Necessity of loans to others and approval of loans

In case of loaning the funds of the Company, the applicant unit shall fill out an application form for loaning funds, make an investigation on the borrower's borrowing purpose, define the conditions including the maximum amount of loan, term of loan, and method of interest accrual, and submit it to the Board of Directors for approval and the distribution of funds.

Article 7 Review procedures

- I. When a borrower applies for a loan from Our Company, the handling unit shall first make preliminary contact with Our Company and find out whether the financing is necessary, and then analyze its business contacts with Our Company, the purpose of the funds and the latest financial situation. If feasible, it shall be submitted to the competent authority for approval level by level.
- II. A borrower shall provide basic information and financial information for credit operation.
- III. The relevant provisions of the loan case shall be drafted by the agent, examined by the competent personnel and sent to the legal unit of Our Company for confirmation before the contract is signed.

The content of the contract shall be consistent with the approved borrowing conditions. After the borrower and the joint guarantor sign the contract and seal, the guarantee procedures shall be completed by the agent.

Article 8 The borrower shall apply for financing from Our Company in writing.

The following items shall be recorded in writing as mentioned in the preceding paragraph:

- I. Total amount of loan.
- II. Date of the proposed expenditure of funds.
- III. Date of repayment. Installment repayment schedule.
- IV. Guarantees or other guarantees, etc.
- V. Other matters to be recorded as stipulated by Our Company.

Article 9 Audit

Loaning of funds shall be audited by the financial supervisor. The main points of auditing shall include:

- I. Necessity and rationality of loan to others.
- II. Whether the amount of the loan is necessary measured by the financial condition of the loan object.
- III. Whether the amount of accumulative loans is within the limit.
- IV. The impact on Our Company's operating risk, financial position, and shareholders' rights and interests.
- V. Whether collateral and the evaluation value of collaterals should be obtained.
- VI. Credit and risk assessment records of the loan object.

Article 10 Guarantee

If a loan case requires a guarantee, the borrower shall provide collateral and go through the formalities of the pledge or mortgage to ensure the creditor's rights of Our Company.

In addition to land and negotiable securities, fire insurance and related insurance shall be bought for collateral. The amount of insurance shall not be less than the collateral value. If necessary, the policy of insurance shall indicate that Our Company is the beneficiary. The name, quantity, place of storage, insurance conditions and insurance approval of the subject matter on the insurance policy shall be consistent with the original loan verification conditions of Our Company. The agent shall notify the borrower of continuing to insure before the expiration of the insurance period.

Article 11 Loan term and method for calculating interest

The term of loans is limited to one year, and the Board of Directors is

authorized to approve the calculation of interest and the terms of collection.

Article 12 Subsequent control measures of the loan amount and treatment procedures for overdue creditor's rights

- I. After the resolution of loans to others by the Board of Directors, the financial unit shall distribute funds for one or several times depending on the needs of the borrowed funds, and the borrower shall also repay the loans for one or several times, but the balance of the loan shall not exceed the maximum amount approved by the Board of Directors.
- II. When the loan is due and he/she repays the loan, the borrower shall first calculate the interest payable, and repay together with the principal before the relevant guarantee certificates are returned to the borrower.
- III. The handling unit shall collect and recover periodically according to the approved conditions. Anyone who fails to collect it within the time limit shall make an abnormal report on the facts, and submit it to relevant units.

Article 13 Internal control

- I. When Our Company handles the loan matters, the financial unit shall set up a reference book to record the object of the loan, amount, date of approval of the Board of Directors, date of the loan of funds, and matters that shall be carefully evaluated according to the regulations in detail.
- II. According to the generally accepted accounting principles, the financial unit shall assess the loan circumstances of funds, make adequate provision for bad debts, disclose relevant information in the financial report and provide relevant information, so that the certifying accountants can execute the necessary checking procedures.
- III. Our company's internal auditors shall audit the Operational Procedures for Loaning of Company Funds at least once quarterly, and make written records. If major violations are found, the audit committee shall be notified in writing

immediately.

- IV. If the loan object fails to meet the provisions of the operation procedures or the balance exceeds the limit due to the change of circumstances, Our Company shall make an improvement plan, send it to the Audit Committee, and complete the improvement according to the schedule.
- V. The managers and responsible persons of Our Company shall follow the operation procedures and shall be punished in case of a violation of the regulations.

Article 14 Announcement and declaration

- I. Our company shall announce and declare the loan balance of Our Company's funds and its subsidiaries in the last month by the tenth day of each month.
- II. If the loan balance of funds meets one of the following criteria, it shall be announced and declared within two days from the date of the occurrence of the facts:
 - (i) The balance of loan to others of Our Company and its subsidiaries is more than 20% of the net value of Our Company's latest period of financial statements.
 - (ii) The balance of loans to a single enterprise of Our Company and its subsidiaries is more than 10% of the net value of the latest period of financial statements of Our Company.
 - (iii) The amount of new loans of Our Company or its subsidiaries is more than NTD10 million and more than 2% of the net value of Our Company's latest period of financial statements.

If a subsidiary of Our Company is not a domestic public company, Our Company shall be responsible for the matters to be declared in the third paragraph of the preceding paragraph of the subsidiary.

Article 15 Our company shall order its subsidiaries to prepare Operational Procedures for Loaning of Company Funds according to the provisions, and handle the issue according to the operation procedures formulated.

Subsidiaries shall submit the written information of loans to the parent company according to the provisions of Article 14 before the tenth day of each month. The parent company shall announce and declare this on behalf of the subsidiaries. If a subsidiary violates the operation procedures, the relevant personnel of the subsidiary shall be punished according to the violation.

Article 16 After the approval of the Board of Auditors and the Board of Directors, Operational Procedures for Loaning of Company Funds formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the Audit Committee and the Board of Shareholders for discussion, and the revision shall be made in the same way. When the Operational Procedures for Loaning of Company Funds are submitted to the Board of Directors for discussion according to the provisions of the preceding paragraph, the opinions of the independent directors shall be fully considered, and the clear opinions and reasons for their consent or opposition shall be included in the records of the Board of Directors.

Article 17 The matters not mentioned in these procedures shall be handled according to the relevant statutes and regulations of Our Company.

Article 18 The first revision was made on June 23rd, 2000.

The second revision was made on March 12th, 2002.

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

The fourth revision was made on June 15th, 2007.

The fifth revision was made on June 19th, 2009.

The sixth revision was made on June 12th, 2014.

The seventh revision was made on June 15th, 2018

After revision:

CLEVO CO.

Operational Procedures for Loaning of Company Funds

Article 1 Objective

- I. In order to strengthen the management of loans to others of Our Company, these procedures are specially formulated to safeguard the rights and interests of Our Company.
- II. It shall be handled according to Section 1 of Article 36 of the Securities and Exchange Act.

Article 2 Scope of application

Where Our Company's funds are loaned to others, the procedures for the loan shall be handled according to the provisions of these procedures.

Article 3 Object of loans to others

Our company's funds shall not be loaned to shareholders or any other people except in the following circumstances:
Companies that directly or indirectly own more than 50% of the common stock.

The lender and borrower of funds in the preceding paragraph shall have business or short-term financing.

For the joint investment relationship, none of the shareholders loaning to the invested company according to their shareholding ratio are restricted by the above provisions, and may loan the funds. The term "contribution" refers to Our Company's direct contribution or contribution through a subsidiary company holding 100% of the voting shares.

Article 4 Total loans and limits for individual objects

- I. Our company's total amount of loans shall not exceed 40% of the net value of Our Company.
- II. For a single enterprise, the loan limit shall not exceed 30% of the net value of Our Company.

According to Article 3, due to business contacts with Our Company

and the loan object, individual loans and amounts shall not exceed the amount of business contacts between the two parties in the last year. The amount of business contacts refers to the amount of goods purchased or sold between the two parties which is higher, but it is still subject to the restrictions of Clause 1 of the preceding paragraph.

Article 5 Handling unit

Unless otherwise stipulated, the financial unit shall be responsible for the loan of funds.

Article 6 Necessity of loans to others and approval of loans

In case of loaning the funds of the Company, the applicant unit shall fill out an application form for loaning funds, make an investigation on the borrower's borrowing purpose, define the conditions including the maximum amount of loan, term of loan, and method of interest accrual, and submit it to the Board of Directors for approval and the distribution of funds.

Article 7 Review procedures

- I. When a borrower applies for a loan from Our Company, the handling unit shall first make preliminary contact with Our Company and find out whether the financing is necessary, and then analyze its business contacts with Our Company, the purpose of the funds and the latest financial situation. If feasible, it shall be submitted to the competent authority for approval level by level.
- II. A borrower shall provide basic information and financial information for credit operation.
- III. The relevant provisions of the loan case shall be drafted by the agent, examined by the competent personnel and sent to the legal unit of Our Company for confirmation before the contract is signed.

The content of the contract shall be consistent with the approved borrowing conditions. After the borrower and the joint guarantor sign the contract and seal, the guarantee procedures shall be completed by the agent.

Article 8 The borrower shall apply for financing from Our Company in writing.

The following items shall be recorded in writing as mentioned in the preceding paragraph:

- I. Total amount of loan.
- II. Date of the proposed expenditure of funds.
- III. Date of repayment. Installment repayment schedule.
- IV. Guarantees or other guarantees, etc.
- V. Other matters to be recorded as stipulated by Our Company.

Article 9 Audit

Loaning of funds shall be audited by the financial supervisor. The main points of auditing shall include:

- I. Necessity and rationality of loan to others.
- II. Whether the amount of the loan is necessary measured by the financial condition of the loan object.
- III. Whether the amount of accumulative loans is within the limit.
- IV. The impact on Our Company's operating risk, financial position, and shareholders' rights and interests.
- V. Whether collateral and the evaluation value of collaterals should be obtained.
- VI. Credit and risk assessment records of the loan object.

Article 10 Guarantee

If a loan case requires a guarantee, the borrower shall provide collateral and go through the formalities of the pledge or mortgage to ensure the creditor's rights of Our Company.

In addition to land and negotiable securities, fire insurance and related insurance shall be bought for collateral. The amount of insurance shall not be less than the collateral value. If necessary, the policy of insurance shall indicate that Our Company is the beneficiary. The name, quantity, place of storage, insurance conditions and insurance approval of the subject matter on the insurance policy shall be consistent with the original loan verification conditions of Our Company. The agent shall notify the borrower of continuing to insure before the expiration of the insurance period.

Article 11 Loan term and method for calculating interest

The term of loans is limited to one year, and the Board of Directors is

authorized to approve the calculation of interest and the terms of collection.

Article 12 Subsequent control measures of the loan amount and treatment procedures for overdue creditor's rights

- I. After the resolution of loans to others by the Board of Directors, the financial unit shall distribute funds for one or several times depending on the needs of the borrowed funds, and the borrower shall also repay the loans for one or several times, but the balance of the loan shall not exceed the maximum amount approved by the Board of Directors.
- II. When the loan is due and he/she repays the loan, the borrower shall first calculate the interest payable, and repay together with the principal before the relevant guarantee certificates are returned to the borrower.
- III. The handling unit shall collect and recover periodically according to the approved conditions. Anyone who fails to collect it within the time limit shall make an abnormal report on the facts, and submit it to relevant units.

Article 13 Internal control

- I. When Our Company handles the loan matters, the financial unit shall set up a reference book to record the object of the loan, amount, date of approval of the Board of Directors, date of the loan of funds, and matters that shall be carefully evaluated according to the regulations in detail.
- II. According to the generally accepted accounting principles, the financial unit shall assess the loan circumstances of funds, make adequate provision for bad debts, disclose relevant information in the financial report and provide relevant information, so that the certifying accountants can execute the necessary checking procedures.
- III. Our company's internal auditors shall audit the Operational Procedures for Loaning of Company Funds at least once quarterly, and make written records. If major violations are found, the audit committee shall be notified in writing

immediately.

- IV. If the loan object fails to meet the provisions of the operation procedures or the balance exceeds the limit due to the change of circumstances, Our Company shall make an improvement plan, send it to the Audit Committee, and complete the improvement according to the schedule.
- V. The managers and responsible persons of Our Company shall follow the operation procedures and shall be punished in case of a violation of the regulations.

Article 14 Announcement and declaration

- I. Our company shall announce and declare the loan balance of Our Company's funds and its subsidiaries in the last month by the tenth day of each month.
- II. If the loan balance of funds meets one of the following criteria, it shall be announced and declared within two days from the date of the occurrence of the facts:
 - (I) The balance of loan to others of Our Company and its subsidiaries is more than 20% of the net value of Our Company's latest period of financial statements.
 - (II) The balance of loans to a single enterprise of Our Company and its subsidiaries is more than 10% of the net value of the latest period of financial statements of Our Company.
 - (III) The amount of new loans of Our Company or its subsidiaries is more than NTD10 million and more than 2% of the net value of Our Company's latest period of financial statements.

If a subsidiary of Our Company is not a domestic public company, Our Company shall be responsible for the matters to be declared in the third paragraph of the preceding paragraph of the subsidiary.

- Article 15 Our company shall order its subsidiaries to prepare Operational Procedures for Loaning of Company Funds according to the provisions, and handle the issue according to the operation procedures formulated.
Subsidiaries shall submit the written information of loans to the

parent company according to the provisions of Article 14 before the tenth day of each month. The parent company shall announce and declare this on behalf of the subsidiaries. If a subsidiary violates the operation procedures, the relevant personnel of the subsidiary shall be punished according to the violation.

Article 16 After the approval of **all** the members of the Audit Committee and the Board of Directors, the Operational Procedures for Loaning of Company Funds formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the Audit Committees and the Board of Shareholders for discussion, and the revision shall be made in the same way.

When the Operational Procedures for Loaning of Company Funds are submitted to the Board of Directors for discussion, **if an independent director has any objections or reservations, they shall be stated in the proceedings of the Board of Directors.**

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.

All members of the Audit Committee and all directors referred to in the preceding paragraph shall be calculated by the actual incumbents.

Article 17 The matters not mentioned in these procedures shall be handled according to the relevant statutes and regulations of Our Company.

Article 18 These operation procedures were formulated on July 30th, 1996.

The first revision was made on June 23rd, 2000.

The second revision was made on March 12th, 2002.

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

The fourth revision was made on June 15th, 2007.

The fifth revision was made on June 19th, 2009.

The sixth revision was made on June 12th, 2014.

The seventh revision was made on June 15th, 2018

The eighth revision was made on June 18th, 2019

Before revision:

CLEVO CO.

Operation Procedures for Endorsement Guarantees

Article 1 Purpose

- I. In order to protect the rights and interests of shareholders, improve Our Company's financial management of endorsement guarantees, and reduce its operational risks, these operation procedures are formulated.
- II. These procedures shall be handled according to Section 1 of Article 36 of the Securities and Exchange Act.

Article 2 After the consent of the Board of Auditors and the approval of the Board of Directors by resolution, the Operation Procedures for Endorsement Guarantees formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the Audit Committee and the Board of Shareholders for discussion, and the revision shall be made in the same way.

When the Operation Procedures for Endorsement Guarantees are submitted to the Board of Directors for discussion according to the provisions of the preceding paragraph, the opinions of the independent directors shall be fully considered, and the clear opinions and reasons for their consent or opposition shall be included in the records of the Board of Directors.

Article 3 Object of endorsement guarantees

Our company shall make endorsement guarantees for the following companies:

- I. Subsidiaries directly holding more than 50% of common stock.
- II. Invested companies where more than 50% of the common stock is held by Our Company and its subsidiaries.
- III. The companies listed in Items 1 and 2 above having business contacts with each other.

If all the contributing shareholders make the endorsement guarantee for the invested company according to their shareholding ratio due to the joint investment relationship, it is not restricted by the above provisions. The term "contribution" refers to Our Company's direct contribution or contribution through a subsidiary company holding 100% of the voting shares.

Article 4 The term "endorsement guarantees" mentioned in these procedures refers to the following matters:

- I. Financing endorsement guarantees, including:
 - (I) Ticket discount financing.
 - (II) Endorsement or guarantee for the purpose of financing of other companies.
 - (III) For the purpose of financing of Our Company, a bill is issued to guarantee non-financial undertakings.
- II. Tariff endorsement guarantees refers to an endorsement or guarantee made for Our Company or other companies in respect of tariff matters.
- III. Other endorsement guarantees refer to endorsements or guarantees that cannot be classified into the first two items. Where the Company provides movable property or real property to create a pledge or mortgage for the guarantee of borrowing from another company, it shall also be handled according to the provisions of these operation procedures.

Article 5 The limit of endorsement guarantees

- I. The total amount of endorsement guarantees of Our Company shall not exceed twice the net value of the latest period of financial statements approved by the accountants of Our Company.
- II. Our company's endorsement guarantees for a single enterprise shall not exceed the net value of the latest period of financial statements approved by the accountants of Our Company.
- III. The total amount of endorsement guarantees of Our Company and its subsidiaries shall not exceed three times of the net value of the latest period of financial statements approved by the accountants of Our Company.

- IV. The limit of endorsement guarantees for a single enterprise by Our Company and its subsidiaries shall not exceed 100% of the net value of the latest period of financial statements approved by the accountants of Our Company.
- V. For endorsement guarantees of Our Company due to business contacts, in addition to restrictions in Paragraphs 1 and 2, the endorsement guarantee limit for a single enterprise shall not exceed the actual purchase and sale amount of the single enterprise and the guaranteed company last year.

The total amount of endorsement guarantees of Our Company and its subsidiaries as a whole is more than 50% of Our Company's net value, and its necessity and rationality are explained on the board meeting.

Article 6 Decision-making and authorization levels of endorsement guarantees:

- I. When dealing with endorsement guarantee matters, Our Company shall assess the risks of endorsement guarantees and keep an assessment record. If necessary, it shall obtain collateral and make endorsement guarantees after being agreed upon by the Board of Directors.
- II. In case of business needs, the decision shall be made by the Chairman of the Board of Directors within 10% of Our Company's net value, and then it shall be submitted to the latest period of board meeting for approval.
- III. If it is necessary for Our Company to exceed the limit stipulated for the endorsement guarantee due to its business needs, with the consent of the Board of Directors, after more than half of the directors jointly insure the loss that may occur if Our Company exceeds the limit, and the operation procedures of the endorsement guarantee are revised, it shall be submitted to the Board of Shareholders for recognition. If the Board of Shareholders disagrees, a plan shall be made to eliminate the excessive part within a certain period of time.
- IV. When the object of the endorsement guarantee does not conform to the provisions of these operation procedures or the amount exceeds the limit due to the change of Our Company because of

circumstances, it shall make an improvement plan, submit the relevant improvement plan to the Audit Committee, and complete the improvement according to the planned schedule.

Article 7 Handling procedures for endorsement guarantees:

I. Procedures for endorsement and control of the amount of endorsement:

- (I) When the guaranteed company requests endorsement, the application department of Our Company shall fill out the Application for Endorsement Guarantees, explain the reasons and uses, and attach documents such as bills for verification.
- (II) The financial unit shall perform a credit investigation and risk assessment of the endorsement guarantee company. The assessment items shall include:
 - 1. Necessity and rationality of endorsement guarantees.
 - 2. Whether the amount of endorsement is necessary measured by the financial position of the guaranteed company.
 - 3. Whether the accumulative endorsement amount is within the limit.
 - 4. The impact on Our Company's operating risk, financial position, and shareholders' rights and interests.
 - 5. Whether collateral and the evaluation value of collaterals should be obtained.
 - 6. Attached endorsement guarantee credit and risk assessment record.
- (III) Except as stipulated in Sub-paragraph 2 of Article 6, the seal may be used and a bill may be issued only after it has been submitted to the Board of Directors for approval.
- (IV) If Our Company intends to act as a guarantor for a foreign company, the guarantor letter issued by Our Company shall be signed by a person authorized by the Board of Directors.

II. Verification and cancellation of endorsed bills:

- (I) Bills with endorsement guarantees after approval shall be returned to the guaranteed company after completion of the following formalities:
 - 1. Affix the Company seal.
 - 2. Copy the positive and negative sides of the endorsed bill and keep for reference.
 - 3. Register in the Guarantee and Cancellation Reference Book to control the amount of endorsement.
- (II) When an endorsed bill needs to be canceled due to debt liquidation or renewal, the application department shall fill in the Guarantee Cancellation Form and send the original endorsed bill to the financial unit for cancellation.
- (III) The financial unit shall record the canceled bills in the Guarantee and Cancellation Reference Book at any time to reduce the accumulative guaranteed amount.

Article 8 Endorsement guarantee and seal preservation

The Company seal for which Our Company has applied for registration from the Ministry of Economic Affairs is the special seal for endorsement guarantees. The seal shall be kept by a special person. The seal can be used and bills can be issued after certain procedures. The keeper of the seal used for endorsement guarantees shall submit to the Board of Directors for approval, and the same shall be true in case of any change.

Article 9 Internal control

- I. When Our Company handles the endorsement guarantee matters, the financial unit shall establish a reference book, which shall record the object of endorsement guarantees, amount, date of adoption by the Board of Directors or decision by the Chairman, date of endorsement guarantees and matters that shall be carefully evaluated according to the provisions of the preceding paragraph.
- II. According to the provisions of Bulletin No. 9 of the Financial Accounting Standards, Our Company shall assess or recognize the contingent loss of the endorsement guarantee, properly disclose the information of the endorsement guarantee in the financial

report, and provide relevant information to certifying accountants to execute the necessary checking procedures.

- III. Internal auditors of Our Company shall audit the endorsement guarantee operation procedures and their implementation at least quarterly, and make written reports. If major violations are found, they shall notify the Audit Committee in writing immediately.
- IV. When Our Company makes endorsement guarantees for a subsidiary whose net value is less than one-half of the paid-up capital, the internal auditors of Our Company shall list its execution as the key items of the audit each quarter and make a written report.
- V. When making endorsement guarantees, Our Company shall follow the prescribed procedures. If any violation is found, the manager and the responsible person shall be punished according to the violation.

Article 10 Announcement and declaration procedures

- I. Our company shall announce and declare the endorsement guarantee balance of Our Company and its subsidiaries for the last month before the tenth day of each month.
- II. If the balance of endorsement guarantees meets one of the following criteria, it shall be announced and declared within two days from the date of the occurrence of the facts:
 - (I) The endorsement guarantee balance of Our Company and its subsidiaries is more than 50% of the net value of Our Company's latest period of financial statements.
 - (II) The endorsement guarantee balance of Our Company and its subsidiaries for a single enterprise is more than 20% of the net value of Our Company's latest period of financial statements.
 - (III) The endorsement guarantee balance for a single enterprise of Our Company and its subsidiaries reaches NTD10 million, and the total amount of endorsement guarantees, long-term investment, and capital loan balance is more than 30% of the net value of Our Company's latest period of financial statements.
 - (IV) The amount of new endorsement guarantees of Our Company or

its subsidiaries is more than NTD30 million and more than 5% of the net value of Our Company's latest period of financial statements.

If a subsidiary of Our Company is not a domestic public company, Our Company shall be responsible for the matters to be declared in Clause 4 of the preceding paragraph.

Article 11 Our company shall order its subsidiaries to formulate procedures for endorsement guarantees according to the relevant provisions, and handle them according to the operation procedures. Subsidiaries shall submit written information about the endorsement guarantees to the parent company before the 10th day of each month according to the provisions of Article 10, and the parent company shall declare on behalf of them. If the subsidiary violates the operation procedures, the relevant subsidiary personnel shall be punished according to the violation.

Article 12 The matters not mentioned in these procedures shall be handled according to the relevant statutes and regulations of Our Company.

Article 13 These operation procedures were formulated on March 31st, 1992. The first revision was made on March 10th, 1997. The second revision was made on December 27th, 2000. The third revision was made on December 14th, 2001. The fourth revision was made on March 12th, 2002. The fifth revision was made on June 12th, 2003. The sixth revision was made on May 25th, 2004. The seventh revision was made on June 19th, 2009. The eighth revision was made on June 14th, 2010. The ninth revision was made on June 17th, 2011. The tenth revision was made on June 15th, 2018.

After revision:

CLEVO CO.

Operation Procedures for Endorsement Guarantees

Article 1 Purpose

- I. In order to protect the rights and interests of shareholders, improve Our Company's financial management of endorsement guarantees, and reduce its operational risks, these operation procedures are formulated.
- II. These procedures shall be handled according to Section 1 of Article 36 of the Securities and Exchange Act.

Article 2 After the consent of the Board of Auditors and the approval of the Board of Directors by resolution, the Operation Procedures for Endorsement Guarantees formulated by Our Company shall be submitted to the Board of Shareholders for approval. If a director expresses their objection and has a record or written statement, Our Company shall submit their objection to the Audit Committee and the Board of Shareholders for discussion, and the revision shall be made in the same way.

When the Operation Procedures for Endorsement Guarantees are submitted to the Board of Directors for **discussion according to the provisions of the preceding paragraph, if the independent director has any objections or reservations, they shall be stated in the proceedings of the Board of Directors.**

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.

All members of the Audit Committee and all directors referred to in the preceding paragraph shall be calculated by the actual incumbents.

Article 3 Object of endorsement guarantees

Our company shall make endorsement guarantees for the following

companies:

- I. Subsidiaries directly holding more than 50% of common stock.
- II. Invested companies where more than 50% of the common stock is held by Our Company and its subsidiaries.
- III. The companies listed in Items 1 and 2 above having business contacts with each other.

If all the contributing shareholders make the endorsement guarantee for the invested company according to their shareholding ratio due to the joint investment relationship, it is not restricted by the above provisions. The term "contribution" refers to Our Company's direct contribution or contribution through a subsidiary company holding 100% of the voting shares.

Article 4 The term "endorsement guarantees" mentioned in these procedures refers to the following matters:

- I. Financing endorsement guarantees, including:
 - (I) Ticket discount financing.
 - (II) Endorsement or guarantee for the purpose of financing of other companies.
 - (III) For the purpose of financing of Our Company, a bill is issued to guarantee non-financial undertakings.
- II. Tariff endorsement guarantees refers to an endorsement or guarantee made for Our Company or other companies in respect of tariff matters.
- III. Other endorsement guarantees refer to endorsements or guarantees that cannot be classified into the first two items. Where the Company provides movable property or real property to create a pledge or mortgage for the guarantee of borrowing from another company, it shall also be handled according to the provisions of these operation procedures.

Article 5 The limit of endorsement guarantees

- I. The total amount of endorsement guarantees of Our Company shall not exceed twice the net value of the latest period of financial statements approved by the accountants of Our Company.
- II. Our company's endorsement guarantees for a single enterprise

shall not exceed the net value of the latest period of financial statements approved by the accountants of Our Company.

- III. The total amount of endorsement guarantees of Our Company and its subsidiaries shall not exceed three times of the net value of the latest period of financial statements approved by the accountants of Our Company.
- IV. The limit of endorsement guarantees for a single enterprise by Our Company and its subsidiaries shall not exceed 100% of the net value of the latest period of financial statements approved by the accountants of Our Company.
- V. For endorsement guarantees of Our Company due to business contacts, in addition to restrictions in Paragraphs 1 and 2, the endorsement guarantee limit for a single enterprise shall not exceed the actual purchase and sale amount of the single enterprise and the guaranteed company last year.

The total amount of endorsement guarantees of Our Company and its subsidiaries as a whole is more than 50% of Our Company's net value, and its necessity and rationality are explained on the board meeting.

Article 6 Decision-making and authorization levels of endorsement guarantees:

- I. When dealing with endorsement guarantee matters, Our Company shall assess the risks of endorsement guarantees and keep an assessment record. If necessary, it shall obtain collateral and make endorsement guarantees after being agreed upon by the Board of Directors.
- II. In case of business needs, the decision shall be made by the Chairman of the Board of Directors within 10% of Our Company's net value, and then it shall be submitted to the latest period of board meeting for approval.
- III. If it is necessary for Our Company to exceed the limit stipulated for the endorsement guarantee due to its business needs, with the consent of the Board of Directors, after more than half of the directors jointly insure the loss that may occur if Our Company exceeds the limit, and the operation procedures of the endorsement guarantee are revised, it shall be submitted to the

Board of Shareholders for recognition. If the Board of Shareholders disagrees, a plan shall be made to eliminate the excessive part within a certain period of time.

- IV. When the object of the endorsement guarantee does not conform to the provisions of these operation procedures or the amount exceeds the limit due to the change of Our Company because of circumstances, it shall make an improvement plan, submit the relevant improvement plan to the Audit Committee, and complete the improvement according to the planned schedule.

Article 7 Handling procedures for endorsement guarantees:

- I. Procedures for endorsement and control of the amount of endorsement:
 - (I) When the guaranteed company requests endorsement, the application department of Our Company shall fill out the Application for Endorsement Guarantees, explain the reasons and uses, and attach documents such as bills for verification.
 - (II) The financial unit shall perform a credit investigation and risk assessment of the endorsement guarantee company. The assessment items shall include:
 - 1. Necessity and rationality of endorsement guarantees.
 - 2. Whether the amount of endorsement is necessary measured by the financial position of the guaranteed company.
 - 3. Whether the accumulative endorsement amount is within the limit.
 - 4. The impact on Our Company's operating risk, financial position, and shareholders' rights and interests.
 - 5. Whether collateral and the evaluation value of collaterals should be obtained.
 - 6. Attached endorsement guarantee credit and risk assessment record.
 - (III) Except as stipulated in Sub-paragraph 2 of Article 6, the seal may be used and a bill may be issued only after it has been submitted to the Board of Directors for approval.
 - (IV) If Our Company intends to act as a guarantor for a foreign

company, the guarantor letter issued by Our Company shall be signed by a person authorized by the Board of Directors.

II. Verification and cancellation of endorsed bills:

- (IV) Bills with endorsement guarantees after approval shall be returned to the guaranteed company after completion of the following formalities:
 1. Affix the Company seal.
 2. Copy the positive and negative sides of the endorsed bill and keep for reference.
 3. Register in the Guarantee and Cancellation Reference Book to control the amount of endorsement.
- (V) When an endorsed bill needs to be canceled due to debt liquidation or renewal, the application department shall fill in the Guarantee Cancellation Form and send the original endorsed bill to the financial unit for cancellation.
- (VI) The financial unit shall record the canceled bills in the Guarantee and Cancellation Reference Book at any time to reduce the accumulative guaranteed amount.

Article 8 Endorsement guarantee and seal preservation

The Company seal for which Our Company has applied for registration from the Ministry of Economic Affairs is the special seal for endorsement guarantees. The seal shall be kept by a special person. The seal can be used and bills can be issued after certain procedures. The keeper of the seal used for endorsement guarantees shall submit to the Board of Directors for approval, and the same shall be true in case of any change.

Article 9 Internal control

- I. When Our Company handles the endorsement guarantee matters, the financial unit shall establish a reference book, which shall record the object of endorsement guarantees, amount, date of adoption by the Board of Directors or decision by the Chairman, date of endorsement guarantees and matters that shall be carefully evaluated according to the provisions of the preceding paragraph.
- II. According to the provisions of Bulletin No. 9 of the Financial Accounting Standards, Our Company shall assess or recognize the contingent loss of the endorsement guarantee, properly disclose the information of the endorsement guarantee in the financial report, and provide relevant information to certifying accountants to execute the necessary checking procedures.
- III. Internal auditors of Our Company shall audit the endorsement guarantee operation procedures and their implementation at least quarterly, and make written reports. If major violations are found, they shall notify the Audit Committee in writing immediately.
- IV. When Our Company makes endorsement guarantees for a subsidiary whose net value is less than one-half of the paid-up capital, the internal auditors of Our Company shall list its execution as the key items of the audit each quarter and make a written report.
- V. When making endorsement guarantees, Our Company shall follow the prescribed procedures. If any violation is found, the manager and the responsible person shall be punished according to the violation.

Article 10 Announcement and declaration procedures

- I. Our company shall announce and declare the endorsement guarantee balance of Our Company and its subsidiaries for the last month before the tenth day of each month.
- II. If the balance of endorsement guarantees meets one of the following criteria, it shall be announced and declared within two days from the date of the occurrence of the facts:
 - (I) The endorsement guarantee balance of Our Company and its subsidiaries is more than 50% of the net value of Our Company's

latest period of financial statements.

- (II) The endorsement guarantee balance of Our Company and its subsidiaries for a single enterprise is more than 20% of the net value of Our Company's latest period of financial statements.
- (III) The endorsement guarantee balance for a single enterprise of Our Company and its subsidiaries reaches NTD10 million, and the total amount of endorsement guarantees, long-term investment, and capital loan balance is more than 30% of the net value of Our Company's latest period of financial statements.
- (IV) The amount of new endorsement guarantees of Our Company or its subsidiaries is more than NTD30 million and more than 5% of the net value of Our Company's latest period of financial statements.

If a subsidiary of Our Company is not a domestic public company, Our Company shall be responsible for the matters to be declared in Sub-paragraph 4 of the preceding paragraph.

Article 11 Our company shall order its subsidiaries to formulate procedures for endorsement guarantees according to the relevant provisions, and handle them according to the operation procedures. Subsidiaries shall submit written information about the endorsement guarantees to the parent company before the 10th day of each month according to the provisions of Article 10, and the parent company shall declare on behalf of them. If the subsidiary violates the operation procedures, the relevant subsidiary personnel shall be punished according to the violation.

Article 12 The matters not mentioned in these procedures shall be handled according to the relevant statutes and regulations of Our Company.

Article 13 These operation procedures were formulated on March 31st, 1992. The first revision was made on March 10th, 1997. The second revision was made on December 27th, 2000. The third revision was made on December 14th, 2001. The fourth revision was made on March 12th, 2002. The fifth revision was made on June 12th, 2003. The sixth revision was made on May 25th, 2004.

The seventh revision was made on June 19th, 2009.

The eighth revision was made on June 14th, 2010.

The ninth revision was made on June 17th, 2011.

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

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

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Method for the election of directors

Article 1 The election of Our Company's directors shall be handled according to the provisions of these measures, unless otherwise stipulated in Company Act and Our Company's Articles of Association.

Article 2 During the election of Our Company's directors, each share has the same right to vote as the number of directors to be elected. One person shall be elected centrally or several persons shall be elected separately.

The election of Our Company's directors adopts the system of nomination of candidates. Candidates shall follow the procedures of the system of nomination of candidates stipulated in Article 192 of the Company Act.

The qualifications and appointments of Our Company's independent directors shall be handled according to the Measures for the Setting of Independent Directors of a Public Company and Matters to be Followed, Code of Practice for Governance of Listed and Over-the-counter Companies, and the relevant laws and regulations.

Article 3 Our Company's directors shall be appointed by those who have the capacity to act on the Board of Shareholders, and according to the quota stipulated in Our Company's Articles of Association, those who have more rights to vote shall be elected as directors in turn. If more than two persons have the same number of rights and the prescribed quota is exceeded, the decision shall be made by lot by those who have the same number of rights, and the Chairman shall draw lots on behalf of those who are not present.

When Our Company establishes independent directors according to the law, the voting rights of independent directors and non-independent directors shall be calculated separately, and it shall be dealt with according to the provisions of Paragraph 1.

- Article 4 Before the election begins, the Chairman shall appoint a number of controllers of the ballots and poll-clerks to perform various related functions.
- Article 5 Voting paper shall be made and issued by the Board of Directors and numbered and weighted according to the number of the attendance certificate.
- Article 6 If the elected candidate is a shareholder, the elector shall indicate the account name of the elected candidate and the shareholder's account number in the column of the elected candidate. If the elected candidate is not a shareholder, the name and the unified number of the identity card of the elected candidate shall be indicated. If the government or legal person shareholder is the elected candidate, the name of the government or legal person and the account name of the shareholder shall be filled in the account name column of the elected candidate of the vote, and the name of the representative shall be listed. When there are several representatives, the names of the representatives shall be added separately.
- Article 7 The votes are invalid if one of the events listed on the left occurs:
1. Votes which do not comply with provisions of these measures.
 2. Blank votes which are put into the voting cabinet.
 3. Unclear and unrecognizable votes.
 4. If the elected candidate is a shareholder, his or her account name and shareholder's account number do not conform to the shareholder's register, and if the elected candidate is not a shareholder, his or her name and unified number of identity card are inconsistent.
 5. In addition to filling in the name of the elected candidate and shareholder's account number or unified number of identity card, other words are included.
 6. The names of the elected candidates are the same as those of other shareholders, but the shareholders' account number or unified number of identity card are not filled in for

identification purpose.

7. Two or more elected candidates are filled out on the same voting paper.

Article 8 After the voting is completed, the ballot box is opened and the ballots are counted. The results shall be announced by the Chairman on the spot.

Article 9 The Company shall give notice of election to the directors elected.

Article 10 The matters not stipulated in these measures shall be handled according to the Company Act and the relevant decrees.

Article 11 These measures shall be implemented after the adoption by the shareholders' Annual Meeting, and the same shall be done when revisions are made.

Article 12 These measures were formulated on May 5th, 1997.

The first revision was made on May 31st, 2002.

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

The third revision was made on June 12th, 2014.

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

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List of candidates and related information

Candidates for directors:

Full name	Number of shares held	Main educational background (experience)	Detailed list of concurrent positions in other enterprises	
			Company name	Position
Lu-Chin Tsung	0	Department of Enterprise Management, NCCU Graduated from Enterprise Research Institute General Manager of Chicony Electronics Co., Ltd. Chicony Power Technology Co., Ltd., Zhanda Communication Co., Ltd. Chairman (Legal Person Representative) of Youkang Electronics Co., Ltd.	Chicony Power Technology Co., Ltd. Youkang Electronics Co., Ltd. Zhanda Communication Co., Ltd.	Chairman (Legal Person Representative) of Qunguang Electronics Co., Ltd.
			Chicony Electronics Co., Ltd. Chicony Electronics (Dongguan) Co., Ltd.	Director and General Manager
			Hipro Electronics Co., Ltd. Guangsheng Investment Co., Ltd. Qunjing Power Technology Co., Ltd. Shun On Electronic Co., Ltd. Newmax Technology Co., Ltd.	Legal Representative Director of Chicony Electronics Co., Ltd.
			Chicony Overseas Inc. Hipro Overseas (BVI) Inc. Chicony Electronics (Thailand) Co., Ltd. Chicony America Inc. Secretary Mao-Feng International Inc. Chicony Electronics CEZ s.r.o. Global Faith Inc. Chicony Electronics Japan Inc. Kuang Mao International Inc. Chicony America Group Inc. Real Young Electronics Co., Ltd. Chicony Power Holdings Inc. Chicony Power International Inc. Chicony Power Technology Hong Kong Limited Chicony Power USA, Inc. Chicony Electronics (Suzhou) Co., Ltd. Suzhou Maoqun Electronics Co., Ltd. Chicony Power Technology (Suzhou) Co., Ltd. Chicony Power Technology (Dongguan) Co., Ltd. GSE Electronics (Nanchang) Co., Ltd. Chicony Power Technology (Chongqing) Co., Ltd. Chicony Energy Saving Technology Service (Shanghai) Co., Ltd. Director of Dongguan Chicony Power Trade Co., Ltd.	Director
			Maorui Electronics (Dongguan) Co., Ltd. Chicony Electronics (Chongqing) Co., Ltd.	Director and Supervisor

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Rules of Procedures for Shareholders' Meetings

- Article 1 The shareholders' meetings of Our Company shall be governed by these rules of procedure unless otherwise provided by decree.
- Article 2 A signature book shall be set for the attending shareholders (or agents) to sign in, or the attending shareholders (or agents) shall hand in the signature card to sign in. The number of shares attended is calculated on the basis of the sign-in cards submitted.
- Article 3 The attendance and voting of the shareholders' meeting shall be calculated on the basis of shares.
- Article 4 The shareholders' meeting shall be held in the place where Our Company is located or where it is convenient for the shareholders to attend and it is suitable for the meeting. The meeting shall not begin earlier than 9 a.m. or later than 3 p.m.
- Article 5 The convener of a shareholders' meeting and the Chairman serves as the Chairman of the shareholders' meeting. If the Chairman takes leave of absence or is unable to exercise his/her functions and powers for some reason, the Chairman shall appoint one of the directors to act for him/her. If the Chairman does not appoint an agent, the directors shall elect one of them to act for him/her. If the shareholders' meeting is convened by a convener other than the Board of Directors, the convener shall serve as the Chairman.
- Article 6 Our company shall appoint lawyers, accountants, or other relevant personnel to attend the shareholders' meeting. Conference staff of the shareholders' meeting shall wear identification cards or armbands.
- Article 7 Our company shall record or videotape the whole course of the shareholders' meeting and keep the record for at least one year.
- Article 8 The Chairman shall immediately announce the start of the meeting at the time of the meeting. If shareholders (or agents) representing more than half of the total shares issued are not present, the

Chairman shall announce that the meeting will be postponed. The number of postponements shall be limited to two times and the total time of postponement shall not exceed one hour. When the meeting has been postponed two times, but there is still an insufficient number of shareholders (or agents) and shareholders (or agents) representing more than one-third of the total number of shares issued present, a false resolution shall be made according to Paragraph 1 of Article 175 of the Company Act. Before the end of the meeting, if the number of shares represented by the shareholders present reaches more than half of the total number of shares issued, the Chairman shall resubmit the false resolution to the meeting for vote according to Article 174 of the Company Act.

Article 9 If the shareholders' meeting is convened by the Board of Directors, its agenda shall be set by the Board of Directors, and the meeting shall be held according to the formulated agenda, which shall not be changed without the resolution of the shareholders' meeting.

The provisions of the preceding paragraph shall apply to the shareholders' meeting convened by other persons with convening power other than the Board of Directors. The Chairman may not adjourn the meeting without a resolution before the agenda in the first two paragraphs (including provisional motions) is concluded. If the Chairman violates the rules of procedure and announces the adjournment of the meeting, with the consent of more than half of the voting rights of the shareholders present, a person shall be elected as the Chairman to continue the meeting.

After the adjournment of the meeting, the shareholders shall not elect another chairman to continue the meeting at the same place or in another place.

Article 10 Before the speech of a shareholder (or agent) present, the keynote of the speech, a speech note shall first be filled in, specifying the main idea of speech, and shareholder's account number (or attendance card number) and name. The order of speeches shall be determined by the Chairman.

If a shareholder (or agent) present at the meeting only submits the

speech note and does not speak, it shall be deemed not to speak. If the content of a speech is inconsistent with the speech note, the content of the speech shall prevail.

When an attending shareholder makes a speech, other shareholders shall not interfere with the speech except with the consent of the Chairman and the speaking shareholder. The Chairman shall stop the violator.

Article 11 Each shareholder (or agent) of the same proposal shall not speak more than twice without the consent of the Chairman, and shall not speak for more than five minutes at a time.

If a shareholder's speech violates the provisions of the preceding paragraph or exceeds the scope of the topic, the Chairman may stop the shareholder's speech.

Article 12 When a legal person is entrusted to attend the shareholders' meeting, the legal person shall only appoint one representative to attend. When a legal person shareholder appoints two or more representatives to attend the shareholders' meeting, only one person shall speak for the same proposal.

Article 13 After attending the shareholder's speech, the Chairman shall personally reply or designate a relevant person to reply.

Article 14 When he/she considers that the discussion of a proposal can be voted on, the Chairman shall announce the suspension of the discussion and start voting.

Article 15 The Chairman shall designate such staff as supervisors and counters of votes for a proposal, provided that the supervisors shall have the status of shareholders. The results of voting shall be reported on the spot and recorded.

Article 16 In the course of the meeting, the Chairman may announce a rest at his/her discretion.

Article 17 Except as otherwise provided in the Company Act and the Articles of Association, the voting of a proposal shall be approved with the consent of a majority of the voting rights of the shareholders (or agents) present.

When voting, if the Chairman asks and there is no objection, it shall

be deemed to be adopted, and its validity shall be the same as that of voting.

Article 18 When there are revisions or substitutions to the same proposal, the order of voting shall be determined by the Chairman together with the original proposal. If one of the proposals has been passed, other proposals shall be deemed to be rejected without further voting.

Article 19 The Chairman shall direct the pickets (or security guards) to assist in maintaining the order of the meeting place. When the pickets (or security guards) assist in maintaining order on site, they shall wear armbands with "picket".

Article 20 The matters not stipulated in these rules of procedure shall be handled according to Company Act and other relevant decrees.

Article 21 These rules of procedure shall be implemented after adoption by the Board of Shareholders and revised in the same way.

Article 22 These rules of procedure were formulated on May 30th, 1996.

The first revision was made on April 29th, 1998.

The second revision was made on May 31st, 2002.

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

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Details of the number of shares held by directors and supervisors on the date of termination of transfer recorded in shareholders ledger

- I. The number of shares held by all directors and supervisors of the Company shall be disclosed according to Article 3 of the Measures for Matters to be Recorded and Complied with in the Manual of Shareholders' Meeting of a Public Company (e.g. the attached table).
- II. Our company has issued total capital of 6,697,630,000 yuan. According to the provisions of Article 2 of the Rules for the Shareholding Percentage of Directors and Supervisors of a Public Company and Examination Implementation, the minimum shareholding percentage of all directors is 4%, and the minimum shareholding percentage of all supervisors is 0.4%. In addition, when a public company elects more than two independent directors, the percentage of shareholding of all directors and supervisors other than independent directors calculated according to the ratio mentioned in the preceding paragraph is reduced to 80%. That is to say, the minimum shareholding percentage of all directors shall be 4-80% (21,432,416 shares).

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Detailed list of individual shareholding and total shareholding of directors and supervisors

Title	Full name	Date of stopping of transfer (2019.04.19) The number of shares held recorded in register of shareholders	Shareholding ratio	Remarks
Chairman	Kuntai Xu	51,701,335	7.72%	
Vice Chairman	Mingxian Cai	10,149,224	1.52%	Part-time General Manager
Director	Yilong Jian	1,673,376	0.25%	
Independent Director	Bojiao Zhou	0	0.00%	
Independent Director	Zongming Chen	0	0.00%	
Independent Director	Guangsong Fan	0	0.00%	
Total of six directors		63,523,935	9.49%	The quantitative percentage has been reached