

# **Clevo Co.**

## **2021 Annual General Shareholders' Meeting**

# **Meeting Agenda**

**Date: June 17,2021**

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# CLEVO CO.

## Agenda of 2021 General Shareholders' Meeting

Time: 9am, June 17 (Thursday), 2021

Location: No. 129, Xingde Road, Sanchong District, Xinbei City

Agenda:

- I. Declare the commencement of the meeting
- II. Chairman Takes Chair
- III. Perform the acts of ceremony
- IV. Chairman Remarks
- V. Management Presentation
  - (I) Business Report for 2020
  - (II) Review report by Audit Committee on finalized statement for 2020
  - (III) Report on Distribution of Remunerations to Employees and Directors for 2020
  - (IV) Report on earnings distribution via cash dividends for 2020
  - (V) Other Management Presentation.
- VI. Recognition matters
  - (I) Rectification of finalized statements for 2020
  - (II) Rectification of earnings distribution for 2020
- VII. Discussions
  - (I) Amendment of the Rules and Procedures of Shareholders' Meetings
  - (II) Amendment of the Procedures for Election of Directors
- VIII. Election matters
  - (I) Election of directors (including independent directors)
- IX. Other Motions
  - (I) Removal of non-compete covenant on new directors and their representatives
- X. Extemporaneous motion
- XI. Adjournment of Meeting

## Management Presentation

### Motion 1

Subject: Please kindly review the business report for 2020.

Description: Please kindly refer to pages 12-14 of this manual for the Company's business report for 2020.

### Motion 2

Subject: Please kindly review the review report by Audit Committee on finalized statement for 2020.

Description: Please kindly refer to page 15 of this manual for the review report by Audit Committee on finalized statement for 2020.

### Motion 3

Subject: Please kindly review the distribution of remunerations to employees and directors for 2020.

Description:

- (1) The Company distributed a total of NT\$93,500,000 as employees' remunerations and NT\$7,700,000 as directors' remunerations.
- (2) The Company's distribution of employees' remunerations and directors' remunerations was approved by the Board of Directors on March 26, 2021. All the remunerations will be in cash.
- (3) There is no difference between the aforesaid amount of appropriation and the estimated amount of recognized expenses in 2020.

### Motion 4

Subject: Please kindly review the earnings distribution via cash dividends for 2020.

Description:

- (1) According to Article 26 of the Company's Articles of Incorporation, the Board of Directors is authorized to distribute the allocable stock dividends and bonus, legal reserve and capital surplus in cash, in whole or in part, upon special resolution, and to report the distribution to a shareholders' meeting.
- (2) The Company's Board of Directors on March 26, 2021 decided to distribute a total of NT\$373,357,800 in cash dividends or NT\$0.6 per share. The cash dividend is distributed to the unit of NT dollar (rounding off). The aggregate of fractional numbers will be recognized as the Company's other incomes.
- (3) The Chairman is authorized to set up the ex-dividend date, dividend issue date, and other relevant matters.
- (4) In case the Company's number of shares outstanding is affected by law changes, regulatory requirements or the Company's repurchase, the distribution shall be adjusted pro rata according to the Company's number of shares outstanding on the ex-dividend date.

Motion 5

Subject: Other reporting items

Description: (none)

## Recognition Matters

The first plan (proposed by the Board of Directors)

Subject: Please kindly rectify the Company's finalized statement for 2020.

Description: (1) Please kindly rectify the Company's business report, consolidated financial report and non-consolidated financial reports for 2020 approved by the Board of Directors on March 26, 2021.

(2) The above financial reports were audited by CPA Han Wu and CPA Hua-ling Liang, PwC Taiwan, for the same contents as approved by the board. Please refer to pages 12-14 and 16-41 of this manual for these financial reports and the Company's business report.

(3) The same is submitted for rectification accordingly.

Resolution:

Motion 2 (proposed by the Board of Directors)

Subject: Please kindly rectify the Company's earnings distribution for 2020.

Description: (1) The Company's undistributed earnings at the beginning of 2020 stood at NT\$451,923,851 after statutory adjustment. This was added with the net income during the period, the appropriation of 10% legal reserve and special reserve, the distributable earnings for the year totaled NT\$533,931,070. Please refer to the following table of earnings distribution:

CLEVO CO.  
2020 Earnings Distribution Table

Unit: NT\$

Summary	Amount
Unappropriated retained earnings	0
Add: Reversal of the special reserve from investment properties (not classified as special reserves for the first time)	345,642,652
Add: Reversal of the special reserve from investment properties (classified as special reserves for the first time)	62,621,879
Add: Adjustment of pensions	43,659,320
<b>Adjusted opening unappropriated earnings</b>	<b>451,923,851</b>
Add: Net income during the period	666,944,118
Less: Appropriation of the legal reserve at 10%	(77,322,532)
Less: Appropriation of the special reserve for negative items in equity	(493,992,317)
Less: Appropriation of the special reserves – appreciation accrual	(13,622,050)
Subtotal for the period	<u>82,007,219</u>
<b>Earnings at the end of the year available for distribution</b>	<b>533,931,070</b>
Cash dividends at NT\$0.6 per share	373,357,800
Closing unappropriated earnings	160,573,270

Person in charge: Hsu Kun Tai

Manager: Mingxian Cai

Chief Accounting Officer: Mai Wu

(2) Please kindly rectify it.

Resolution:

## Discussions Item

Motion 1 (proposed by the Board of Directors)

Subject: Please kindly discuss the proposed amendment of the Company's Rules and Procedures of Shareholders' Meetings.

Description: (1) Per Rule TW-Securities-Governance No. 11000014461 issued by Taiwan Stock Exchange on January 28, 2021, a partial amendment of the Company's Rules and Procedures of Shareholders' Meetings is proposed as follows, with the comparison of articles before and after amendment.

Articles	Before amendments	After amendments	Note
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 may 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.	The Chairman shall call the meeting to order at the appointed meeting time and <b><u>announce the information on the number of non-voting shares and the shares represented at the meeting.</u></b> If shareholders (or agents) representing more than half of the total shares issued are not present, the Chairman may 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.	The amendment is intended to enhance corporate governance and protect shareholders' rights.
Article 22	These rules of procedure were formulated on May 30 <sup>th</sup> , 1996. First amendment and second amendment dates (omitted) The third revision was made on June 15 <sup>th</sup> , 2006.	These rules of procedure were formulated on May 30 <sup>th</sup> , 1996. First to third amendment dates (omitted) <b><u>Fourth amendment on June 17, 2021</u></b>	Added the dates of amendments.

(2) The same is submitted for discussion accordingly.

Resolution:

Motion 2 (proposed by the Board of Directors)

Subject: Please kindly discuss the proposed amendment of the Company's Procedures for Election of Directors.

Explanation: (1) Per Rule TW-Securities-Governance No. 10900094681 issued by Taiwan Stock Exchange on June 3, 2020 and practical operation needs, a partial amendment of the Company's Procedures for Election of Directors is proposed as follows, with the comparison of articles before and after amendment.

Articles	Before amendments	After amendments	Note
Article 2	<p>For the election of the Company's directors, each share is attached with the election rights in the number equal to the number of directors to be elected. These election rights can be used for a single candidate or a number of <b>candidates</b>.</p> <p>The election of the Company's directors adopts the candidate nomination system. Candidates shall follow the procedures required by the candidate nomination system stipulated in Article 192-1 of the Company Act.</p> <p>The qualifications and appointments of the Company's independent directors shall be handled according to the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the relevant laws and regulations.</p>	<p>The Company's election of directors is based on recorded votes in a <b><u>cumulative voting system</u></b>. Each share is attached with the election rights in the number equal to the number of directors to be elected. These election rights can be used for a single candidate or a number of candidates.</p> <p>The election of the Company's directors adopts the candidate nomination system. Candidates shall follow the procedures required by the candidate nomination system stipulated in Article 192-1 of the Company Act.</p> <p>The qualifications and appointments of the Company's independent directors shall be handled according to the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the relevant laws and regulations.</p>	Revise according to the needs of the practical operation
Article 3	<p>The Company's directors shall be elected by the shareholders' meeting from candidates with disposing capacity. Based on the quota specified under the Articles of Incorporation, the candidates who win more votes shall be elected as directors by that order.</p> <p>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.</p> <p>The Company's establishment of independent directors according to laws and regulations should be processed according to the first paragraph by calculating the election rights for</p>	<p>The Company's directors shall be elected by the shareholders' meeting from candidates with disposing capacity. Based on the quota specified under the Articles of Incorporation, the candidates who win more votes shall be elected as directors by that order.</p> <p>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.</p> <p>When the Company establishes independent directors according to the law, the election rights of independent directors and non-independent directors shall be calculated separately, and it shall</p>	Text change



	independent directors and non-independent directors separately.	be dealt with according to the <b>provisions</b> of Paragraph 1.	
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 a non-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.	<b><u>This article deleted</u></b>	Amended for consistency with Article 2 and operational requirements
Article <b><u>6</u></b>	<p>Article <b><u>7</u></b> The votes are invalid if one of the events listed on the left occurs</p> <ol style="list-style-type: none"> <li>1. Ballots not prepared according to <b><u>these procedures.</u></b></li> <li>2. Blank ballots thrown into a ballot <b><u>box.</u></b></li> <li>3. Unclear and unrecognizable votes.</li> <li>4. If the elected candidate is a shareholder, the account name or the shareholder's account number is inconsistent with that stated on the register of shareholders. <b><u>If the elected candidate is a non-shareholder, the name or the unified number of the identity card is proven to be inaccurate.</u></b></li> <li>5. There is <b><u>other writing on the ballot in addition to the name,</u></b> the shareholder account number or the unified number of the identity</li> </ol>	<p>Article <b><u>6:</u></b> The votes are invalid if one of the events listed on the left occurs:</p> <ol style="list-style-type: none"> <li>1. Ballots not <b><u>prepared by the convener</u></b></li> <li>2. Blank ballots thrown into a ballot <b><u>box.</u></b></li> <li>3. Writing blurry or <b><u>tampered.</u></b></li> <li>4. The elected candidate not <b><u>consistent with the list of director</u></b> candidates.</li> <li>5. Writing other than election rights assigned</li> </ol>	Amendment for the adoption of the nomination system

	<p>card of the elected candidate.</p> <p>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 is not filled in for identification purpose.</p> <p>7. Two or more elected candidates are filled out on the same voting paper.</p>		
Articles <u>7</u> ~ <u>10</u>	Articles <u>8</u> ~ <u>11</u> (omitted)	Articles <u>7</u> ~ <u>10</u> (omitted)	Change of article numbering after the deletion of original Article 6
Article <u>11</u>	Article <u>12</u> These procedures were formulated on May 5, 1997 First to third amendments (omitted) The fourth revision was made on June 15 <sup>th</sup> , 2018.	Article <u>11</u> These procedures were formulated on May 5, 1997 First to fourth amendments (omitted) <b><u>Fifth amendment on June 17, 2021</u></b>	Article numbering adjusted for the deletion of original Article 6; addition of the amendment date

(ii) The same is submitted for discussion accordingly.

Resolution:

## **Election Matters (proposed by the Board of Directors)**

Subject: Election of directors (including independent directors)

Explanation: (1) The tenure of the Company's current directors has expired. According to the Company Act, the full re-election of the board should be conducted this year.

(2) A total of seven directors (including three independent directors) should be elected.

The tenure is three years, starting on June 17, 2021 to June 16, 2024.

(3) The Company's election of directors (including independent directors) is based on the nomination system. Shareholders should elect directors from the list of candidates.

Please refer to pages 56-59 of the manual for the education background and work experience of candidates.

(4) Please refer to page 54-55 of this manual for the Company's Method for the Election of Directors.

(5) Please kindly proceed with the re-election.

Election results:

## Other Motions

The first plan (proposed by the Board of Directors)

Subject: Removal of non-compete covenant on new directors and their representatives.

Explanation: (1) 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.

(2) We propose to ask the shareholders' meeting for permission to remove the restriction on non-competition. The same shall apply in the case of re-appointment.

(3) Please refer to pages 56-59 of the manual for the candidates' education background, work experience and positions held in other companies.

(4) The same is submitted for discussion accordingly.

Resolution:

**Extemporaneous motion**

**Adjournment of Meeting**

# Business Report

## 1. 2020 Business Report

### (1) 2020 Operating Results

The global economy in 2020 took a massive blow and declined by 3.5% due to the pandemic, declined oil prices and continued trade war between China and the US. The Company's operations were also disrupted COVID-19. The domestic demand in China was significantly affected. However, the severe impact on the production of our Notebook Business Group in Kunshan was limited to the first quarter. The business enjoyed a record high revenue due to subsequent and rapidly rising demand from working and studying from home.

#### ◆ Notebook Business Group

Notebook Business Group benefited from the demand for the home economy. Shipments in 2020 totaled 1.52 million units, up 8% year-over-year. Sales reached the highest level for the past five years, at NT\$16.2 billion, up 5% year over year in NTD and 11% in USD. With the speedy and precise product R&D and the effectiveness of marketing strategies, the sales of blue ocean models increased by 7%. This combined with control of material costs and expenses resulted in 5% operating margin for Notebook Business Group in 2020, almost doubled from the previous year. Sales and operating margin both went up. The operating results were strong.

#### ◆ China Distribution Business Group

Due to COVID-19, China's GDP in the first quarter of 2020 dropped -6.8% and sales of social retail goods declined 19% year-over-year. The 18 branches of BUYNOW consumer electronics malls under the Company's China Distribution Business Group lowered rents for tenants and cut back on expenses, to go through this difficult time. As the GDP in the fourth quarter turned positive and posted 6.5% growth, BUYNOW malls saw its average occupancy reach 95%. Annual rental incomes totaled CNY 730 million, down 8% year-over-year. Operating profits declined 6% year-over-year. Chicony Square, 30% owned by the Company, suffered losses during the first half of 2020 due to COVID-19. However, the operations recovered along with the Chinese domestic market in the second half of the year and reported a revenue of c. CNY 3 billion, up 121% from the first half of the year. Whilst the annual revenue dropped 22%, there was still a profit of CNY 43 million, thanks to the rebound in the second half of the year. The sale of office buildings was behind schedule due to COVID-19 control and social distancing. The annual revenue stood at CNY 197 million, attaining only 40% of the annual target.

### (2) Financial analysis

In 2020, the group's consolidated revenue totaled NT\$20.2 billion, gross profits NT\$4.4 billion at 21% margin; operating profits at NT\$1.476 billion at 7.3% margin and up 67%; net income NT\$667 million; earnings per share NT\$1.12. The Company's business units were significantly influenced by the pandemic. One business benefited and the other suffered. However, the Company's total operating profit increased by 3% from the previous year. However, the absence of asset disposal during the period resulted in lowering non-operating profits. Going forward, the Company intends to adjust the under-performing shopping mall business and strengthen its financial structure via deleveraging. Despite the pandemic impact, the operating cash flows were still positive at NT\$680 million. Net cash outflows totaled NT\$1.1 billion from investing activities, NT\$4.4 billion from financing activities. Total liabilities were reduced by NT\$6.2 billion, pushing down the liabilities to assets ratio to 58% from 60% during the previous year. Book value per share went up from NT\$65 to NT\$67.

### (3) Review of research and development

The Company's product development in 2020 focused on technology, fashion and environmental protection. In addition to attractive look and feel, the Company continued its development of a new series of trendy models with high value added. Examples are wide color gamut (WCG) displays (NTSC >95%; 100% sRGB and DCI-P3 >90%); wide viewing angle displays (e.g., IPS/AHVA); OLED/mini LED displays; 144Hz/165Hz/240Hz/300Hz/360Hz double frame rate (DFR); 10-finger touchscreen and high-resolution (4K/3K); eye tracking technology; AR/VR/MR/xR applications, voice assistants, and Gamma Pad. In 2020, the Company worked with customers in development of multiple models, and have

ramped up 72 large-sized models to date. Deep/light blue models accounted for 78% of this line-up and the marginal contribution was 88%, up by 10% from the previous year. This demonstrates the Company's precise targeting in product R&D and marketing, to meet customers' needs and boost profitability.

In 2021, the Company will continue to work with the leading processor supplier Intel by developing a brand new series of models with Rocket Lake, Tiger Lake and Alder Lake and with AMD for products equipped with Vermeer, Cezanne, Lucienne and Rembrandt. The Company will also develop a product series by using NVIDIA's next-generation dedicated graphic cards such as GN20 and GN20 Refresh, in order to expand product range diversity and create superior multi-processing and graphic rendering. These models allow users to enjoy perfect 3D effects, at home and out and about for a variety of applications such as maps, online movies/videos, photos, games, music and TV shows. The Company provides unique solutions to meet a variety of advanced computing needs, such as superior graphics and imaging capabilities and large-scale screen options, to surpass the laptop computers offered by other manufacturers at the same price range, and provide a unique computing experience.

## 2. 2021 Business Plan

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

#### ◆ Notebook Business Group

Both the research firms IDC and TrendForce forecast strong demand for notebooks in 2021 with global shipments at 212~217 million units, growing 5~8% year-over-year. However, there are still problems such as labor shortage, components shortage and rising component costs. Looking into 2021, the Company's shipment target is 1.75 million units, up 15% year-over-year. To respond to components shortage, the Company continues to adjust production schedules and increase the safety level of inventory. Management will also seek to boost the sales mix of blue ocean products.

As working from home has become the new norm, the demand for mid-to-high end business models remains robust. Meanwhile, home entertainment is expanding the global gaming market. The research firm Newzoo projects the total market size to reach US\$190 billion in 2021. The delay of the originally scheduled launch of major titles in the second half of 2020 will extend the e-sports replacement demand into 2021. The research company IDC indicated that the global e-sports notebook market reached 12.25 million units in 2020, up 12.1% from 2019, and may exceed 13 million units in 2021, up 5%~8% year-over-year. Given the strong market demand, the Company forecasts its average selling price to go up further. Notebook Business Group is expected to enjoy higher volumes and prices in the post COVID-19 era.

#### ◆ China Distribution Business Group

Chinese Premier Li Keqiang said in the March 2021 that the GDP target for 2021 is 6%. The Chinese domestic demand is expected to continue expanding with COVID-19 under control and increasing vaccination. The 18 branches of BUYNOW consumer electronics malls are capitalizing on the recovery of the consumer market in China by working with vendors and merchants. In addition, cost savings are continued. It is hoped that BUYNOW will generate profits this year with rental incomes back to the normal level and increasing inflows of spenders. Chicony Square, 30% owned by the Company, witnessed its revenue in the first quarter of 2021 up by 2.6x year-over-year, due to pent-up demand after COVID-19 under control. The office building development project is also seeing an increase of viewers and expecting to grow revenues by folds. The sales target is CNY 300 million this year.

### (2) Influence of the Company's development strategy by external competitive environment, regulatory environment, and overall operating environment in the future

The pandemic has sweeping effects on the global economy. As a result, central banks around the world have become increasingly proactive in implementing economic stimulus measures. In addition, a new economy is emerging, driven by massive growth of online shopping, online education and homeworking as the new norm. Digital transformation and artificial intelligence continue to gather momentum. As countries around the world implemented anti-COVID measures and began the mass inoculation programs, the pandemic began to ease off. The world seems to be gradually

entering the post-COVID era. The International Monetary Fund (IMF) forecasts the global economic growth will turn positive and expand by 5.5% in 2021. However, current vaccine shortage and potential virus mutations remain the biggest hurdle to the global economy. The demand for notebooks during the pandemic has become a shift in lifestyle such as remote working. The market anticipates the demand for notebooks and peripherals to continue for a while, even with COVID-19 under control. The outlook for 2021 is bright.

To fully uncover the potential of the domestic consumer market and expand the demand and private consumption, the Chinese government continues to promote Internet+ in 2021, by further integrating online and offline and developing new business models. The purpose is to gradually boost spending and improve the consumption environment, so consumers will be able and willing to spend. This is expected to increase the domestic demand and accelerate the economic growth. Currently, BUYNOW consumer electronics malls are the most professional and the largest physical channel in China for smart technology and Internet-of-Things (IoT). A total of seven product categories are offered: new and high tech; smart wearables; audio/video; smart living; creative digital; e-sports notebooks & peripherals; smart toys. The Company will continue to specialize on these products by introducing 5G and Big Data and serving as the best platform to bridge smart tech and consumers.

Going forward, the Company will continue to focus on R&D of notebooks, strictly control costs and expenses, and provide customers with a comprehensive product portfolio with the best customized and differentiated products, so as to create win-wins with customers. As COVID-19 is slowly under control in China, its economy is also bouncing back. The Company will continue to optimize and activate assets for China Distribution Business Group and gradually deleverage to achieve better profits via operational and strategic adjustments.

Up to now the Company has spared no efforts in implementing anti-COVID measures put in place by the government. Business operations are running as usual. Salaries and benefits are handed out as normal. We care about the health of our colleagues and we believe that with our collective efforts, we will overcome the pandemic and achieve the annual target, so that we can create higher profits for shareholders and contribute to the society. Finally, I wish you

Good health  
and all the best.

Chairman: Kuntai Hsu

Vice Chairman and General manager: Tsai, Ming-Hsien

Chief Accounting Officer: Wu, Mai



## Audit Committee's Audit Report

We hereby allow

The board has prepared the 2020 business report, financial statements and earnings distribution proposal. The financial statements were audited by CPA Wu, Han-Chi and CPA Liang, Hua-Ling of PwC Taiwan and issued with the audit report accordingly. The above-mentioned Business Report, financial statements and proposals of earning distribution are determined as qualified after review by the Audit Committee. Reports have been submitted in accordance with the provisions of Securities and Exchange Act and the Company Act for review.

Best regards

CLEVO CO.

2021 General Shareholders' Meeting

Convener of Audit Committee: Chou, Po-Chiao

March 26, 2021

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Clevo Co.

PWCR 20004947

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Clevo Co. (the "Company") as at December 31, 2020 and 2019, 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 the Company as at December 31, 2020 and 2019, 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 audit of the parent company only financial statements as of and for the year ended December 31, 2020 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; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and generally accepted auditing standards in the Republic of China for our audit of the parent company only financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the *Auditors' 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 company's 2020 parent company only financial statements. 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.

Refer to Note 6(5) for the subsidiaries held by the Company as of December 31, 2020. As the financial position and financial performance of those subsidiaries were material to the Company's parent company only financial statements, their key audit matters - Valuation of inventories and Valuation of investment properties were included in the Company's key audit matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

### **Valuation of investment properties**

#### Description

Refer to Note 4(16) 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.

The 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 less 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 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 of inventory valuation.

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 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 reasonableness of the estimation of net realizable value.
3. Verified information obtained from physical inventory of notebook computer, 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 the audit committee, are responsible for overseeing the Company's financial reporting process.

### ***Auditors' 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 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 auditors' 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.

Wu, Han-Chi

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2021

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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.

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 3,367,525	5	\$ 5,878,402	9
1110	Current financial assets at fair value through profit or loss	6(2)	959,371	2	606,051	1
1136	Current financial assets at amortised cost	6(1) and 8	1,022,720	2	1,520,899	2
1170	Accounts receivable, net	6(3)	2,064,029	3	1,846,489	3
1180	Accounts receivable due from related parties, net	7	1,440,203	2	1,252,715	2
1210	Other receivables due from related parties	7	-	-	1,433,101	2
130X	Inventories	6(4)	662,079	1	349,365	-
1410	Prepayments	7	81,383	-	113,505	-
1479	Other current assets		101,638	-	186,946	-
11XX	<b>Current Assets</b>		<u>9,698,948</u>	<u>15</u>	<u>13,187,473</u>	<u>19</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(5)	53,438,651	81	52,898,758	78
1600	Property, plant and equipment	6(6) and 8	335,258	1	338,989	1
1760	Investment property, net	6(8) and 8	1,921,453	3	1,579,381	2
1780	Intangible assets		10,385	-	10,933	-
1840	Deferred tax assets	6(26)	177,256	-	132,181	-
1920	Refundable deposits		5,605	-	6,655	-
1990	Other non-current assets		8,248	-	12,449	-
15XX	<b>Non-current assets</b>		<u>55,896,856</u>	<u>85</u>	<u>54,979,346</u>	<u>81</u>
1XXX	<b>Total assets</b>		<u>\$ 65,595,804</u>	<u>100</u>	<u>\$ 68,166,819</u>	<u>100</u>

(Continued)



Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9)	\$ 5,362,000	8	\$ 7,697,000	12
2120	Current financial liabilities at fair value through profit or loss	6(2)	15,781	-	1,008	-
2130	Current contract liabilities	6(19)	55,386	-	34,360	-
2150	Notes payable		12,029	-	12,851	-
2170	Accounts payable		386,786	1	88,533	-
2200	Other payables		312,061	1	352,955	1
2220	Other payables to related parties	7	-	-	104,410	-
2250	Provisions for liabilities - current	6(13)	53,523	-	50,523	-
2320	Long-term liabilities, current portion	6(10)(11)	2,855,714	4	760,000	1
2399	Other current liabilities		24,696	-	21,352	-
21XX	<b>Current Liabilities</b>		<u>9,077,976</u>	<u>14</u>	<u>9,122,992</u>	<u>14</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(10)	5,000,000	7	5,000,000	7
2540	Long-term borrowings	6(11)	10,942,857	17	13,430,000	20
2570	Deferred tax liabilities	6(26)	677,443	1	616,931	1
2645	Deposits received		9,492	-	12,199	-
2670	Other non-current liabilities	6(12)(14) and 7	8,898	-	189,436	-
25XX	<b>Non-current liabilities</b>		<u>16,638,690</u>	<u>25</u>	<u>19,248,566</u>	<u>28</u>
2XXX	<b>Total Liabilities</b>		<u>25,716,666</u>	<u>39</u>	<u>28,371,558</u>	<u>42</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(15)	6,697,630	10	6,697,630	10
Capital surplus						
3200	Capital surplus	6(16)	95,864	-	333,951	-
Retained earnings						
3310	Legal reserve	6(17)	1,831,206	3	1,724,342	2
3320	Special reserve		36,717,272	56	36,131,662	53
3350	Unappropriated retained earnings		1,118,868	2	1,100,739	2
Other equity interest						
3400	Other equity interest	6(18)	( 4,928,011)	( 8)	( 4,836,021)	( 7)
3500	Treasury stocks	6(15)	( 1,653,691)	( 2)	( 1,357,042)	( 2)
3XXX	<b>Total equity</b>		<u>39,879,138</u>	<u>61</u>	<u>39,795,261</u>	<u>58</u>
Significant contingent liabilities and unrecognised contract commitment						
Significant events after the balance sheet date						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 65,595,804</u>	<u>100</u>	<u>\$ 68,166,819</u>	<u>100</u>

Year ended December 31

Items	Notes	2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(19)	\$ 16,209,091	100	\$ 15,372,546	100
5000	Operating costs	6(4)(24)(25) and 7	( 14,552,181)	( 90)	( 14,238,519)	( 92)
5900	Net operating margin		<u>1,656,910</u>	<u>10</u>	<u>1,134,027</u>	<u>8</u>
5910	Unrealized profit from sales		2,743	-	2,713	-
5920	Realized (loss) profit from sales		( 2,713)	-	65	-
5950	Net operating margin		<u>1,656,940</u>	<u>10</u>	<u>1,136,805</u>	<u>8</u>
	Operating expenses	6(24)(25)				
6100	Selling expenses		( 176,301)	( 1)	( 200,948)	( 1)
6200	General and administrative expenses		( 336,578)	( 2)	( 419,612)	( 3)
6300	Research and development expenses		( 547,461)	( 3)	( 561,325)	( 4)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	( 1,500)	-	-	-
6000	Total operating expenses		( 1,061,840)	( 6)	( 1,181,885)	( 8)
6900	Operating profit (loss)		<u>595,100</u>	<u>4</u>	<u>45,080</u>	<u>-</u>
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	55,458	-	139,663	1
7010	Other income	6(21)	135,629	1	222,133	1
7020	Other gains and losses	6(22)	( 235,258)	( 2)	93,607	1
7050	Finance costs	6(23) and 7	( 382,188)	( 2)	( 411,871)	( 3)
7070	Share of profit of associates and joint ventures accounted for using equity method, net		<u>505,227</u>	<u>3</u>	<u>1,211,100</u>	<u>8</u>
7000	Total non-operating revenue and expenses		<u>78,868</u>	<u>-</u>	<u>1,254,632</u>	<u>8</u>
7900	<b>Profit before income tax</b>		<u>673,968</u>	<u>4</u>	<u>1,209,552</u>	<u>8</u>
7950	Income tax expense	6(26)	( 7,024)	-	( 140,913)	( 1)
8200	<b>Profit for the year</b>		<u>\$ 666,944</u>	<u>4</u>	<u>\$ 1,068,639</u>	<u>7</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Gain on remeasurements on defined benefit plans	6(12)	\$ 54,574	-	\$ 4,189	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	( 10,915)	-	( 838)	-
8310	Other comprehensive income that will not be reclassified to profit or loss		<u>43,659</u>	<u>-</u>	<u>3,351</u>	<u>-</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(18)	( 92,139)	-	( 2,149,814)	( 14)
8399	Income tax related to the components of other comprehensive income	6(26)	149	-	34,476	-
8360	Other comprehensive loss that will be reclassified to profit or loss		( 91,990)	-	( 2,115,338)	( 14)
8300	<b>Total other comprehensive loss for the year</b>		<u>( \$ 48,331)</u>	<u>-</u>	<u>( \$ 2,111,987)</u>	<u>( 14)</u>
8500	<b>Total comprehensive income (loss) for the year</b>		<u>\$ 618,613</u>	<u>4</u>	<u>( \$ 1,043,348)</u>	<u>( 7)</u>
	Basic earnings per share					
9750	Basic earnings per share	6(27)	<u>\$ 1.12</u>		<u>\$ 1.75</u>	
	Diluted earnings per share					
9850	Diluted earnings per share	6(27)	<u>\$ 1.11</u>		<u>\$ 1.74</u>	

Year 2019

Balance at January 1,2019		\$ 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
Profit (loss)		-	-	-	-	-	1,068,639	-	-	-	1,068,639
Other comprehensive income	6(18)	-	-	-	-	-	3,351	( 2,115,338 )	-	-	( 2,111,987 )
Total comprehensive income		-	-	-	-	-	1,071,990	( 2,115,338 )	-	-	( 1,043,348 )
Appropriations of 2018 earnings	6(17)										
Legal reserve		-	-	-	145,490	-	( 145,490 )	-	-	-	-
Special reserve		-	-	-	-	1,194,446	( 1,194,446 )	-	-	-	-
Cash dividends		-	-	-	-	-	( 128,453 )	-	-	-	( 128,453 )
Cash dividends distributed from additional paid-in capital	6(17)	-	( 513,810 )	-	-	-	-	-	-	-	( 513,810 )
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	27,047	-	-	-	-	-	-	27,047
Treasury stock acquired	6(28)	-	-	-	-	-	-	-	-	( 386,017 )	( 386,017 )
Treasury stock retired	6(15)	( 100,000 )	( 12,254 )	( 149,571 )	-	-	( 50,378 )	-	-	312,203	-
Balance at December 31,2019		\$ 6,697,630	\$ 306,904	\$ 27,047	\$ 1,724,342	\$ 36,131,662	\$ 1,100,739	(\$ 4,856,943 )	\$ 20,922	(\$ 1,357,042 )	\$ 39,795,261

Year 2020

Balance at January 1,2020		\$ 6,697,630	\$ 306,904	\$ 27,047	\$ 1,724,342	\$ 36,131,662	\$ 1,100,739	(\$ 4,856,943 )	\$ 20,922	(\$ 1,357,042 )	\$ 39,795,261
Profit (loss)		-	-	-	-	-	666,944	-	-	-	666,944
Other comprehensive income	6(18)	-	-	-	-	-	43,659	( 91,990 )	-	-	( 48,331 )
Total comprehensive income		-	-	-	-	-	710,603	( 91,990 )	-	-	618,613
Appropriations of 2019 earnings	6(17)										
Legal reserve		-	-	-	106,864	-	( 106,864 )	-	-	-	-
Special reserve		-	-	-	-	993,875	( 993,875 )	-	-	-	-
Reversal of special reserve		-	-	-	-	( 408,265 )	408,265	-	-	-	-
Cash dividends distributed from additional paid-in capital	6(17)	-	( 248,906 )	-	-	-	-	-	-	-	( 248,906 )
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	10,819	-	-	-	-	-	-	10,819
Treasury stock acquired	6(28)	-	-	-	-	-	-	-	-	( 296,649 )	( 296,649 )
Balance at December 31,2020		\$ 6,697,630	\$ 57,998	\$ 37,866	\$ 1,831,206	\$ 36,717,272	\$ 1,118,868	(\$ 4,948,933 )	\$ 20,922	(\$ 1,653,691 )	\$ 39,879,138

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before tax		\$	673,968	\$	1,209,552
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation	6(6)(24)		12,359		12,037
Amortisation	6(24)		7,603		6,671
Expected credit loss	12(2)		1,500		-
Net gain on financial assets measured at fair value through profit or loss	6(22)	(	88,443 )	(	184,213 )
Interest expense	6(23)		382,188		411,871
Interest income	6(20)	(	55,458 )	(	139,663 )
Dividend income	6(21)	(	30,194 )	(	25,897 )
Share of profit of associates and joint ventures accounted for under the equity method	6(5)		505,227	(	1,211,100 )
Loss (gain) on disposal of investments	6(22)		95,088	(	35,776 )
Gain on adjustments of investment properties at fair value	6(8)(22)	(	342,072 )	(	2,476 )
Changes in operating assets and liabilities					
Changes in operating assets					
Financial assets measured at fair value through profit or loss		(	345,192 )		270,875
Accounts receivable, net		(	406,528 )	(	861,322 )
Inventories		(	312,714 )	(	55,722 )
Prepayments			32,122		1,118,568
Other current assets			100,076	(	59,571 )
Changes in operating liabilities					
Contract liabilities			21,026		9,978
Notes payable		(	822 )	(	2,219 )
Accounts payable			298,253	(	182,432 )
Other payables		(	36,206 )		16,855
Provisions for liabilities - current			3,000		-
Other current liabilities			3,344		12,213
Other non-current liabilities		(	8,613 )	(	8,272 )
Cash (outflow) inflow generated from operations		(	500,942 )		299,957
Interest received			65,703		144,989
Dividends received			30,194		25,897
Cash dividend accounted for under equity method			31,807		983,540
Income taxes paid		(	2,352 )	(	204,334 )
Interest paid		(	386,876 )	(	420,992 )
Net cash flows (used in) from operating activities		(	762,466 )		829,057

(Continued)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of property, plant and equipment	6(6)	( \$	8,628 )	( \$	10,289 )
Decrease in refundable deposits			1,050		1,330
Acquisition of intangible assets		(	7,055 )	(	12,632 )
Decrease (increase) in other receivables			1,433,101	(	1,421,437 )
Decrease in other non-current assets			4,201		1,716
Decrease in financial assets at amortized cost - current			498,179		1,889,023
Acquisition of investments accounted for under equity method			-	(	1,000,000 )
Net cash flows from (used in) investing activities			<u>1,920,848</u>	(	<u>552,289</u> )

**CASH FLOWS FROM FINANCING ACTIVITIES**

Increase in short-term borrowings			77,852,431		63,587,471
Decrease in short-term borrowings		(	80,187,431 )	(	59,485,261 )
Increase in long-term borrowings			19,170,000		25,190,000
Repayments of long-term borrowings		(	19,361,429 )	(	28,755,000 )
Increase (decrease) in guarantee deposit		(	2,707 )		651
Increase (decrease) in other payables - related parties	7	(	104,410 )		13,000
Decrease in long-term payables - related parties	7	(	117,351 )	(	2,698 )
Cash dividends paid	6(17)	(	248,906 )	(	642,262 )
Acquisition of treasury stock	6(28)	(	296,649 )	(	403,475 )
Issuance of corporate bonds	6(10)		-		5,000,000
Repayments of corporate bonds		(	200,000 )	(	4,800,000 )
Financing activities for investee accounted for under equity method		(	257,342 )		-
Proceeds from capital reduction of investments accounted for under equity method			<u>109,577</u>		<u>1,159,168</u>
Net cash flows (used in) from financing activities		(	<u>3,644,217</u> )		<u>861,594</u>
Changes in exchange rates		(	<u>25,042</u> )	(	<u>35,440</u> )
Net (decrease) increase in cash and cash equivalents		(	2,510,877 )		1,102,922
Cash and cash equivalents at beginning of year			<u>5,878,402</u>		<u>4,775,480</u>
Cash and cash equivalents at end of year		\$	<u>3,367,525</u>	\$	<u>5,878,402</u>

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Clevo Co.

PWCR20004947

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Clevo Co. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, 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, 2020 and 2019, 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 audit of the consolidated financial statements as of and for the year ended December 31, 2020 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; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Group's 2020 consolidated financial statements. 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 2020 consolidated financial statements are stated as follows:

### **Valuation of investment properties**

#### Description

Refer to Note 4(19) 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(9) for details of investment properties. As at December 31, 2020, the Group's investment properties at fair value amounted to NT\$63,638,847 thousand.

The Group measures investment properties using the fair value model. The fair value measurement is based on income approach and the discounted cash flow by using estimated future rental income less 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(34) for accounting policies on revenue recognition and Note 6(22) for details of operating revenue. As at December 31, 2020, the Group's rental revenue amounted to NT\$2,425,737 thousand.

One of the operating revenues of the Group is to earn booth rental income from 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 ecommerce in China has made an impact on the sales of bricks-and-mortar stores. Therefore, there is higher uncertainty of existence of rental revenue. Thus, 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 of inventory valuation. As at December 31, 2020, the balance of inventory and allowance for inventory valuation losses amounted to NT\$3,913,537 thousand and NT\$204,272 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 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 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 with 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, 2020 and 2019.

#### ***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.

### ***Auditors' 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 auditors' 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 the generally accepted auditing standards in the Republic of China 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 the generally accepted auditing standards in the Republic of China, 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 auditors' 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 auditors' 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 auditors' 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.

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Wu, Han-Chi

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Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2021

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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 independent auditors' report 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ASSETS	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 4,918,051	5	\$ 8,047,784	8
1110	Financial assets at fair value through profit or loss - current	6(2)	1,609,467	2	1,022,194	1
1136	Financial assets at amortised cost - current	6(1)	1,836,833	2	1,670,772	2
1170	Accounts receivable, net	6(3)	2,248,910	2	1,996,971	2
1180	Accounts receivable due from related parties, net	6(3) and 7	-	-	1,022	-
1220	Current income tax assets		272	-	272	-
130X	Inventories	6(4) and 8	3,709,265	4	4,163,768	4
1460	Non-current assets or disposal groups classified as held for sale, net	6(11)	-	-	3,786,016	4
1470	Other current assets	7 and 8	935,809	1	920,049	1
11XX	<b>Total current assets</b>		<u>15,258,607</u>	<u>16</u>	<u>21,608,848</u>	<u>22</u>
<b>Non-current assets</b>						
1535	Financial assets at amortised cost - non-current		25,836	-	23,517	-
1550	Investments accounted for using equity method, net	6(5)	3,448,208	4	3,430,464	3
1600	Property, plant and equipment	6(6) and 8	4,711,606	5	5,822,337	6
1755	Right-of-use assets	6(7), 7 and 8	4,527,645	5	4,465,980	4
1760	Investment property, net	6(9) and 8	63,638,847	67	63,013,015	63
1780	Intangible assets	6(10)	30,705	-	29,926	-
1840	Deferred income tax assets	6(29)	612,834	1	181,794	-
1990	Other non-current assets	8	2,011,934	2	1,810,854	2
15XX	<b>Total non-current assets</b>		<u>79,007,615</u>	<u>84</u>	<u>78,777,887</u>	<u>78</u>
1XXX	<b>Total assets</b>		<u>\$ 94,266,222</u>	<u>100</u>	<u>\$ 100,386,735</u>	<u>100</u>

(Continued)

LIABILITIES AND EQUITY		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12)	\$ 6,856,140	7	\$ 9,228,429	9
2120	Financial liabilities at fair value through profit or loss - current	6(2)	15,781	-	1,008	-
2130	Contract liabilities - current	6(22)	179,636	-	574,301	1
2150	Notes payable		12,094	-	12,851	-
2170	Accounts payable		1,855,455	2	1,580,846	2
2180	Accounts payable - related parties	7	242,174	-	318,091	-
2200	Other payables	7	1,324,323	2	2,211,793	2
2230	Current income tax liabilities	6(29)	189,550	-	25,387	-
2250	Provisions for liabilities - current	6(17)	53,523	-	50,523	-
2280	Lease liabilities - current	7	15,963	-	13,555	-
2320	Long-term liabilities, current portion	6(15)	6,594,537	7	4,946,751	5
2399	Other current liabilities	6(13) and 7	476,156	1	2,037,032	2
21XX	<b>Total current liabilities</b>		<u>17,815,332</u>	<u>19</u>	<u>21,000,567</u>	<u>21</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(14)	5,000,000	6	5,000,000	5
2540	Long-term borrowings	6(15)	18,096,378	19	21,209,345	21
2570	Deferred income tax liabilities	6(29)	12,208,609	13	12,074,682	12
2580	Lease liabilities - non-current	7	96,305	-	52,348	-
2670	Other non-current liabilities	6(5)(16) and 7	1,170,460	1	1,254,532	1
25XX	<b>Total non-current liabilities</b>		<u>36,571,752</u>	<u>39</u>	<u>39,590,907</u>	<u>39</u>
2XXX	<b>Total liabilities</b>		<u>54,387,084</u>	<u>58</u>	<u>60,591,474</u>	<u>60</u>
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Ordinary share	6(18)	6,697,630	7	6,697,630	7
Capital surplus						
3200	Capital surplus	6(19)	95,864	-	333,951	-
Retained earnings						
3310	Legal reserve	6(20)	1,831,206	2	1,724,342	2
3320	Special reserve		36,717,272	39	36,131,662	36
3350	Unappropriated retained earnings		1,118,868	1	1,100,739	1
Other equity interest						
3400	Other equity interest	6(21)	( 4,928,011)	( 5)	( 4,836,021)	( 5)
3500	Treasury shares	6(18)	( 1,653,691)	( 2)	( 1,357,042)	( 1)
31XX	<b>Total equity attributable to owners of parent</b>		<u>39,879,138</u>	<u>42</u>	<u>39,795,261</u>	<u>40</u>
3XXX	<b>Total equity</b>		<u>39,879,138</u>	<u>42</u>	<u>39,795,261</u>	<u>40</u>
Significant contingent liabilities and unrecognised contract commitment						
3X2X	<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 94,266,222</u>	<u>100</u>	<u>\$ 100,386,735</u>	<u>100</u>

		Year ended December 31				
		2020		2019		
Items	Notes	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(22) and 7	\$ 20,238,946	100	\$ 21,900,662	100
5000	Operating costs	6(4)(27)(28) and 7	( 15,882,827)	( 79)	( 16,849,737)	( 77)
5900	Net operating margin		4,356,119	21	5,050,925	23
	Operating expenses	6(27)(28)				
6100	Selling expenses		( 1,095,907)	( 5)	( 1,822,221)	( 8)
6200	General and administrative expenses		( 1,234,436)	( 6)	( 1,788,169)	( 8)
6300	Research and development expenses		( 547,461)	( 3)	( 561,398)	( 3)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(3)	( 2,132)	-	5,026	-
6000	Total operating expenses		( 2,879,936)	( 14)	( 4,166,762)	( 19)
6900	Operating profit		1,476,183	7	884,163	4
	Non-operating income and expenses					
7100	Interest income	6(23)	67,743	-	201,550	1
7010	Other income	6(24)	248,817	1	370,721	2
7020	Other gains and losses	6(25) and 7	( 229,855)	( 1)	1,242,244	5
7050	Finance costs	6(26) and 7	( 908,631)	( 4)	( 1,105,904)	( 5)
7060	Share of profit of associates and joint ventures accounted for using equity method	6(5)	41,948	-	166,858	1
7000	Total non-operating revenue and expenses		( 779,978)	( 4)	875,469	4
7900	<b>Profit before income tax</b>		696,205	3	1,759,632	8
7950	Income tax expense	6(29)	( 29,261)	-	( 685,768)	( 3)
8200	<b>Profit for the year</b>		\$ 666,944	3	\$ 1,073,864	5

(Continued)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income</b>						
8311	Gain on remeasurements on defined benefit plans	6(16)	\$ 54,574	-	\$ 4,189	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	(10,915)	-	(838)	-
8310	Other comprehensive income that will not be reclassified to profit or loss		43,659	-	3,351	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361	Financial statements translation differences of foreign operations	6(21)	(91,391)	-	(2,046,091)	(9)
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(21)	(748)	-	(90,518)	(1)
8399	Income tax related to the components of other comprehensive income	6(21)(29)	149	-	34,476	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(91,990)	-	(2,102,133)	(10)
8300	<b>Total other comprehensive loss for the year</b>		<u>(\$ 48,331)</u>	<u>-</u>	<u>(\$ 2,098,782)</u>	<u>(10)</u>
8500	<b>Total comprehensive income (loss) for the year</b>		<u>\$ 618,613</u>	<u>3</u>	<u>(\$ 1,024,918)</u>	<u>(5)</u>
Profit attributable to:						
8610	Owners of the parent		<u>\$ 666,944</u>	<u>3</u>	<u>\$ 1,068,639</u>	<u>5</u>
8620	Non-controlling interest		<u>\$ -</u>	<u>-</u>	<u>\$ 5,225</u>	<u>-</u>
Comprehensive income (loss) attributable to:						
8710	Owners of the parent		<u>\$ 618,613</u>	<u>3</u>	<u>(\$ 1,043,348)</u>	<u>(5)</u>
8720	Non-controlling interest		<u>\$ -</u>	<u>-</u>	<u>\$ 18,430</u>	<u>-</u>
9750	Basic earnings per share		<u>\$</u>	<u>1.12</u>	<u>\$</u>	<u>1.75</u>
9850	Diluted earnings per share		<u>\$</u>	<u>1.11</u>	<u>\$</u>	<u>1.74</u>



Year ended December 31, 2019

Balance at January 1, 2019		\$ 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
Profit for the year		-	-	-	-	-	1,068,639	-	-	-	1,068,639	5,225	1,073,864
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	3,351	( 2,115,338)	-	-	( 2,111,987)	13,205	( 2,098,782)
Total comprehensive income (loss) for the year		-	-	-	-	-	1,071,990	( 2,115,338)	-	-	( 1,043,348)	18,430	( 1,024,918)
Appropriations of 2018 earnings	6(20)												
Legal reserve		-	-	-	145,490	-	( 145,490)	-	-	-	-	-	-
Special reserve		-	-	-	-	1,194,446	( 1,194,446)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 128,453)	-	-	-	( 128,453)	-	( 128,453)
Capital dividends	6(20)	-	( 513,810)	-	-	-	-	-	-	-	( 513,810)	-	( 513,810)
Treasury stock acquired	6(31)	-	-	-	-	-	-	-	-	( 386,017)	( 386,017)	-	( 386,017)
Treasury stock retired	6(18)	( 100,000)	( 12,254)	( 149,571)	-	-	( 50,378)	-	-	312,203	-	-	-
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	27,047	-	-	-	-	-	-	27,047	-	27,047
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	( 35,718)	( 35,718)
Balance at December 31, 2019		\$ 6,697,630	\$ 306,904	\$ 27,047	\$ 1,724,342	\$ 36,131,662	\$ 1,100,739	(\$ 4,856,943)	\$ 20,922	(\$ 1,357,042)	\$ 39,795,261	\$ -	\$ 39,795,261

Year ended December 31, 2020

Balance at January 1, 2020		\$ 6,697,630	\$ 306,904	\$ 27,047	\$ 1,724,342	\$ 36,131,662	\$ 1,100,739	(\$ 4,856,943)	\$ 20,922	(\$ 1,357,042)	\$ 39,795,261	\$ -	\$ 39,795,261
Profit for the year		-	-	-	-	-	666,944	-	-	-	666,944	-	666,944
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	43,659	( 91,990)	-	-	( 48,331)	-	( 48,331)
Total comprehensive income (loss) for the year		-	-	-	-	-	710,603	( 91,990)	-	-	618,613	-	618,613
Appropriations of 2019 earnings	6(20)												
Legal reserve		-	-	-	106,864	-	( 106,864)	-	-	-	-	-	-
Special reserve		-	-	-	-	993,875	( 993,875)	-	-	-	-	-	-
Capital dividends	6(20)	-	( 248,906)	-	-	-	-	-	-	-	( 248,906)	-	( 248,906)
Treasury stock acquired	6(31)	-	-	-	-	-	-	-	-	( 296,649)	( 296,649)	-	( 296,649)
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	10,819	-	-	-	-	-	-	10,819	-	10,819
Reversal of special reserve		-	-	-	-	( 408,265)	408,265	-	-	-	-	-	-
Balance at December 31, 2020		\$ 6,697,630	\$ 57,998	\$ 37,866	\$ 1,831,206	\$ 36,717,272	\$ 1,118,868	(\$ 4,948,933)	\$ 20,922	(\$ 1,653,691)	\$ 39,879,138	\$ -	\$ 39,879,138

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before tax		\$	696,205	\$	1,759,632
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation	6(6)(7)(27)		290,236		291,355
Amortisation	6(10)(27)		11,612		9,073
Expected credit loss (gain)	12(2)		2,132	(	5,025 )
Net gain on financial assets (liabilities) mandatorily measured at fair value through profit or loss	6(25)	(	271,284 )	(	377,049 )
Interest expense	6(26)		908,631		1,105,904
Interest income	6(23)	(	67,743 )	(	201,550 )
Dividend income	6(24)	(	30,435 )	(	26,052 )
Share of profit of associates and joint ventures accounted for using the equity method	6(5)	(	41,948 )	(	166,858 )
Gain of disposal of property, plant and equipment	6(25)	(	103 )	(	5,280 )
Loss (gain) on disposal of investment property	6(25)		4,252	(	463,078 )
Loss (gain) on disposal of investments	6(25)		95,088	(	311,286 )
Loss (gain) on adjustment of investment properties at fair value	6(9)(25)		55,918	(	764,734 )
Impairment loss on non-current asset held for sale	6(11)		54,627		160,539
Changes in operating assets and liabilities					
Changes in operating assets					
Financial assets measured at fair value through profit or loss		(	430,266 )		978,899
Accounts receivable, net		(	252,693 )	(	364,099 )
Inventories			345,587		1,184,684
Capitalisation of interest (inventories)	6(4)	(	31,917 )	(	71,224 )
Other current assets			180,000		287,114
Changes in operating liabilities					
Contract liabilities		(	11,247 )		99,173
Note payable		(	757 )	(	2,284 )
Accounts payable			274,609	(	9,569 )
Accounts payable - related parties		(	75,917 )		55,862
Other payables			20,958		96,324
Provisions for liabilities - current			3,000		-
Other current liabilities		(	102,996 )	(	60,720 )
Other non-current liabilities			30,544	(	111,240 )
Cash inflow generated from operations			1,656,093		3,088,511
Interest received			72,659		206,879
Dividends received			30,435		26,052
Interest paid		(	925,024 )	(	1,116,558 )
Income taxes paid		(	154,341 )	(	802,052 )
Net cash flows from operating activities			<u>679,822</u>		<u>1,402,832</u>

(Continued)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Disposal of subsidiaries	6(31)	\$	-	\$	961,772
Acquisition of property, plant and equipment	6(31)	(	378,857)	(	620,086)
Proceeds from disposal of property, plant and equipment	6(31)		22,664		133,696
Acquisition of intangible assets	6(10)	(	12,461)	(	18,830)
Acquisition of investment properties	6(31)	(	129,543)	(	329,092)
Proceeds from disposal of investment properties	6(9)		12,667		4,066,394
Proceeds from disposal of non-current assets classified as held for sale	6(31)		2,201,760		1,458,310
Acquisition of investments accounted for using equity method			-	(	1,000,000)
Interest paid (capitalisation of interest)	6(9)	(	151,641)	(	246,306)
(Increase) decrease in financial assets at amortised cost - current		(	166,061)		3,078,996
(Increase) decrease in financial assets at amortised cost - non-current		(	2,319)		92,333
Decrease in refundable deposits			16,227		47,549
(Increase) decrease in other non-current assets		(	315,745)		19,377
Net cash flows from investing activities			<u>1,096,691</u>		<u>7,644,113</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from short-term borrowings			81,050,167		70,491,330
Repayments of short-term borrowings		(	83,419,869)	(	69,461,113)
(Decrease) increase in other payables - related parties		(	215,650)		215,650
Proceeds from issuing bonds			-		5,000,000
Repayments of bonds		(	200,000)	(	4,800,000)
Proceeds from long-term borrowings			25,350,858		26,814,012
Repayments of long-term borrowings		(	26,795,824)	(	34,899,061)
Decrease in guarantee deposit		(	13,012)	(	1,191,970)
Cash dividends paid	6(20)	(	248,906)	(	642,263)
Acquisition of treasury stock	6(31)	(	296,649)	(	403,475)
Payments of lease liabilities	6(32)	(	14,017)	(	7,614)
Change in non-controlling interests			-	(	22,742)
Increase in other financial liabilities - current			-	(	6,728)
Net cash flows used in financing activities		(	<u>4,802,902</u> )	(	<u>8,913,974</u> )
Changes in exchange rates		(	<u>103,344</u> )		<u>118,270</u>
Net (decrease) increase in cash and cash equivalents		(	<u>3,129,733</u> )		<u>251,241</u>
Cash and cash equivalents at beginning of year			<u>8,047,784</u>		<u>7,796,543</u>
Cash and cash equivalents at end of year		\$	<u>4,918,051</u>	\$	<u>8,047,784</u>

# CLEVO CO.

## Articles of Incorporation

### Chapter 1 General Provisions

- Article 1: The Company is established according to the provisions of the Company Act and named CLEVO CO.
- Article 2: The licensed businesses operated by the Company are as follows:  
The licensed businesses operated by the Company are as follows:
1. CC01060 Wired Communication Mechanical Equipment Manufacturing
  2. CC01070 Wireless Communication Mechanical Equipment Manufacturing
  3. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
  4. CC01110 Computer and Peripheral Equipment Manufacturing
  5. E605010 Computer Equipment Installation
  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 Information Software Services
  15. I301020 Data processing services
  16. I301030 Electronic Information Supply Services
  17. J901011 Tourist Hotel
  18. J901020 Regular Hotel
  19. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3: The Company shall be the guarantor of the guarantee matters of subsidiaries and related enterprises established by investment.
- Article 4: The Company has its head office in New Taipei City and shall set up branches at home and abroad according to its business needs.
- Article 5: The 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 The Company is authorized as NT\$9 billion, which is divided into 900 million shares with NT\$10 per share. The 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, NT\$200 million is retained for issuing employee stock option certificates for 20 million shares. Each share is NT\$10. The Board of Directors is authorized to issue the shares by installments according to actual needs.
- Article 7: The Company's stock affairs shall be handled according to the provisions of the competent authority.
- Article 8: Shares issued by The Company shall be shares exempted from printing and registered by the centralized custody institution of securities.
- Article 9: The registration of transfer of shares shall stop within 60 days before the general shareholders' meeting, 30 days before a special shareholders' meeting, or five days before the record date of the Company's decision to distribute dividends and bonuses or other

benefits.

### Chapter 3 Shareholders' Meeting

- Article 10: Shareholders' meetings are divided into general shareholders' meetings and special shareholders' meetings. The general shareholders' meeting is held once a year within six months after the end of each accounting year. The special shareholders' 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 the 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 the 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: The 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 Article 14-2 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 The 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 the Company's directors shall be governed by the provisions of the regulatory authority of securities.  
According to Article 14-4 of the Securities and Exchange Act, the 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 The Company to the outside.

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

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 the 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 the Company and the value of their contribution, taking into account the usual level of the same profession.

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

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

#### Chapter 5 Managers

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

#### Chapter 6 Accounting

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

1. Business report.

2. Financial statements.

3. Proposal for the distribution of surplus or the distribution of loss.

Article 26: If the Company has a earnings upon its annual final accounting, it shall pay taxes and make up for its losses according to law, and 10% shall be accrued as the legal reserve. However, when the legal reserve has reached the total capital, this does not apply. Additionally, the undistributed earnings at the beginning of the period is the accumulative distributable earnings of shareholders after the special reserve is accrued or returned

according to the relevant laws and regulations. The Board of Directors shall make a plan for earnings distribution and submit it to the shareholders' meeting for a resolution about distribution.

According to the provisions of the Company Act, the 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 shareholders' meeting shall make a resolution do not apply.

In order to motivate employees and the operation team, the 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 shareholders' meeting.

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 the Company who meet certain conditions.

Article 27: The 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 The Company is to distribute the dividend by taking into account factors such as capital surplus, retained earnings, 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 7 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 17<sup>th</sup>, 1983.

The first revision was made on May 17<sup>th</sup>, 1984.

The second revision was made on February 23<sup>rd</sup>, 1987.

The third revision was made on November 25<sup>th</sup>, 1988.

The fourth revision was made on December 16<sup>th</sup>, 1988.

The fifth revision was made on April 22<sup>nd</sup>, 1990.

The sixth revision was made on July 15<sup>th</sup>, 1991.

The seventh revision was made on March 31<sup>st</sup>, 1992.

The eighth revision was made on July 21<sup>st</sup>, 1992.

The ninth revision was made on April 27<sup>th</sup>, 1993.

The tenth revision was made on June 3<sup>rd</sup>, 1993.

The eleventh revision was made on September 21<sup>st</sup>, 1993.

The twelfth revision was made on May 10<sup>th</sup>, 1994.

The thirteenth revision was made on April 21<sup>st</sup>, 1995.

The fourteenth revision was made on May 30<sup>th</sup>, 1996.

The fifteenth revision was made on May 5<sup>th</sup>, 1997.

The sixteenth revision was made on January 20<sup>th</sup>, 1998.

The seventeenth revision was made on April 29<sup>th</sup>, 1998.

The eighteenth revision was made on May 13<sup>th</sup>, 1999.

The nineteenth revision was made on June 8<sup>th</sup>, 2000.

The twentieth revision was made on May 31<sup>st</sup>, 2002.

The twenty-first revision was made on May 25<sup>th</sup>, 2004.

The twenty-second revision was made on June 14<sup>th</sup>, 2005.  
The twenty-third revision was made on June 15<sup>th</sup>, 2006.  
The twenty-fourth revision was made on June 15<sup>th</sup>, 2007.  
The twenty-fifth revision was made on June 11<sup>th</sup>, 2008.  
The twenty-sixth revision was made on June 19<sup>th</sup>, 2009.  
The twenty-seventh revision was made on June 14<sup>th</sup>, 2010.  
The twenty-eighth revision was made on June 17<sup>th</sup>, 2011.  
The twenty-ninth revision was made on June 15<sup>th</sup>, 2012.  
The thirtieth revision was made on June 14<sup>th</sup>, 2013.  
The thirty-first revision was made on June 12<sup>th</sup>, 2014.  
The thirty-second revision was made on June 14<sup>th</sup>, 2016.  
The thirty-third revision was made on June 15<sup>th</sup>, 2018.  
The thirty-fourth revision was made on June 18<sup>th</sup>, 2019.



Before amendments

**CLEVO CO.**

**Rules of Procedures for Shareholders' Meetings**

- Article 1 The shareholders' meetings of the Company shall be governed by the Rules, unless otherwise provided by laws.
- 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 the 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 The Company shall appoint its lawyers, CPAs, or other relevant personnel to attend the shareholders' meeting. Conference staff of the shareholders' meeting shall wear identification cards or armbands.
- Article 7 The 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 may 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 30<sup>th</sup>, 1996.

1st amendments hereto were made on April 29<sup>th</sup>, 1998.

2nd amendments hereto were made on May 31<sup>st</sup>, 2002.

The third revision was made on June 15<sup>th</sup>, 2006.

After amendments

**CLEVO CO.**  
**Rules of Procedures for Shareholders' Meetings**

- Article 1 The shareholders' meetings of the Company shall be governed by the Rules, unless otherwise provided by laws.
- 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 the 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 The Company shall appoint its lawyers, CPAs, or other relevant personnel to attend the shareholders' meeting. Conference staff of the shareholders' meeting shall wear identification cards or armbands.
- Article 7 The 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 call the meeting to order at the appointed meeting time and **announce the information on the number of non-voting shares and the shares represented at the meeting.** If shareholders (or agents) representing more than half of the total shares issued are not present, the Chairman may 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.

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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 30<sup>th</sup>, 1996.

1st amendments hereto were made on April 29<sup>th</sup>, 1998.

2nd amendments hereto were made on May 31<sup>st</sup>, 2002.

The third revision was made on June 15<sup>th</sup>, 2006.

**Fourth amendment on June 17, 2021**

Before amendments

CLEVO CO.

Method for the election of directors

- Article 1 The election of the Company's directors shall be handled according to the provisions herein, unless otherwise stipulated in the Company Act and the Articles of Incorporation.
- Article 2 For the election of the Company's directors, each share is attached with the election rights in the number equal to the number of directors to be elected. These election rights can be used for a single candidate or a number of candidates.  
The election of the Company's directors adopts the candidate nomination system. Candidates shall follow the procedures required by the candidate nomination system stipulated in Article 192-1 of the Company Act.  
The qualifications and appointments of the Company's independent directors shall be handled according to the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the relevant laws and regulations.
- Article 3 The Company's directors shall be elected by the shareholders' meeting from candidates with disposing capacity. Based on the quota specified under the Articles of Incorporation, the candidates who win more votes shall be elected as directors by that order.  
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 the Company establishes independent directors according to the law, the election 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 a non-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 is 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' regular meeting, and the same shall be done when revisions are made.

Article 12 These measures were formulated on May 5<sup>th</sup>, 1997.

1st amendments hereto were made on May 31<sup>st</sup>, 91.

2nd amendments hereto were made on June 15<sup>th</sup>, 95.

The third revision was made on June 12<sup>th</sup>, 2014.

The fourth revision was made on June 15<sup>th</sup>, 2018.

After amendments

CLEVO CO.  
Method for the election of directors

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

Article 2 The Company's election of directors is based on recorded votes in a **cumulative voting system**. Each share is attached with the election rights in the number equal to the number of directors to be elected. These election rights can be used for a single candidate or a number of candidates.

The election of the Company's directors adopts the candidate nomination system. Candidates shall follow the procedures required by the candidate nomination system stipulated in Article 192-1 of the Company Act.

The qualifications and appointments of the Company's independent directors shall be handled according to the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the relevant laws and regulations.

Article 3 The Company's directors shall be elected by the shareholders' meeting from candidates with disposing capacity. Based on the quota specified under the Articles of Incorporation, the candidates who win more votes shall be elected as directors by that order.

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 the Company establishes independent directors according to the law, the election 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** The votes are invalid if one of the events listed on the left occurs:

1. Ballots not **prepared by the convener**
2. Blank ballots thrown into a ballot **box**.
3. Writing blurry or **tampered**.
4. The elected candidate not **consistent with the list of director** candidates.
5. Writing other than election rights assigned

**Article 7** 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 8** The Company shall give notice of election to the directors elected.

**Article 9** The matters not stipulated in these measures shall be handled according to the Company Act and the relevant decrees.

**Article 10** These measures shall be implemented after the adoption by the shareholders' regular meeting, and the same shall be done when revisions are made.

**Article 11** These measures were formulated on May 5<sup>th</sup>, 1997.

1st amendments hereto were made on May 31<sup>st</sup>, 2002.

2nd amendments hereto were made on June 15<sup>th</sup>, 2006.

3rd amendments hereto were made on June 12<sup>th</sup>, 2014.

4th amendments hereto were made on June 15<sup>th</sup>, 2018.

**5th amendments hereto were made June 17, 2021**

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## List of candidates for directors (including independent directors) and relevant data

Candidates for directors:

Full name	Number of shares held	Main educational background (experience)	Detailed list of concurrent positions in other enterprises	
			Company name	Position
Hsu, Kun-Tai	51,701,335	Honorary Doctorate in Engineering, National Taipei University of Technology Department of Electronic Engineering, National Taipei Institute of Technology Chairman, CLEVO CO. Chairman, Chicony Electronics CO., Ltd Chairman, Taipei Twin Towers Limited Chairman, BUYNOW, Chicony Square, and Hong Hui Group	Chicony Electronics Co., Ltd. Jing Yuan Investment Co., Ltd. Hua Tai Investment Co., Ltd. Tong Ling Machinery Co., Ltd. Shanghai Hong Hui Property Co., Ltd. Chicony Electronics (Dongguan) Co., Ltd. Chicony Electronics (Suzhou) Co., Ltd. Xavi Technologies (Suzhou) Co., Ltd. Changchun Honghui Hotel Management Co.,Ltd. Chicony Electronics (Chongqing) Co., Ltd. Chicony Dalu Enterprise (Chengdu) Co., Ltd. Wuhan Chicony Industry Co., Ltd. Wuhan Chicony Square Management Co.,Ltd Chicony Industry (Wuhan) Co.,Ltd. Chicony Industry (Xi'an) Co., Ltd. Buynow (Wuhan) Industry Co., Ltd. Epoque Corporation Taipei Twin Towers Limited	Chairman
			Hipro Electronics Co., Ltd.	Chairman Legal person representative of Qunguang Electronics Co., Ltd.
			Guangsheng Investment Co., Ltd. Qunjing Power Technology Co., Ltd.	Chairman Legal person representative of Hipro Electronics Co., Ltd.
			Hon Hui Si Yuan CO., Ltd. Hon Hui Xin Bei CO., Ltd. Hon Hui Rui Guang CO., Ltd.	Chairman Legal person representative of Epoque Corporation
			Youkang Electronics Co., Ltd.	Legal Representative Director of Chicony Electronics Co., Ltd.
			Maorui Electronics (Dongguan) Co., Ltd.	Director / General manager
			XAVi Overseas Ltd. Systemax Development Ltd. Real Young Electronics Co., Ltd. Mao-Feng International Inc. Kuang Mao International Inc. Hipro Overseas (BVI) Inc. Directmax International Ltd. Chicony Overseas Inc. Chicony Overseas Hong Kong Limited Chicony Global Inc. Chicony Electronics CEZ s.r.o. Chicony Electronics (Thailand) Co., Ltd. Chicony America Inc. Chicony America Group Inc. Chicony Square (Wuhan) Inc. Chicony Chengdu International Inc. Chicony Square (Cayman) Inc. Buynow (Wuhan) Corporation Zhanda Communication Co., Ltd. GSE Electronics (Nanchang) Co., Ltd.	Director

Full name	Number of shares held	Main educational background (experience)	Detailed list of concurrent positions in other enterprises	
			Company name	Position
Tsai, Ming-Hsien	10,149,224	Executive Program, Graduate School of Business Administration, National Cheng-Chi University Department of Electronic Engineering, National Taipei Institute of Technology Vice President and General Manager, CLEVO CO. Vice Chairman, Taipei Twin Towers Limited President, BUYNOW	Taipei Twin Towers Limited	Vice Chairman Legal person representative of Clevo Co.
			Chicony Electronics Co., Ltd. Chicony Square (Wuhan) Inc. Chicony Chengdu International Inc. Chicony Square (Cayman) Inc. Buynow (Wuhan) Corporation Chicony Dalu Enterprise (Chengdu) Co., Ltd. Wuhan Chicony Square Management Co.,Ltd Wuhan Chicony Industry Co., Ltd. Chicony Industry (Wuhan) Co.,Ltd. Chicony Industry (Xi'an) Co., Ltd. Buynow (Wuhan) Industry Co., Ltd.	Director

Full name	Number of shares held	Main educational background (experience)	Detailed list of concurrent positions in other enterprises	
			Company name	Position
Lu, Jin-Zong	0	Graduate School of Business Administration, National Cheng-Chi University Department of Enterprise Management, National Cheng-Chi University General Manager of Chicony Electronics Co., Ltd. Legal person representative and Chairman, Chicony Power Co., Ltd.	Chicony Electronics Co., Ltd. Chicony Electronics (Dongguan) Co., Ltd.	Director/General Manager
			Chicony Power Co., Ltd. Youkang Electronics Co., Ltd. Zhanda Communication Co., Ltd.	Chairman Legal person representative of Chicony Electronics Co., Ltd.
			Hipro Electronics Co., Ltd. Shun On Electronic Co., Ltd. Newmax Technology Co., Ltd.	Director Legal person representative of Chicony Electronics Co., Ltd..
			Guangsheng Investment Co., Ltd. Qunjing Power Technology Co., Ltd.	Director Legal person representative of Hipro Electronics Co., Ltd.
			Chicony America Inc.	Director/CEO/Secretary
			Chicony America Group Inc.	Director/CEO
			Chicony Overseas Inc. Chicony Overseas Hong Kong Ltd. Chicony Electronics (Thailand) Co., Ltd. Chicony Electronics CEZ s.r.o. Chicony Electronics Japan Inc. Mao-Feng International Inc. Chicony Electronics (Suzhou) Co., Ltd. Global Faith Inc. Suzhou Maoqun Electronics Co., Ltd. Kuang Mao International Inc. Real Young Electronics Co., Ltd. Hipro Overseas (BVI) Inc. XAVi Overseas Ltd. Xavi Technologies (Suzhou) Co.,Ltd. Directmax International Ltd. Systemax Development Ltd. Chicony Power Holdings Inc. Chicony Power International Inc. Chicony Power Technology Hong Kong Limited Chicony Power Technology (Thailand) Co., Ltd. Chicony Power USA, Inc. XAVi Technologies (Thailand) Co., Ltd. Chicony Power Technology (Suzhou) Co., Ltd.; Chicony Power Technology (Dongguang) Co, Ltd.; Chicony Power Technology (Chongqing) Co., Ltd. GSE Electronics (Nanchang) Co., Ltd. Chicony Energy Saving Technology Service (Shanghai) Co., Ltd. Chicony Energy (Dongguang) Trading Co., Ltd.	Director
			Maorui Electronics (Dongguan) Co., Ltd.	Director/supervisor
			Chicony Electronics (Chongqing) Co., Ltd.	Supervisor

Full name	Number of shares held	Main educational background (experience)	Detailed list of concurrent positions in other enterprises	
			Company name	Position
Chien, Yih-Long	1,673,376	MBA, Phillips University, US Director, CLEVO CO. Executive Vice President, Notebook Business Group, CLEVO CO.	None	None

Candidate for independent director:

Candidate for independent director:

Full name	Number of shares held	Main educational background (experience)	Detailed list of concurrent positions in other enterprises	
			Company name	Position
Chou, Po-Chiao	0	Bachelor, Department of Accountancy, NCKU Accountant and auditor Qualified by Senior Qualification Examination Executive Director and President, First Commercial Bank Director and Vice President, First Financial Holding	ITEQ CORPORATION	Independent Director
Chen, Tsung-Ming	0	Tamsui Vocational High School Director, Zippy Materials Science Inc. Chairman, Betterment Co., Ltd	Betterment Co., Ltd.	Chairman
			Zippy Materials Science Inc.	Director
Lai, Ling-Ming	0	General Manager, Chinese Business, AON RISK SERVICES AUSTRALIA (SYDNEY) Chairman, AON RISK SERVICES TW	AON RISK SERVICES TW	Chairman
			Chinese Business, AON RISK SERVICES AUSTRALIA (SYDNEY)	General Manager,

**CLEVO CO.**

**Details of the number of shares held by directors on the date of termination of transfer recorded in the roster of shareholders.**

- I. The number of shares held by all directors 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. The Company has issued total capital of 6,597,630,000 yuan. According to the provisions of Article 2 of the "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies", the minimum shareholding percentage of all directors is 0%, and the minimum shareholding percentage of all supervisors is 0.4%. In addition, when a public company elects more than two 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 by all directors shall be 80% (21,112,416 shares).

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

Title	Full name	Date of suspension of transfer registration (April 19, 2021) The number of shares held recorded in register of shareholders	Shareholding ratio	Remarks
Chairman	Hsu, Kun-Tai	51,701,335	7.84%	
Vice Chairman	Tsai, Ming-Hsien	10,084,224	1.53%	Part-time General Manager
Director	Lu, Jin-Zong	0	0.00%	
Director	Chien, Yih-Long	1,673,376	0.25%	
Independent Director	Chou, Po-Chiao	0	0.00%	
Independent Director	Chen, Tsung-Ming	0	0.00%	
Independent Director	Lai, Ling-Ming	0	0.00%	
Total of 7 directors		63,458,935	9.62%	The quantitative percentage has been reached