



Stock Code: 2362

Clevo Co.

2019 Annual General Shareholders' Meeting

Meeting Agenda

Date: June 19, 2020

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CLEVO CO.

Agenda of 2020 General Shareholders' Meeting

Date of meeting: **9:00 a.m., June 19th, 2020 (Friday).**

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

Agenda:

- I. Declare the commencement of the meeting
- II. Chairperson Takes Chair
- III. Perform the acts of ceremony
- IV. Chairperson Remarks
- V. Management Presentation
 - (I) Business Report of 2019
 - (II) Report on the Final Statement for 2019 audited by the Audit Committee
 - (III) Report on the Distribution of Employees' Remuneration and Directors' Remuneration for 2019
 - (IV) Report on Allocation of Cash Dividends from Earnings and Distribution of Cash from Capital Surplus
 - (V) Report on the Implementation of Treasury Stock of the Company
 - (VI) Report on Amendments to the Company's "Regulations Governing Transfer of Repurchased Shares to Employees"
 - (VII) Report on Amendments to the Company's "Corporate Social Responsibility Best Practice Principles"
 - (VIII) Report on Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conduct"
 - (IX) Other Management Presentation.
- VI. Recognition matters
 - (I) Recognition of the Company's final statement for 2019
 - (II) Recognition of the Company's earnings distribution for 2019
- VII. Discussions
 - (I) Discussion about amendments to the Company's "Operating Procedure for Acquisition or Disposal of Assets"
- VIII. Election matters
 - (I) By-election of one independent director of the Company
- IX. Other Motions
 - (I) Release of the Company's new independent directors from non-competition restrictions
- X. Extemporary motion
- XI. Adjournment of Meeting

Management Presentation

Motion 1

Subject: The 2019 business report is submitted for review accordingly.

Remark: For the Company's 2019 Business Report, please refer to Pages 22~25 of the Meeting Handbook.

Motion 2

Subject: The report on the 2019 final statements audited by the Audit Committee is submitted for review accordingly.

Remark: For the Audit Committee's audit report, please refer to Page 26 of the Meeting Handbook.

Motion 3

Subject: The report on the Distribution of Employees' Remuneration and Directors' Remuneration for 2019 is submitted for review accordingly.

Remarks:

- (I) The Company paid NT\$122,000,000 as the remuneration to employees and NT\$13,000,000 as the remuneration to directors in 2019.
- (II) The 2019 remuneration to employees and directors was ratified by the Board upon resolution on March 31st, 2020. Said remuneration was paid in cash in whole.

Motion 4

Subject: The Report on Allocation of Cash Dividends from Earnings and Distribution of Cash from Capital Surplus is submitted for review accordingly.

Remarks:

- (I) 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.
- (II) The distribution of cash dividends from earnings and cash from capital surplus resolved by the Board meeting on March 31st, 2020 is stated as following: The undistributed earnings at the beginning of 2019 was NT\$79,126,786. According to Article 26 of the Company's Articles of Incorporation, the distributable earnings were NT\$0. For the earnings distribution statement, please refer to Page 15 of the Meeting Handbook.
The Company issued a NT\$248,905,200 capital surplus of ordinary shares with a premium over par value. The dividend shall be distributed pro rata based

on the shareholding shown in the roster of shareholders on the record date for distribution of cash from capital surplus. A cash dividend of NT\$0.4 per share will be distributed, and the total cash dividends is rounded down to the nearest whole number. The fractional balance of dividends less than NT\$ 1 will be summed up and recognized as other income of the Company.

- (III) The Board of Directors is authorized to set the ex-dividend date, payment date, and other related matters.
- (IV) Subsequently, if the total number of shares circulated outside the Company is affected by the change of laws and regulations, requirements of the competent authority, or the Company's purchase of treasury shares, the shareholders' meeting shall authorize the Board of Directors to distribute the total earnings according to the ordinary shares decided by the shareholders' meeting, and adjust the distribution ratio according to the actual number of shares circulated outside the Company on the record date of dividend distribution.

Motion 5

Subject: The report on the implementation of the Company's treasury stock is submitted for review accordingly.

Remarks:

(I) According to Article 28-2 of the Securities and Exchange Act, the procedures for repurchase of shares are governed by the “Regulations Governing Share Repurchase by TWSE/TPEx-Listed Companies” formulated by the securities competent authority.

The report is as follows:

Number of repurchases	16	17	18	19	20
Period of repurchase	2018.02.09~ 2018.04.08	2018.04.11~ 2018.06.08	2018.11.20~ 2019.01.14	2019.07.03~ 2019.08.16	2020.03.09~ 2020.04.30
Purpose of repurchase	Transfer to employees	Transfer to employees	Transfer to employees	Transfer to employees	Transfer to employees
Interval price of repurchase	NTD25~32/share	NTD21~44/share	NTD20~38/share	NTD27~42/ share	NTD28~42 share
Type and quantity of repurchased shares	Common stock 10,000,000 share	Common stock 10,000,000 share	Common stock 7,500,000 share	Common stock 10,000,000 share	Common stock 10,000,000 share
Total amount of repurchased shares	NTD 294,157,220	NTD 313,762,472	NTD 225,566,268	NTD320,067,979	NTD 296,649,520
Average unit price of repurchased shares	NTD 29.42	NTD 31.38	NTD 30.08	NTD 29.66	NTD 29.66
Date of cancellation and transfer and number of shares	0 share	0 share	0 share	0 share	0 share
Number of shares of our company accumulatively held	10,000,000 share	20,000,000 share	27,500,000 share	37,500,000 share	47,500,000 share
The percentage of the number of shares of our company accumulatively held in the total number of issued shares (%)	1.49%	2.99%	4.11%	5.60%	7.09%

(II) The repurchased shares referred to in the preceding paragraph are transferred to the Company's employees according to the “Regulations Governing Transfer of Repurchased Shares to Employees” formulated by the Company. Up to now, 47,500,000 of the Company's shares have not been transferred.

Motion 6

Subject: Report on Amendments to the Company's "Regulations Governing Transfer of Repurchased Shares to Employees".

Remark: According to the requirements of practical operation, it is proposed to amend some provisions of the "Regulations Governing Transfer of Repurchased Shares to Employees". The cross reference table for the amendments is as follows:

Articles	Before amendments	After amendments	Remarks
Article 3	The shares repurchased pursuant to the Regulations shall be transferred to employees, at one time or different times, within <u>3</u> years as of the date of repurchase of the shares.	The shares repurchased pursuant to the Regulations shall be transferred to employees, at one time or different times, within <u>5</u> years as of the date of repurchase of the shares.	Amended in response to the amendments to Article 28-2 of the Securities and Exchange Act and the need for practical operation.
Article 13	The Regulations were enacted on December 27th, 2000. Dates of the first to sixth amendments (omitted). 7th amendments hereto were made on March 27 th , 2019.	The Regulations were enacted on December 27th, 2000. Dates of the first to seventh amendments (omitted). The eighth amendments hereto were made on February 27 th , 2020.	Added the dates of amendments.

Motion 7

Subject: Report on Amendments to the Company's "Corporate Social Responsibility Best Practice Principles"

Remarks: In response to the requirements posed by TWSE's letter under Tai-Zhen-Ji-Li-Zi No. 1090002299 dated February 13th, 2020 and requirements of practical operation, it is proposed to amend some provisions of the "Corporate Social Responsibility Best Practice Principles". The cross reference table for the amendments is as follows:

Articles	Before amendments	After amendments	Remarks
Article 3	In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.	In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. <u>Pursuant to the materiality principle, the Company shall conduct the related risk assessment on major issues about environment, society and corporate governance related to the Company's operations, and adopt the related risk management policies or strategies.</u>	Amended in response to the new Corporate Governance Roadmap (2018~2020) plan and the competent authority's relevant requirements.
Article 17	The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following: 1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company. 2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam. The Company is advised to monitor the <u>impact of climate change on its operations</u> and should establish company strategies for energy conservation and carbon and	The Company is advised to <u>assess the potential risk and opportunity posed by climate changes to the enterprise, now and in the future, and take responsive measures related to climate issues.</u> The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following: 1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company. 2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam. The Company is advised to disclose the	Amended in response to the competent authority's relevant requirements

Articles	Before amendments	After amendments	Remarks
	greenhouse gas reduction based upon its operations and the result of a greenhouse gas inventory. Such strategies should include obtaining carbon credits to promote and minimize the impact of its business operations on climate change.	annual greenhouse gas <u>emission, water consumption and gross weight of waste</u> , and adopt policies for energy conservation and carbon reduction, greenhouse gas reduction, <u>reduction of water consumption or management of other waste goods</u> . Such strategies should include obtaining carbon credits to promote and minimize the impact of its business operations on climate change.	
Article 21	The Company is advised to create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills. The Company shall appropriately reflect the corporate business performance or achievements in the employee remuneration <u>policy</u> , to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.	The Company is advised to create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills. The Company <u>shall adopt and implement reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.)</u> , and reflects the operating performance or results to the remuneration to employees adequately, so as to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.	Amended in response to the new Corporate Governance Roadmap (2018~2020) plan and the competent authority's relevant requirements.
Article 24	The Company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industries. The Company shall follow relevant laws, regulations and international guidelines when marketing or labeling its products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.	The Company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industries. The Company shall follow relevant laws, regulations and international guidelines <u>applicable to customer health and safety</u> , customer privacy, marketing and labeling of its products and services, and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.	Amended in response to the new Corporate Governance Roadmap (2018~2020) plan and the competent authority's relevant requirements.
Article 26	The Company is advised to assess the impact its procurement has on society as well as the environment of the community that it is procuring from, and shall cooperate with its suppliers to jointly implement the	The Company is advised to assess the impact its procurement has on society as well as the environment of the community that it is procuring from, and shall cooperate with its suppliers	Amended in response to the new Corporate Governance Roadmap

Articles	Before amendments	After amendments	Remarks
	<p>corporate social responsibility initiative.</p> <p>Prior to engaging in commercial dealings, the Company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against the corporate social responsibility policy.</p> <p>When the Company enters into a contract with any of its major suppliers, the contents should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.</p>	<p>to jointly implement the corporate social responsibility initiative.</p> <p>The Company <u>is advised to adopt any specific suppliers' management policy demanding that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or labors' human rights.</u> Prior to engaging in commercial dealings, the Company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against the corporate social responsibility policy.</p> <p>When the Company enters into a contract with any of its major suppliers, the contents should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.</p>	<p>(2018~2020) plan and the competent authority's relevant requirements.</p>
Article 31	<p>The Principles shall be enforced upon resolution by the Board meeting, <u>and reported to a shareholders' meeting.</u> The same shall apply where the Principles are amended.</p>	<p>The Principles shall be enforced upon resolution by the Board meeting. The same shall apply where the Principles are amended.</p>	<p>Amended subject to the needs of the practical operation.</p>
Article 32	<p>The Principles were enacted on March 27, 2015.</p>	<p>The Principles were enacted on March 27, 2015.</p> <p><u>1st amendments hereto were made on March 31, 2020.</u></p>	<p>Added the dates of amendments.</p>

Motion 8

Subject: Report on Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conduct"

Remarks: In response to the requirements posed by TWSE's letter under Tai-Zhen-Ji-Li-Zi No. 1090002299 dated February 13th, 2020 and requirements of practical operation, it is proposed to amend some provisions of the "Procedures for Ethical Management and Guidelines for Conduct". The cross reference table for the amendments is as follows:

Articles	Before amendments	After amendments	Remarks
Article 5	<p>The Company shall designate the Management Center as the dedicated unit (hereinafter, the "dedicated unit") under the Board of Directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation thereof. The dedicated unit shall be in charge of the following matters and also submit regular reports to the Board of Directors:</p> <p>I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</p> <p>III. ~6 (omitted)</p>	<p>The Company shall designate the Legal Affairs & Intellectual Property Right Division to take charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, and Internal Audit Office is responsible for processing the recording and filing of reports, and the monitoring of implementation thereof. It shall be in charge of the following matters and also submit regular reports to the Board of Directors (at least once per year):</p> <p>(I) Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>(II) Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</p> <p>(III) ~6 (omitted)</p> <p>VII. Produce the information about documentation of ethical management policy and compliance statement, fulfillment of the commitment and implementation status thereof, and maintain the same with care.</p>	Amended in response to the competent authority's relevant laws and regulations.
Article 11	<p>When the Company's directors, managers or other stakeholders attending or present at a board meeting, or the juristic person represented thereby, has a stake in a motion at the meeting, that directors, managers or stakeholders shall state the important aspects of the stake in the meeting and, where there is</p>	<p>When the Company's directors, managers or other stakeholders attending or present at a board meeting, or the juristic person represented thereby, has a stake in a motion at the meeting, that directors, managers or stakeholders shall state the important aspects of the stake in the meeting and, where there is</p>	Amended in response to the competent authority's

Articles	Before amendments	After amendments	Remarks
	<p>a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that motion, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p>If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouses, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both their immediate supervisors and the Company's dedicated unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of the Company may use the Company's resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.</p>	<p>a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that motion, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p><u>Where the spouse or a relative by blood within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.</u></p> <p>If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouses, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both their immediate supervisors and the Company's dedicated unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>No personnel of the Company may use the Company's resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.</p>	<p>s relevant laws and regulations.</p>
Article 16	<p>The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the Company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p>	<p><u>The Company shall ask the directors and senior management to issue the statement of declaration for compliance with the ethical policy and require in the employment terms and conditions that the employees should comply with the ethical management policy.</u></p> <p>The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the Company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product</p>	<p>Amended in response to the competent authority's relevant laws and regulations.</p>

Articles	Before amendments	After amendments	Remarks
		launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.	
Article 21	<p>The Company encourages internal and external personnel to report on unfaithful behavior or misconduct, and pay bonuses to them at its own discretion depending on the seriousness of the case. Any internal personnel who are found to have fraudulently reported or made malicious allegations, should be subject to disciplinary punishment, up to and including termination.</p> <p>The Company has established and announced internal independent mailboxes or special lines for complaints on the Company's website and the Intranet, or has other external independent agencies to provide such mailboxes and special lines for use by internal and external personnel.</p> <p>A whistleblower shall at least furnish the following information:</p> <p>I. the whistleblower's name and I.D. number, and an address, telephone number and e-mail address where it can be reached.</p> <p>II. ~III (omitted)</p> <p>The Company's personnel handling whistleblowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p> <p>The Company's dedicated unit shall observe the following procedures:</p> <p>I. ~ II (omitted)</p> <p>III.If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's ethical management policy and regulations, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its goodwill, rights and interests.</p> <p>(Below is omitted)</p>	<p>The Company encourages internal and external personnel to report on unfaithful behavior or misconduct, and pay bonuses to them at its own discretion depending on the seriousness of the case. Any internal personnel who are found to have fraudulently reported or made malicious allegations, should be subject to disciplinary punishment, up to and including termination.</p> <p>The Company has established and announced internal independent mailboxes or special lines for complaints on the Company's website and the Intranet, or has other external independent agencies to provide such mailboxes and special lines for use by internal and external personnel.</p> <p>A whistleblower shall at least furnish the following information:</p> <p>I. The whistleblower's name and I.D. number, while <u>an anonymous whistleblowing is also permitted</u>, and an address, telephone number and e-mail address where it can be reached.</p> <p>II. ~III (omitted)</p> <p>The Company's personnel handling whistleblowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p> <p>The Company's dedicated unit <u>shall</u> process the whistleblowing cases per the following procedures:</p> <p>I. ~ II (omitted)</p> <p>III.If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's ethical management policy and regulations, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will <u>institute legal proceedings and</u></p>	Amended in response to the competent authority's relevant laws and regulations.

Articles	Before amendments	After amendments	Remarks
		<u>seek damages</u> to safeguard its goodwill, rights and interests. (Below is omitted)	
Article 24	<p>These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by approval of the <u>Audit Committee</u> and resolution of the Board of Directors, <u>and shall be reported to the shareholders' meeting.</u></p> <p>When these Procedures and Guidelines are submitted to the Board of Directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the Board of Directors meeting. An independent director that is unable to attend a Board meeting in person to express objection or reservation shall provide a written opinion before the Board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the Board meeting.</p>	<p>These Procedures and Guidelines shall be enforced upon resolution by the Board meeting. The same shall apply where these Procedures and Guidelines are amended. When these Procedures and Guidelines are submitted to the Board of Directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the Board of Directors meeting. An independent director that is unable to attend a Board meeting in person to express objection or reservation shall provide a written opinion before the Board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the Board meeting.</p>	Amended subject to the needs of the practical operation.
Article 25	The Principles were enacted on March 27, 2015. 1st amendments hereto were made on March 27, 2018.	<p>The Principles were enacted on March 27, 2015. 1st amendments hereto were made on March 27, 2018.</p> <p><u>2nd amendments hereto were made on March 31, 2020.</u></p>	Added the dates of amendments.

Motion 9

Subject: Other reporting items

Remark: Report on the Company's 1st issue of domestic secured corporate bonds in 2019.

- (I) The motion for the Company's issue of secured corporate bonds has been approved upon resolution of the Board of Directors on July 25, 2019, which were raised and traded on TPEx on August 28, 2019.
- (II) According to Article 246 of the Company Act, the Company may, by a resolution adopted by the Board of Directors, invite subscription for corporate bonds, provided that the reasons for the said action as well as other relevant matters shall be reported to a shareholders' meeting.
- (III) The details about issue of corporate bonds are stated as following:
 - 1. Bond name: 1st secured common corporate bonds of CLEVO CO. in 2019
 - 2. Total issue amount and book value: The total issue amount is NT\$5 billion, and par value NT\$1 million per piece, in full amount and in an intangible form, registered with TDCC.
 - 3. Term: August 26th, 2019~August 26th, 2024, 5 years.
 - 4. Coupon rate: The coupon rate on the corporate bond is the fixed interest rate of 0.8% annually.
 - 5. Repayment method: Principal payable at maturity
 - 6. Method of interest computing and payment: Simple interest is calculated based on the coupon rate, subject to the balance of outstanding bonds, and paid once a year.
 - 7. Guarantee bank: Taiwan Cooperative Bank
 - 8. Trustee institution: JihSun International Commercial Bank Co., Ltd.
 - 9. Agent for repayment of principal and payment of interest: Taiwan Cooperative Bank
 - 10. Cause: To repurchase the principal for 1st secured common corporate bonds in 2015 and repay the bank loan.
 - 11. The corporate bonds became effective upon being reported to Securities and Futures Bureau on August 22, 2019, and were issued and listed on TPEx on August 26, 2019.

Recognition Matters

Motion 1 (proposed by the Board of Directors)

Cause: Please submit the Company's Final Statements for 2019 for recognition.

Remarks: (I) The Company's Business Report and Consolidated Financial Statements & Individual Financial Reports for 2019 have been approved by the Board of Directors on March 31st, 2020 and submitted for recognition according to laws.

(II) Said financial reports have been audited and certified by Minjuan Feng and Hanqi Wu, CPAs of PricewaterhouseCoopers. Their contents are consistent with those approved by the Board of Directors by resolution, as well as the Company's business report. Please refer to Pages 22~25 and 19~42 of the Meeting Handbook.

(III) The same are submitted for recognition accordingly.

Resolution:

Motion 2 (proposed by the Board of Directors)

Subject: Cause: The Company's 2019 earnings distribution statement is submitted for recognition accordingly.

Remarks: (I) The undistributed earnings of the Company at the beginning of 2019 were NT\$79,216,786. After the current net profit was added, and a 10% legal reserve and special reserve were accrued, the distributable earnings for the current period became NT\$0. The earnings distribution statement is as follows:

CLEVO CO.

Earnings Distribution Statement for 2019

Abstract	Amount
The undistributed surplus at the beginning	79,126,786
Less: cancellation of treasury shares	(50,377,952)
The adjusted undistributed earnings - beginning of period	28,748,834
Adjusted Pension	3,351,174
Sub-total	32,100,008
Add:Net income in the current period (after tax)	1,068,638,551
Less: 10% legal reserve	(106,863,856)
Less: Special reserve-gains	(282,467,477)
Plus: special legal-Reverse	308,206,990
Less: Special Reserve-Other equity	(1,019,614,216)
Subtotal	(32,100,008)
Earnings available for distribution at the end of year	0
Unappropriated retained earnings	0

Person in charge: Kun Tai Hsu

Manager: Mingxian Cai

Accountant in Charge: Tianrong You

(II) The same is submitted for recognition accordingly.

Resolution:

Discussions

Motion 1 (proposed by the Board of Directors)

Subject: The amendments to the Company's "Operating Procedure for Acquisition or Disposal of Assets" is submitted for discussion accordingly.

Remarks: (I) According to the requirements of practical operation, it is proposed to amend some provisions of the Company's "Operating Procedure for Acquisition or Disposal of Assets". The cross reference table for the amendments is as follows:

Articles	Before amendments	After amendments	Remarks
Article 5	<p>Procedures for determining the conditions for exchange of acquisition or disposal of assets:</p> <p>I. Price determination methods and reference basis (I)~(II) (omitted)</p> <p>II. Authorization level:</p> <p>(I) <u>If the amount of investment exceeds NT\$300 million (including), the Board of Directors must agree before execution. If the amount of investment is below NT\$300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition. If it is related to financial scheduling (such as bonds and bond funds whose buying and selling has buy-back and sell-back conditions), it shall be executed according to the measures for delegation of the Company's authority.</u></p> <p>(II) <u>When a contract of purchase and sales is entered into with the counterpart of the transaction, in order to meet the business needs and improve time efficiency, it shall be submitted to the next board meeting for recognition after it is approved by the Chairman of the Board of Directors, the contract is signed and the transaction is made.</u></p> <p>(III) The acquisition or disposal of assets shall be handled according to the provisions of the Company Act or other decrees, and subject to the resolution, recognition, or reporting to the Board of Shareholders.</p>	<p>Procedures for determining the conditions for exchange of acquisition or disposal of assets:</p> <p>I. Price determination methods and reference basis (I)~(II) (omitted)</p> <p>II. Authorization level:</p> <p>(I) <u>The short-term investment shall be executed according to the measures for delegation of the Company's authority upon assessment by the execution unit. If the amount of investment exceeds NT\$300 million (including), the Board of Directors must agree before execution, unless it is related to financial scheduling (such as transaction of domestic government bonds, and bonds and monetary funds whose buying and selling has buy-back and sell-back conditions).</u></p> <p>(II) <u>If the limit of acquisition or disposal of long-term investment exceeds NT\$300 million (including), the Board of Directors must agree before execution. If the limit is below NT\$300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition.</u></p> <p>(III) When a contract of purchase and sales is entered into with the counterpart of the transaction, in order to meet the business needs and improve time efficiency, it shall be submitted to the next board meeting for recognition after it is approved by the Chairman of the Board of Directors, the contract is signed and the transaction is made.</p> <p>(IV) The acquisition or disposal of assets shall be handled according to the provisions of the Company Act or other decrees, and subject to the</p>	

Articles	Before amendments	After amendments	Remarks
		resolution, recognition, or reporting to the Board of Shareholders.	
Article 20	These treatment procedures were formulated on March 11 th , 1992. Dates of the first to fifteenth amendments (omitted). 16th amendments hereto were made on June 18th, 2019.	These treatment procedures were formulated on March 11 th , 1992. Date of the first to sixteenth amendments (omitted) <u>17th amendments hereto were made on June 19th, 2020.</u>	Added the dates of amendments.

(II) The same is submitted for discussion accordingly.

Resolution:

Election Matters (proposed by the Board of Directors)

Subject: By-election of one independent director of the Company.

Remarks: (I) According to the Company's Articles of Incorporation and the resolution of the Board of Directors of March 31st, 2020, one member of the Board of Directors is proposed to be by-elected at the general shareholders' meeting for a term from the date of election and appointment to June 14th, 2021.

(II) The nomination system for candidates is used for the election of the Company's directors. Shareholders shall be elected from the list of shareholder candidates. For their educational background and experience, please refer to the following table:

Candidate for independent director:

Account No. or ID No.	Full name	Number of shares held	Main educational background (experience)	Detailed list of concurrent positions in other enterprises	
				Company name	Position
N2226XXXXX	Ling-Ming Lai	0	Master, HEHEC Haute Ecole HEC - Liège Chairman, TORO CONSULTING CORPORATION	TORO CONSULTING CORPORATION	Chairman

(III) For the Company's "Regulations Governing Election of Directors", please refer to Pages 68-69 of the Meeting Handbook.

(IV) The same is submitted for the by-election accordingly.

Election results:

Other Motions

Motion 1 (proposed by the Board of Directors)

Subject: The motion for release of the Company's new independent directors from non-competition restrictions is submitted for discussion accordingly.

Remarks: (I) As the Company's independent directors might invest in, or operate, other companies with the same or similar business scope with the Company, the provisions of Article 209 of the Company Act shall be followed without prejudice to the interests of the Company.

(II) 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.

(III) Please refer to Page 101 of the Meeting Handbook for a detailed list of the educational background, experience, and concurrent positions in other enterprises of the new director candidates.

(IV) The same is submitted for discussion accordingly.

Resolution:

Extemporaneous motion

Adjournment of Meeting

CLEVO CO.

Business Report

I. 2019 Business Report

(I) Results of the implementation of operation plan for 2019

◆ Notebook Business Group

Recalling 2019, the global economic growth was still affected the Sino-US trade ware, Japan-Korea trade war and Brexit. The global economic growth rate declined from 3.7% to 2.9%. According to the research institution, IDC, the global shipment of notebooks was 161 million units in 2019, declining by 0.6% from the previous year. The Company focused on R&D, design, manufacture and assembly of gaming notebooks. Despite the trouble caused by such factors as increase in the price of components and spare parts and shortage of raw materials in the industry, the Company still achieved a great deal in its business with the annual shipment of notebooks totaling 1.405 million units, a YoY increase by 9.6%, the highest since the past four year. The turnover was NT\$15.37 billion, a YoY increase by 5.6, hitting the new record since the past five years. Benefited from the ongoing optimization of product portfolio, adequate cost control and increasing proportions of gaming models and new products, the notebook operations generated the operating income rate of 4.5% in the second half of 2019.

◆ China Distribution Business Group

The Distribution Business Group, Buynow, has gone through business structure transformation for many years. It combined the six major elements, namely “Technology, Wisdom, Fashion, Creativity, Fun and Experience”, oriented the development toward a “technology & intelligence plaza”, and became the leading brand among the most professional technology and intelligence plazas in the mainland China. The Distribution Business Group generated the operating revenue, CNY1.465 billion, i.e. a YoY increase by 38%. Apparently, the entire operating revenue has been increased due to the Group’s business transformation and subject to the progress in sale of the office buildings. The Group of the Chicony Plaza Department Store, in which the Company contributed the investment capital of 30%, consolidated Shantou Store and closed Xian Store in 2019. The entire operating revenue was CNY5.589 billion, a YoY increase by 10%, and EBITDA CNY548 million, an increase by 31%, and the net profit after tax CNY126 million. Apparently, the operating revenue and earnings were both growing.

(II) Financial analysis

In 2019, the Company’s group consolidated operating revenue was NT\$21.9 billion, a YoY increase by 11%. The gross operating profit was NT\$5.05 billion, and the gross profit rate was 23%. The operating profit was NT\$884 million, and the profit rate was 4%. The current net profit was NT\$1.074 billion, and the earnings per share was NT\$1.75. The failure to exceed the difference in the previous period was a result of the windup of Dezhou Department Store and disposition of the one-time business loss from closure of Shantou Store. This Year, the Company uses the best effort to take an inventory of the real property for business within the

Group and adjust and dispose of the malls with poor business performance. As a result, the proceeds from sale of the property in Shantou and Japan totaled NT\$8.3 billion. Therefore, the net cash inflow from operating activities and investing activities totaled NT\$8.9 billion in the current period. Meanwhile, the Company repaid the loan totaling NT\$7.6 billion. The Group's business strategy turned to aim at optimization and activation of assets, and deleverage and adjust the financial structure, in order to make the contribution to overall operating profit increase definitely.

(III) Review of research and development

In the year of 2019, the Company combined technology, fashion and environmental protection trends with product design. In addition to fashion appeals in appearance design, it continues to develop a series of new models with stylish features and high added value, such as: wide color gamut panel (NTSC > 95%), wide viewing angle panel (such as IPS/AHVA technology), OLED/mini LED, 144Hz/240Hz/300Hz ultra-shadow technology, ten-finger touch technology and high-resolution (4K, 3K) panel, eye tracking technology, AR/VR/MR/xR application, wisdom Voice Assistant and Gamma Pad. Innovatively develop new computer products to incorporate more commercial applications in the future, and add new high-yield product lines. In 2019, the Company has developed a number of types of computers to meet the needs of customers, and has mass-produced and developed 80 series of big computers. Among them, the dark blue and light blue series of big computers accounted for 63% of the sales volume, the revenue accounted for 75%, and the marginal contribution profit accounted for 78%, a YoY increase by 5%. Apparently, the Company's R&D and sales strategies focused on the development of the blue ocean market opportunities for notebooks are correct so as to increase the earnings year by year.

This year, the Company still continues to cooperate with the leading processor manufacturer, Intel, to develop a new series of products, including "Comet Lake", "Ice Lake" and "Tiger Lake" platforms, and works with AMD again to develop "Vermeer", "Renoir" and Dali" platforms, and ties with NVIDIA next-generation independent graphics cards GN20, in order to expand product diversification, develop superior multiplex processing technologies and extreme graphics performance, and for users to easily enjoy the perfect 3D effect applications, including maps, on-line movies, on-line videos, photos, games, music and TV shows, whether they are home or out. 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 other manufacturers at the same price, and provide customers with complete product portfolio, as well as differentiated and customized products, to allow customers to enjoy honors.

II. 2020 Business Plan

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

◆ Notebook Business Group

The global economy was initially forecast as growing mildly by 3.2% in 2020. However, upon outbreak of the COVID-19, almost all of the countries in the world adopted the shut-down policy in Q1 and thereby interrupted the global supply chain. Under such circumstance, the shortage and increase in the price of key

components and parts will occur again in 2020. Notwithstanding, considering that the gaming notebook market keeps booming, ultra-thin notebook market will grow explosively, and the gaming ecosystem integrating AI and DLSS and real-time raytracing will sprout. Meanwhile, the creator notebook market is growing. According to the research institution, MIC, the global shipment is expected to attain 159 million units in 2020. The Company's target shipment is set as 1.60 million in 2020, an estimated YoY increase by 13%. Although the factory production and shipment were affected by the COVID-19 outbreaks in Q1 of 2020, the customers' demand still tends to be growing. Besides, the demand for Stay at Home Economic, Work from Home and online tutorship is increasing upon the outbreaks and thereby results in the growth of the demand for NB instead. As the factory's production lines have been resumed comprehensively in March, the normal production capacity was recovered therefor. Despite the shipment of March reaching 105,000 units only, the increasing gross profit rate and operating income, and following orders support the confidence of the Notebook Business Group staff, helping them accelerate the R&D speed, provide the best customized and differentiated products, make rapid deliveries to satisfy customers' needs, and work with customers to achieve outstanding performance in the environment of economic regression.

◆ China Distribution Business Group

The domestic demand structure has kept improving in China in the recent years. Given the complicated international environment and fluctuation in external demand, the GDP growth remained as 6.1% in 2019. Among the other things, the domestic demand contributed 89% of the economic growth, including 57.8% contribute by the consumption expenditure. The scale of the total consumables sales broke through CNY 40 trillion for the first time. Apparently, the domestic demand economic scale remained tremendous in China. Due to the COVID-19 outbreaks Q1 of this year, the GDP YoY has been the negative value, -6.8%, for the first time. The total retail sales of consumables amounted to CNY 7.8 trillion, declining by YoY 19. Notwithstanding, as the normal production and life order are recovering consistently, certain economic activities depressed at the beginning of the epidemic outbreaks are expected to be released step by step. Through the innovation and evolvement in the past years, the 18 technology plazas owned by Buynow has kept in line with the recovery of consumption markets in China, with its strengths in tangible channels and combination of the online e-commerce. For the asset project, the sales of office buildings have attained 75%. For the time being, the balance remains CNY500 million. Affected by the epidemic situation this year, the progress of the sold-out target, which was initially set as 2020, became sluggish somehow. As China uses the best efforts to promote the easy monetary policy, the massive capital released therefor has already amounted to NT\$175 million. With the tremendous capital momentum to save the market, the economy is expected to recover soon, and the sales progress may catch up the original plan.

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

Because China has upgraded "Internet+" to the national strategic action plan, people's food, clothing, housing, transportation, child raising, and entertainment have basically been Internet-based, leading to the rapid development of various APP

software development and intelligent product research and development. Therefore, the demands for intelligent technology distribution are increasing. At present, there are about 500 brands and nearly 7000 commodities in Lezhi Science and Technology Intelligence Exhibition Hall of Buynow, which is the most professional and largest entity distributor in the field of intelligent science and technology and Internet of Things in China. The shopping mall contains seven categories of commodities: high and new technology, smart clothing, video and audio, intelligent life, creative digital products, electronic sports notebooks and peripheral industries and intelligent toys. In the future, it will continue to work in this direction, make products more refined, and become the best connecting platform between smart technology and consumers.

In consideration of the impact posed by the COVID-19 and collapsed international crude oil price in 2020, the global economy declined sharply. The International Monetary Fund (IMF) adjusted the global economic growth rate downward until -3.0%. Despite the severe economic environment this year, led by the USA, the central banks of various countries started to cut interest and release capital, in an attempt to expand the financial policy and easy monetary policy, and boost the economy and stabilize the financial market. After all, too many unforeseeable factors appeared in Q1 far beyond the economic scholars' and experts' expectation. Notwithstanding, the epidemic outbreaks cause consumers to change their behaviors, and the demand for work from home and remote teaching is increasing. The notebook market demand is upgraded therefor. This can benefit the Company's notebook sales.

The Group has completely responded to the government's epidemic prevention policy. The Company's operating hours and salary & welfare policy remain the same. The Company cares all workers' health, and believes that with all workers' teamwork, the Company will definite overcome the temporary impact posed by the epidemic situation, catch up the annual target, and create better profits for the Company to share them with shareholders, benefit mankind and give back to society. Finally, I wish you

Good health
and all the best.

Chairman of Board: Kuntai Hsu

Vice Chairman of Board: Mingxian Cai
Also Vice President

Accounting Officer: Tianrong You

Audit Committee's Audit Report

We hereby allow

the Board of Directors to prepare the Company's business report, financial statements and motion for earnings distribution for 2019. Among them, the financial statements have been audited by Accountants Minjuan Feng and Hanqi Wu, CPAs of Pricewaterhouse Coopers, and the audit report has been issued. 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.

2020 General Shareholders' Meeting

Convener of Audit Committee: Bojiao Zhou

March 31st, 2020

REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Clevo Co.

PWCR 19004784

Opinion

We have audited the accompanying parent company only balance sheets of Clevo Co. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, financial position of Clevo Co. as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for opinion

We conducted our audits of the financial statements as of and for the year ended December 31, 2019 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 (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audits of the financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for Clevo Co. parent company only financial statements of the current period 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. As at December 31, 2019, the amount of investment properties at fair value amounted to NT\$1,579,381 thousand.

The parent company measures investment properties with fair value model. The fair value measurement is based on income approach and the discounted cash flow by using estimated future rental income 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.

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. As at December 31, 2019, the balance of inventory and allowance for inventory valuation losses amounted to NT\$366,212 thousand and NT\$16,847 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of notebook computers. Due to

rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk for inventory losses due from market value decline or obsolescence.

The parent company recognises inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on the age and the damage of inventory. As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value is subject to management's judgment, we consider the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

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

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Obtained the listings of lower of cost or net realizable value and obsolescence losses amount, sampled and inspected related supporting documents. Calculated the accuracy and assessed 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 audit committee, are responsible for overseeing the Company's financial reporting process.

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

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

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

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

statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Feng, Min-Juan

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 31, 2020

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

Clevo Co.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,878,402	9	\$ 4,775,480	7
1110	Current financial assets at fair value through profit or loss	6(2)	606,051	1	655,929	1
1136	Current financial assets at amortised cost	6(1) and 8	1,520,899	2	3,409,922	5
1170	Accounts receivable, net	6(3)	1,846,489	3	1,418,908	2
1180	Accounts receivable due from related parties, net	7	1,252,715	2	818,974	1
1210	Other receivables due from related parties	7	1,433,101	2	4,078	-
130X	Inventories	6(4)	349,365	-	293,643	-
1410	Prepayments	7	113,505	-	1,232,073	2
1479	Other current assets		186,946	-	107,626	-
11XX	Total current assets		13,187,473	19	12,716,633	18
Non-current assets						
1550	Investments accounted for under equity method	6(5)	52,898,758	78	50,526,073	73
1600	Property, plant and equipment	6(6) and 8	338,989	1	340,737	1
1760	Investment property, net	6(8) and 8	1,579,381	2	1,576,905	2
1780	Intangible assets		10,933	-	4,972	-
1840	Deferred tax assets	6(25)	132,181	-	139,132	-
1920	Refundable deposits		6,655	-	7,985	-
1960	Prepayments for investments	6(5) and 7	-	-	4,425,325	6
1990	Other non-current assets		12,449	-	14,165	-
15XX	Total non-current assets		54,979,346	81	57,035,294	82
1XXX	Total assets		\$ 68,166,819	100	\$ 69,751,927	100

(Continued)

Clevo Co.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2019		December 31, 2018	
Notes			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 7,697,000	12	\$ 3,594,790	5
2120	Current financial liabilities at fair value through profit or loss		1,008	-	-	-
2130	Current contract liabilities	6(19)	34,360	-	24,382	-
2150	Notes payable		12,851	-	15,071	-
2170	Accounts payable		88,533	-	270,965	-
2200	Other payables		352,955	1	359,757	1
2220	Other payables to related parties	7	104,410	-	94,331	-
2250	Provisions for liabilities - current	6(13)	50,523	-	50,523	-
2320	Long-term liabilities, current portion	6(10)(11)	760,000	1	-	-
2399	Other current liabilities		21,352	-	9,139	-
21XX	Total current Liabilities		9,122,992	14	4,418,958	6
Non-current liabilities						
2530	Corporate bonds payable	6(10)	5,000,000	7	5,000,000	7
2540	Long-term borrowings	6(11)	13,430,000	20	17,555,000	25
2570	Deferred tax liabilities	6(25)	616,931	1	721,984	1
2645	Deposits received		12,199	-	11,548	-
2670	Other non-current liabilities	6(12)(14) and 7	189,436	-	204,595	1
25XX	Total non-current liabilities		19,248,566	28	23,493,127	34
2XXX	Total Liabilities		28,371,558	42	27,912,085	40
Equity						
Share capital						
3110	Common stock	6(15)	6,697,630	10	6,797,630	10
Capital surplus						
3200	Capital surplus	6(16)	333,951	-	982,539	1
Retained earnings						
3310	Legal reserve	6(17)	1,724,342	2	1,578,852	3
3320	Special reserve		36,131,662	53	34,937,216	50
3350	Unappropriated retained earnings		1,100,739	2	1,547,516	2
Other equity interest						
3400	Other equity interest	6(18)	(4,836,021)	(7)	(2,720,683)	(4)
3500	Treasury stocks	6(15)	(1,357,042)	(2)	(1,283,228)	(2)
3XXX	Total equity		39,795,261	58	41,839,842	60
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 68,166,819	100	\$ 69,751,927	100

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

Clevo Co.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
Items		Notes	2019		2018	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(19)	\$ 15,372,546	100	\$ 14,560,392	100
5000	Operating costs	6(4)(23)(24) and 7	(14,238,519)	(92)	(13,551,524)	(93)
5900	Net operating margin		1,134,027	8	1,008,868	7
5910	Unrealized profit from sales		2,713	-	(65)	-
5920	Realized profit from sales		65	-	1,574	-
5950	Net operating margin		1,136,805	8	1,010,377	7
	Operating expenses	6(23)(24)				
6100	Selling expenses		(200,948)	(1)	(214,454)	(1)
6200	General & administrative expenses		(419,612)	(3)	(497,039)	(3)
6300	Research and development expenses		(561,325)	(4)	(528,608)	(4)
6000	Total operating expenses		(1,181,885)	(8)	(1,240,101)	(8)
6900	Operating loss		(45,080)	-	(229,724)	(1)
	Non-operating income and expenses					
7010	Other income	6(20)	361,796	2	347,876	2
7020	Other gains and losses	6(21)	93,607	1	73,410	1
7050	Finance costs	6(22) and 7	(411,871)	(3)	(391,025)	(3)
7070	Share of profit of associates and joint ventures accounted for using equity method, net		1,211,100	8	1,750,117	12
7000	Total non-operating revenue and expenses		1,254,632	8	1,780,378	12
7900	Profit before income tax		1,209,552	8	1,550,654	11
7950	Income tax expense	6(25)	(140,913)	(1)	(95,750)	(1)
8200	Profit for the year		\$ 1,068,639	7	\$ 1,454,904	10
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plan	6(12)	\$ 4,189	-	(\$ 6,585)	-
8312	Gains on revaluation		-	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(838)	-	1,317	-
8310	Other comprehensive income that will not be reclassified to profit or loss		3,351	-	(5,268)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	(2,149,814)	(14)	(594,951)	(4)
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method		-	-	-	-
8399	Income tax related to the components of other comprehensive income	6(25)	34,476	-	(7,663)	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(2,115,338)	(14)	(602,614)	(4)
8300	Other comprehensive loss for the year		(\$ 2,111,987)	(14)	(\$ 607,882)	(4)
8500	Total comprehensive loss for the year		(\$ 1,043,348)	(7)	(\$ 847,022)	(6)
	Earnings per share					
9750	Basic earnings per share	6(26)	\$ 1.75		\$ 2.32	
9850	Diluted earnings per share	6(26)	\$ 1.74		\$ 2.30	

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

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

		Capital Reserves		Retained Earnings			Other equity interest					
	Notes	Ordinary Share	Total capital surplus, additional paid-in capital	Capital surplus, treasury share transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Asset revaluation increment	Treasury shares	Total equity
For the year ended December 31, 2018												
		\$ 6,831,630	\$ 1,379,498	\$ 202,476	\$ 1,507,074	\$ 33,929,051	\$ 1,079,944	(\$ 2,138,991)	\$ 97,879	\$ 20,922	(\$ 625,346)	\$ 42,284,137
		-	-	-	-	-	97,879	-	(97,879)	-	-	-
		<u>6,831,630</u>	<u>1,379,498</u>	<u>202,476</u>	<u>1,507,074</u>	<u>33,929,051</u>	<u>1,177,823</u>	<u>(2,138,991)</u>	<u>-</u>	<u>20,922</u>	<u>(625,346)</u>	<u>42,284,137</u>
		-	-	-	-	-	1,454,904	-	-	-	-	1,454,904
		-	-	-	-	-	(5,268)	(602,614)	-	-	-	(607,882)
		-	-	-	-	-	1,449,636	(602,614)	-	-	-	847,022
Appropriations of 2017 earnings	6(17)											
Legal reserve		-	-	-	71,778	-	(71,778)	-	-	-	-	-
Special reserve		-	-	-	-	1,008,165	(1,008,165)	-	-	-	-	-
Capital dividends	6(17)	-	(546,530)	-	-	-	-	-	-	-	-	(546,530)
Treasury stock acquired	6(15)	-	-	-	-	-	-	-	-	-	(767,537)	(767,537)
Treasury stock canceled	6(15)	(34,000)	-	(75,655)	-	-	-	-	-	-	109,655	-
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	22,750	-	-	-	-	-	-	-	22,750
Balance at December 31, 2018		<u>\$ 6,797,630</u>	<u>\$ 832,968</u>	<u>\$ 149,571</u>	<u>\$ 1,578,852</u>	<u>\$ 34,937,216</u>	<u>\$ 1,547,516</u>	<u>(\$ 2,741,605)</u>	<u>\$ -</u>	<u>\$ 20,922</u>	<u>(\$ 1,283,228)</u>	<u>\$ 41,839,842</u>
For the year ended December 31, 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
		-	-	-	-	-	1,068,639	-	-	-	-	1,068,639
		-	-	-	-	-	3,351	(2,115,338)	-	-	-	(2,111,987)
		-	-	-	-	-	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)
Capital dividends	6(17)	-	(513,810)	-	-	-	-	-	-	-	-	(513,810)
Adjustment to capital surplus arising from dividends paid to subsidiaries		-	-	27,047	-	-	-	-	-	-	-	27,047
Treasury stock acquired	6(15)	-	-	-	-	-	-	-	-	-	(386,017)	(386,017)
Treasury stock retired	6(15)	(100,000)	(12,254)	(149,571)	-	-	(50,378)	-	-	-	312,203	-
Balance at December 31, 2019		<u>\$ 6,697,630</u>	<u>\$ 306,904</u>	<u>\$ 27,047</u>	<u>\$ 1,724,342</u>	<u>\$ 36,131,662</u>	<u>\$ 1,100,739</u>	<u>(\$ 4,856,943)</u>	<u>\$ -</u>	<u>\$ 20,922</u>	<u>(\$ 1,357,042)</u>	<u>\$ 39,795,261</u>

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

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

		Year ended December 31	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,209,552	\$ 1,550,654
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(23)	12,037	11,651
Amortisation	6(23)	6,671	5,819
Loss (Gain) on financial assets and liabilities measured at fair value through profit or loss	6(21)	(184,213)	124,827
Interest expense		411,871	391,025
Interest income	6(20)	(139,663)	(101,081)
Dividend income	6(20)	(25,897)	(30,702)
Share of profit of associates and joint ventures accounted for under the equity method	6(5)	(1,211,100)	(1,750,117)
Gain on disposal of investments	6(21)	(35,776)	13,410
Loss (gain) on adjustments of investment properties at fair value	6(8)(21)	(2,476)	(7,912)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets measured at fair value through profit or loss		270,875	(230,481)
Accounts receivable, net		(861,322)	(9,305)
Inventories		(55,722)	137,321
Prepayments		1,118,568	(1,166,172)
Other current assets		(59,571)	53,405
Changes in operating liabilities			
Contract liabilities		9,978	(542,263)
Notes payable		(2,219)	(165)
Accounts payable		(182,432)	(172,819)
Other payables		16,855	20,934
Other current liabilities		12,213	1,147
Other non-current liabilities		(8,272)	(9,879)
Cash inflow (outflow) generated from operations		299,957	(1,710,703)
Interest received		144,989	98,951
Dividends received		25,897	30,702
Cash dividends received from investments accounted for under the equity method		983,540	111,105
Income taxes paid		(204,334)	(13,879)
Interest paid		(420,992)	(400,114)
Net cash flows from (used in) operating activities		829,057	(1,883,938)

(Continued)

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

		Year ended December 31	
	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in prepayments for investments		\$ -	\$ 1,435,435
Acquisition of property, plant and equipment	6(6)	(10,289)	(6,098)
Decrease (increase) in refundable deposits		1,330	(20)
Acquisition of intangible assets		(12,632)	(1,468)
Increase in other accounts receivable due from related parties		(1,421,437)	-
Decrease (increase) in other non-current assets		1,716	(11,866)
Decrease (increase) in current financial assets at amortised cost		1,889,023	(325,122)
Acquisition of investments accounted for under equity method		(1,000,000)	-
Proceeds from capital reduction of investments accounted for under equity method		1,159,168	-
Net cash flows from investing activities		606,879	1,090,861
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		63,587,471	62,798,107
Repayments of short-term borrowings		(59,485,261)	(62,905,317)
Proceeds from issuing bonds	6(10)	5,000,000	-
Proceeds from long-term borrowings		25,190,000	45,374,453
Repayments of long-term borrowings		(28,755,000)	(42,040,992)
Increase in guarantee deposit		651	1,600
Increase in other payable to related parties	7	13,000	6,000
Decrease in long-term accounts payable - related parties	7	(2,698)	(1,368,723)
Cash dividends paid	6(17)	(642,262)	(546,530)
Acquisition of treasury stock	6(28)	(403,475)	(750,079)
Repayments of corporate bonds payable		(4,800,000)	-
Net cash flows (used in) from financing activities		(297,574)	568,519
Changes in exchange rates		(35,440)	(16,771)
Net increase (decrease) in cash and cash equivalents		1,102,922	(241,329)
Cash and cash equivalents at beginning of year		4,775,480	5,016,809
Cash and cash equivalents at end of year		\$ 5,878,402	\$ 4,775,480

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

REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Clevo Co.

PWCR19005024

Opinion

We have audited the accompanying consolidated balance sheets of Clevo Co. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits of the consolidated financial statements as of and for the year ended December 31, 2019 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 (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audits of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 were as follows:

Valuation of investment properties

Description

Refer to Note 4(20) 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, 2019, the Group's investment properties at fair value amounted to NT\$63,013,015 thousand.

The Group measures investment properties with fair value model. The fair value measurement is based on income approach and the discounted cash flow by using estimated future rental income 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(35) for accounting policies on revenue recognition and Note 6(22) for details operating revenue. As at December 31, 2019, the group's rental revenue amounted to NT\$3,039,613 thousand.

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

The customers of booth rental revenue are merchants in the location of investment property, the customers are numerous and most contract periods are from 6 months to one year. The main customers are primarily engaged in the sales of 3C products and food service. In recent years, the growth of 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. We consider the existence of booth rental revenue as a key audit matter.

How our audit addressed the matter

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

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

Valuation of inventories

Description

Refer to Note 4(13) for accounting policy on the evaluation of inventories, Note 5(2) for uncertainty of accounting estimations and assumptions in relation to inventory valuation, and Note 6(4) for the details for inventory valuation. As at December 31, 2019, the balance of inventory and allowance for inventory valuation losses amounted to NT\$4,254,379 thousand and NT\$90,611 thousand, respectively.

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

The Group recognises inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on the age and the damage of inventory. The allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged. As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value is subject to management's judgment, we consider the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Clevo Co. as at and for the years ended December 31, 2019 and 2018.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Min-Juan Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 31, 2020

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

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

ASSETS		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 8,047,784	8	\$ 7,796,543	7
1110	Current financial assets at fair value through profit or loss	6(2)	1,022,194	1	1,322,990	1
1136	Current financial assets at amortised cost	6(1)	1,670,772	2	4,749,768	4
1170	Accounts receivable, net	6(3)	1,996,971	2	1,623,861	2
1180	Accounts receivable due from related parties, net	6(3) and 7	1,022	-	3,166	-
1220	Current income tax assets		272	-	9,984	-
130X	Inventories	6(4) and 8	4,163,768	4	7,896,031	7
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	920,049	1	2,188,836	2
11XX	Total current assets		21,608,848	22	25,591,179	23
Non-current assets						
1535	Non-current financial assets at amortised cost	6(1)	23,517	-	115,850	-
1550	Investments accounted for using equity method, net	6(5)	3,430,464	3	2,518,217	2
1600	Property, plant and equipment	6(6) and 8	5,822,337	6	9,970,165	9
1755	Right-of-use assets	6(7), 7 and 8	4,465,980	4	-	-
1760	Investment property, net	6(9) and 8	63,013,015	63	65,426,212	58
1780	Intangible assets	6(10)	29,926	-	21,311	-
1840	Deferred income tax assets	6(28)	181,794	-	214,011	-
1985	Long-term prepaid rents	6(7) and 8	-	-	6,675,527	6
1990	Other non-current assets, others	8	1,810,854	2	1,927,385	2
15XX	Total non-current assets		78,777,887	78	86,868,678	77
1XXX	Total assets		\$ 100,386,735	100	\$ 112,459,857	100

(Continued)

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

LIABILITIES AND STOCKHOLDERS' EQUITY		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 9,228,429	9	\$ 8,426,966	8
2120	Current financial liabilities at fair value through profit or loss		1,008	-	-	-
2130	Current contract liabilities	6(22)	574,301	1	3,146,037	3
2150	Notes payable		12,851	-	15,135	-
2170	Accounts payable		1,580,846	2	1,590,415	1
2180	Accounts payable - related parties	7	318,091	-	262,229	-
2200	Other payables	7	2,211,793	2	2,008,965	2
2230	Current income tax liabilities	6(28)	25,387	-	170,192	-
2250	Provisions for liabilities - current	6(17)	50,523	-	50,523	-
2280	Current lease liabilities	7	13,555	-	-	-
2320	Long-term liabilities, current portion	6(14)(15)	4,946,751	5	2,747,011	2
2399	Other current liabilities	6(13) and 7	2,037,032	2	646,170	1
21XX	Total current liabilities		<u>21,000,567</u>	<u>21</u>	<u>19,063,643</u>	<u>17</u>
Non-current liabilities						
2530	Corporate bonds payable	6(14)	5,000,000	5	5,000,000	5
2540	Long-term borrowings	6(15)	21,209,345	21	31,837,471	28
2570	Deferred income tax liabilities	6(28)	12,074,682	12	12,380,424	11
2580	Non-current lease liabilities	7	52,348	-	-	-
2670	Other non-current liabilities	6(5)(16) and 7	1,254,532	1	2,321,189	2
25XX	Total non-current liabilities		<u>39,590,907</u>	<u>39</u>	<u>51,539,084</u>	<u>46</u>
2XXX	Total liabilities		<u>60,591,474</u>	<u>60</u>	<u>70,602,727</u>	<u>63</u>
Equity attributable to owners of parent						
Share capital		6(18)				
3110	Ordinary share		6,697,630	7	6,797,630	6
Capital surplus		6(19)				
3200	Capital surplus		333,951	-	982,539	1
Retained earnings		6(20)				
3310	Legal reserve		1,724,342	2	1,578,852	1
3320	Special reserve		36,131,662	36	34,937,216	31
3350	Unappropriated retained earnings		1,100,739	1	1,547,516	1
Other equity interest						
3400	Other equity interest	6(21)	(4,836,021)	(5)	(2,720,683)	(2)
3500	Treasury shares	6(18)	(1,357,042)	(1)	(1,283,228)	(1)
31XX	Total equity attributable to owners of parent		<u>39,795,261</u>	<u>40</u>	<u>41,839,842</u>	<u>37</u>
36XX	Non-controlling interest		<u>-</u>	<u>-</u>	<u>17,288</u>	<u>-</u>
3XXX	Total equity		<u>39,795,261</u>	<u>40</u>	<u>41,857,130</u>	<u>37</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ 100,386,735</u>	<u>100</u>	<u>\$ 112,459,857</u>	<u>100</u>

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

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

	Items	Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(22) and 7	\$ 21,900,662	100	\$ 19,796,072	100
5000	Operating costs	6(4)(26)(27) and 7	(16,849,737)	(77)	(14,515,709)	(74)
5900	Net operating margin		5,050,925	23	5,280,363	26
	Operating expenses	6(26)(27)				
6100	Selling expenses		(1,822,221)	(8)	(1,365,770)	(7)
6200	General & administrative expenses		(1,788,169)	(8)	(1,901,144)	(9)
6300	Research and development expenses		(561,398)	(3)	(528,608)	(3)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	5,026	-	(17,992)	-
6000	Total operating expenses		(4,166,762)	(19)	(3,813,514)	(19)
6900	Operating profit		884,163	4	1,466,849	7
	Non-operating income and expenses					
7010	Other income	6(23)	572,271	2	616,195	3
7020	Other gains and losses	6(24) and 7	1,242,244	6	1,174,967	6
7050	Finance costs	6(25) and 7	(1,105,904)	(5)	(878,327)	(4)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(5)	166,858	1	(24,009)	-
7000	Total non-operating revenue and expenses		875,469	4	888,826	5
7900	Profit before income tax		1,759,632	8	2,355,675	12
7950	Income tax expense	6(28)	(685,768)	(3)	(899,316)	(5)
8200	Profit for the year		\$ 1,073,864	5	\$ 1,456,359	7

(Continued)

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

	Items	Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Loss on remeasurements on defined benefit plans	6(16)	\$ 4,189	-	(\$ 6,585)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(838)	-	1,317	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		3,351	-	(5,268)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(21)	(2,046,091)	(9)	(544,392)	(3)
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(21)	(90,518)	(1)	(49,680)	-
8399	Income tax relating to the components of other comprehensive income	6(28)	34,476	-	(7,663)	-
8360	Other comprehensive income that will be reclassified to profit or loss		(2,102,133)	(10)	(601,735)	(3)
8300	Total other comprehensive loss for the year		(\$ 2,098,782)	(10)	(\$ 607,003)	(3)
8500	Total comprehensive (loss) income for the year		(\$ 1,024,918)	(5)	\$ 849,356	4
	Net income, attributable to:					
8610	Owners of the parent		\$ 1,068,639	5	\$ 1,454,904	7
8620	Non-controlling interest		\$ 5,225	-	\$ 1,455	-
	Comprehensive income attributable to:					
8710	Owners of the parent		(\$ 1,043,348)	(5)	\$ 847,022	4
8720	Non-controlling interest		\$ 18,430	-	\$ 2,334	-
	Earnings per share	6(29)				
9750	Basic earnings per share		\$ 1.75		\$ 2.32	
9850	Diluted earnings per share	6(29)	\$ 1.74		\$ 2.30	

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

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

Equity attributable to owners of the parent														

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

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

		Year ended December 31	
	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,759,632	\$ 2,355,675
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(26)	189,742	154,122
Amortisation	6(10)(26)	9,073	18,930
Expected credit (gain) loss	12(2)	(5,025)	17,992
Net (gain) loss on financial assets measured at fair value through profit or loss	6(24)	(377,049)	405,608
Interest expense	6(25)	1,105,904	878,327
Interest income	6(23)	201,550	(130,921)
Dividend income	6(23)	(26,052)	(33,114)
Share of (profit) loss of associates and joint ventures accounted for under the equity method	6(5)	(166,858)	24,009
(Gain) loss on disposal of property, plant and equipment	6(24)	(5,280)	1,490
Gain on disposal of investment property	6(24)	(463,078)	-
Gain on disposal of investments	6(24)	(311,286)	(928,375)
Impairment loss on non-financial assets	6(11)	160,539	-
Gain on adjustments of investment properties at fair value	6(9)(24)	(764,734)	(913,763)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets measured at fair value through profit or loss		978,899	(350,522)
Notes receivable, net		-	1,127
Accounts receivable, net		(364,099)	270,992
Inventories		1,184,684	(289,080)
Prepayments		-	(210,596)
Capitalisation of interest (inventories)	6(4)	(71,224)	(111,080)
Other current assets		287,114	182,366
Changes in operating liabilities			
Contract liabilities		99,173	52,018
Notes payable		(2,284)	-
Accounts payable		(9,569)	(262,484)
Accounts payable - related parties		55,862	(6,980)
Other payables		96,324	(204,811)
Other current liabilities		(60,720)	560
Other non-current liabilities		(111,240)	(1,249)
Cash inflow generated from operations		2,986,898	920,241
Interest received		206,879	128,788
Dividends received		26,052	33,114
Interest paid		(1,116,558)	(847,665)
Income taxes paid		(802,052)	(285,814)
Net cash flows from (used in) operating activities		1,301,219	(51,336)

(Continued)

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

		Year ended December 31	
	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in financial assets at amortised cost - current		\$ 3,078,996	(\$ 1,465,783)
Repayment of disposal of available-for-sale financial assets	6(30)	-	44,115
Disposal of subsidiaries	6(31)	961,772	994,893
Acquisition of property, plant and equipment	6(31)	(734,728)	(938,533)
Proceeds from disposal of property, plant and equipment	6(31)	133,696	11,464
Decrease in refundable deposits		47,549	1,163
Acquisition of intangible assets	6(11)	(18,830)	(2,158)
Acquisition of investment properties	6(31)	(214,450)	(198,729)
Proceeds from disposal of investment properties	6(9)	4,066,394	3,864
Interest paid (capitalisation of interest)	6(9)	(246,306)	(397,441)
Increase in long-term prepaid rent		-	(12,881)
Decrease (increase) in financial assets at amortized cost - non-current		92,333	(22,574)
Acquisition of investments accounted for under equity method		(1,000,000)	-
Decrease (increase) in other non-current assets		19,377	(374,166)
Receipts in advance due to disposal of property, plant and equipment		1,458,310	-
Net cash flows from (used in) investing activities		7,644,113	(2,356,766)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		70,491,330	72,058,041
Repayments of short-term borrowings		(69,461,113)	(69,856,355)
Increase in other payables		215,650	-
Proceeds from issuing bonds		5,000,000	-
Repayments of bonds payable		(4,800,000)	-
Proceeds from long-term borrowings		26,814,012	52,017,987
Repayments of long-term borrowings		(34,899,061)	(50,267,748)
(Decrease) increase in guarantee deposit		(1,191,970)	866,522
(Decrease) increase in other financial liabilities - current		(6,728)	6,728
Cash dividends paid	6(19)	(642,263)	(546,530)
Decrease in other financial liabilities - non-current		-	(585,947)
Acquisition of treasury stock	6(31)	(403,475)	(750,079)
Payments of lease liabilities		(7,614)	-
Changes in non-controlling interests		(22,742)	(944)
Net cash flows (used in) from financing activities		(8,913,974)	2,941,675
Changes in exchange rates		219,883	(259,609)
Net increase in cash and cash equivalents		251,241	273,964
Cash and cash equivalents at beginning of year		7,796,543	7,522,579
Cash and cash equivalents at end of year		\$ 8,047,784	\$ 7,796,543

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

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

Article 3: 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 IV 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 V 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 VI 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 VII Supplementary Provisions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fifteenth revision was made on May 5th, 1997.
The sixteenth revision was made on January 20th, 1998.
The seventeenth revision was made on April 29th, 1998.
The eighteenth revision was made on May 13th, 1999.
The nineteenth revision was made on June 8th, 2000.
The twentieth revision was made on May 31st, 2002.
The twenty-first revision was made on May 25th, 2004.
The twenty-second revision was made on June 14th, 2005.
The twenty-third revision was made on June 15th, 2006.
The twenty-fourth revision was made on June 15th, 2007.
The twenty-fifth revision was made on June 11th, 2008.
The twenty-sixth revision was made made on June 19th, 2009.
The twenty-seventh revision was made made on June 14th, 2010.
The twenty-eighth revision was made on June 17th, 2011.
The twenty-ninth revision was made on June 15th, 2012.
The thirtieth revision was made on June 14th, 2013.
The thirty-first revision was made on June 12th, 2014.
The thirty-second revision was made on June 14th, 2016.
The thirty-third revision was made on June 15th, 2018.
The thirty-fourth revision was made on June 18th, 2019.

CLEVO CO.

Operational procedures for Acquisition and Disposal of Assets

Article 1 Purpose and legal basis:

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

Article 2 Scope of assets:

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

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

Article 3 Definition of terms:

- (I) The term "date of actual occurrence" used in these procedures refers to the date of the signing of the transaction, date of payment, date of entrusting the transaction, date of transfer, date of resolution of the Board of Directors, or the other dates on which the subject of the transaction and the amount of the transaction are determined with sufficient funds (whichever is the former). However, if the investor is subject to the approval of the competent authority, the former of the above date or the

- date of receipt of the approval of the competent authority shall prevail.
- (II) The term "professional valuator" in these procedures refers to a real estate valuator or other professional who is legally engaged in the valuation business of real estate and other fixed assets.
 - (III) Related persons and subsidiaries shall be identified according to the preparation for standards of financial report of securities issuers.
 - (IV) The term "within one year" used in these treatment procedures shall be based on the date on which the assets are acquired or disposed of, and shall be counted back for one year. The part that has been announced shall be exempted from calculation.
 - (V) The term "financial statements of the latest period" used in these treatment procedures refers to the financial statements of the Company that have been made available to the public according to law and audited or reviewed by an accountant before the Company acquires or disposes of the assets.
 - (VI) The term "related person" in these treatment procedures refers to the person specified in Bulletin No. 6 of the Financial Accounting Standards issued by the Foundation for Accounting Research and Development.
 - (VII) Investment in the Chinese mainland refers to investment in the Chinese mainland of the Investment Review Committee of the Ministry of Economy according to the provisions of the Licensing Measures for Investment or Technical Cooperation in Chinese Mainland.

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

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

other fixed assets:

1. The handling unit shall make a capital expenditure plan in advance, and after feasibility analysis on the purpose or use of purchase and sales and the expected benefits, it shall send it to the financial unit to prepare the capital expenditure budget and execute and control according to the content of the plan.
 2. The handling unit shall propose to sign off according to the Company's measures for delegation of authorization. If the requirements of the regulations are met, an objective, fair, and independent professional real estate valuation agency shall be employed for valuation and issue a appraisal report according to the provisions.
 3. When acquiring or disposing of the assets, the handling unit shall register, manage, and use the fixed assets according to the relevant provisions of the "Property Management Regulations" under the Company's accounting system. Those who reach the standard of public announcement shall be handled according to the provisions.
- (III) Internal auditors of the Company shall regularly check and evaluate the execution of relevant operations, and regularly check the certificates of important assets. If a violation of the relevant provisions is found to be serious, they shall notify the Audit Committee in writing immediately.

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

I. Price determination methods and reference basis

(I) The method and reference basis for determining the price of investment of negotiable securities:

1. For negotiable securities not traded in a centralized securities exchange market, an over-the-counter trading center or a securities firm's business premises, the handling unit shall submit the reference or calculation basis of the sales price and the trading conditions to the General Manager and Chairman of the Board of Directors for approval before handling.
2. Negotiable securities traded in a centralized securities exchange market, an over-the-counter trading center, or a securities firm's business premises shall be determined according to the stock price or bond price at that time.

(II) The methods and reference basis for determining the investment price of real estate and other fixed assets:

The handling unit shall submit the reference basis for price determination and the mode of transaction to the General Manager and Chairman of the Board of Directors for approval before the transaction. If it meets the requirements of Article 8 of these procedures, the appraisal report of the professional appraiser shall be obtained.

II. Authorization level:

- (I) If the amount of investment exceeds NT\$300 million (including), the Board of Directors must agree before execution. If the amount of

investment is below NT\$300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition. If it is related to financial scheduling (such as bonds and monetary funds whose buying and selling has buy-back and sell-back conditions), it shall be executed according to the measures for delegation of the Company's authority.

- (II) When a contract of purchase and sales is entered into with the counterpart of the transaction, in order to meet the business needs and improve time efficiency, it shall be submitted to the next board meeting for recognition after it is approved by the Chairman of the Board of Directors, the contract is signed and the transaction is made.
- (III) The acquisition or disposal of assets shall be handled according to the provisions of the Company Act or other decrees, and subject to the resolution, recognition, or reporting to the Board of Shareholders.

Article 6 Executing unit:

The executing unit of investment in relevant negotiable securities is a financial unit, and the executing unit of real estate and other fixed assets is the use departments and relevant power and responsibility units.

Article 7 Scope and amount of investment:

- (I) The Company's investment scope and amount:

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

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

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

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

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

1. The amount of real estate not for business use shall not exceed 20% of the paid-in capital.

2.The total amount of investment in negotiable securities (excluding monetary funds) shall not exceed 40% of the net value of the Company in the latest financial statements certified by CPAs, but the investment in individual negotiable securities shall not exceed 20% of the net value of the Company in the latest period of financial statements certified by CPAs. For the scope of individual investment in negotiable securities, if it is a long-term equity investor, the amount of individual investment in negotiable securities shall not be limited by Clause 2 of the preceding paragraph. The amount of individual investment in negotiable securities shall not exceed the net value of the Company in the latest period of financial statements.

Article 8 Experts shall give their opinions:

- I. In addition to acquiring or disposing of equipment for business use or their right-of-use assets by making transactions with domestic government agencies, commissioning to build on its own land or commissioning to build on leased land, acquiring or disposing of equipment for business use or their right-of-use assets and the amount of the transaction has reached 20% of the Company's paid-up capital or NT\$300 million, the appraisal report issued by the professional appraiser shall be obtained before the fact occurs and the following provisions shall be complied with:
 - (I) When a fixed price, a specific price, or a special price is to be used as a reference basis for the transaction price for special reasons, the transaction shall first be approved by the Board of Directors by resolution. The future changes in transaction conditions shall also be handled in the same way.
 - (II) If the amount of the transaction is more than NT\$1 billion, two or more professional appraisers shall be invited for appraisal.
 - (III) In any of the following cases of the professional appraiser's appraisal results, except where the valuation results of the acquired assets are higher than the amount of the transaction, or the valuation results of the disposed assets are lower than the amount of the transaction, accountants shall be employed to handle the issue according to the provisions of Statement on Auditing Standards No. 20 issued by the Foundation for Accounting Research and Development, and express specific opinions on the causes of the differences and the fairness of the transaction price:
 1. The difference between the valuation result and the amount of the transaction is more than 20% of the amount of the transaction.
 2. The difference between the valuation results of two or more professional appraisers is more than 10% of the amount of the transaction.
 - (IV) The difference between the date of issuance of the report and the date of signing of the contract by the professional eappraiser shall not exceed three months. However, if the present value of the same period of announcement is applicable and the difference has not exceeded six months, the original professional eappraiser shall give

opinions.

- II. If the Company acquires or disposes of negotiable securities, it shall take the latest period of financial statements of the Company with the subject matter which has been checked by the accountant before the fact occurs as a reference for evaluating the transaction price. If the amount of the transaction reaches 20% of the Company's paid-in capital or more than NT\$300 million, it shall consult the accountant before the fact occurs to express its views on the rationality of the transaction price. If an accountant needs to adopt an expert report, he or she shall comply with the provisions of Statement on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation. However, this does not apply if the negotiable securities have an open quotation in a flexible market or the competent authority has other provisions.
- III. If the Company obtains or disposes of intangible assets, their right-of-use assets, or membership cards, whose amount of the transaction reaches 20% of the Company's paid-in capital or is more than NT\$300 million, except for transactions with government agencies, a CPA shall be invited to express opinions on the rationality of the transaction price before the fact occurs. The CPA shall also act according to the provisions of Statement on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation.
- IV. The calculation of the amount of the transactions mentioned in the first three paragraphs shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part for which the appraisal report issued by a professional appraiser or accountant's opinion has been obtained according to the provisions of these standards shall be exempted from calculation.
- V. Where the Company acquires or disposes of assets through the auction procedures of the court, the certificate issued by the court may replace the appraisal report or the CPA's opinions.
- VI. The professional appraiser and his/her personnel, CPAs, lawyers, or securities underwriters who issued the appraisal report or opinion obtained by the Company shall comply with the following provisions:
 - (I) They have never been declared to be sentenced to fixed-term imprisonment of more than one year due to violation of these measures, Company Act, Banking Law, Insurance Law, Financial Holding Company Act or Commercial Accounting Law, or fraud, breach of trust, embezzlement, forgery of documents or business crime. However, if the execution has been completed, the probation period has expired, or the pardon has expired for three years, this limit shall not apply.
 - (II) They shall not be related to a party to a transaction or have a substantial relationship with the party concerned.
 - (III) If the Company must obtain the appraisal reports of two or more

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

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

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

Article 9 Where the Company acquires or disposes of real estate from or to the person concerned, or acquires or disposes of any assets other than real estate or its right-of-use assets from or to the person concerned, and the amount of the transaction reaches 20% of the Company's paid-in capital, 10% of total assets or more than NT\$300 million, except for purchasing and selling domestic government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts, the following information shall be agreed upon by more than one-half of the members of the Audit Committee and submitted to the Board of Directors for resolution before signing of a transaction contract and payment.

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

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

The Board of Directors shall authorize the Chairman of the Board of Directors to make a decision within a certain amount before submitting it to the Board of Directors for approval at the latest date according to the provisions of Clause 2 of Article 5, if the Company and its parent company or subsidiary directly or indirectly owning 100% of the issued shares or total capital make the following transactions:

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

When an independent director has been set according to the laws and regulations, and the Operational procedures for Acquisition and Disposal of Assets have been submitted to the Board of Directors for discussion according to the provisions of Paragraph 1, the opinions of the independent director shall be fully taken into account. If the independent director has objections or reservations, they shall be stated in the proceedings of the Board of Directors. When an audit committee has been established according to the laws and regulations, it shall be agreed upon by more than one-half of all the members of the audit committee according to the provisions of Paragraph 1 and submitted to the Board of Directors for a resolution.

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

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

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

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

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

Article 11 When making transactions of derivative commodities, the Company shall follow the “Operating Procedure for Trading Derivatives”, and pay attention to risk management and auditing, so as to ensure investment and strengthen management.

Article 12 When the Company handles mergers, divisions, acquisitions, or transfer of shares, before the resolution of the board meeting, accountants, lawyers, or securities underwriters shall be entrusted to give opinions on the rationality of the share exchange ratio, the purchase price or cash or other properties distributed to shareholders, which shall be submitted to the Board of Directors for discussion and approval. However, if a public company merges its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, or the merger is between its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, it may avoid obtaining the reasonable opinions of the experts before acquisition.

For the important agreed contents and related matters of merger, division or acquisition, public documents to shareholders shall be made before the board meeting, and submitted to shareholders together with the expert opinions in the preceding paragraph and the notice of the board meeting, for reference of whether to agree to the merger, division or acquisition. However, this does not apply when the board meeting does not have to be held to decide the merger, division, or acquisition matters according to other laws.

If the board meeting of either party cannot be held due to the lack of attendance, voting rights or other legal restrictions, or the resolution or proposal is rejected by the Board of Directors, the Company participating in the merger, division, or acquisition shall immediately disclose the reasons for the occurrence, subsequent processing operations, and the expected date of holding of the board meeting to the public. Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, the board meeting and shareholders’ meeting shall be held on the same day to decide on matters relating to merger, division, or acquisition.

Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, a company participating in the transfer of shares shall hold the board meeting on the same day.

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

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

- III. Important documents and proceedings: including plans for merger, division, acquisition, or transfer of shares, letters of intention or memorandum, important contract, board proceedings, etc.

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

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

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

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

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

- I. Treatment of breach of contract.
- II. Treatment principles of negotiable securities with an equity nature issued or treasury shares bought back from a company that has been eliminated or divided due to merger.
- III. Treatment principles of the number of treasury shares to be bought back

by a participating company according to the law after the base date on which the share exchange rate is calculated.

- IV. The way to deal with the change of participants or their number.
- V. Expected progress of implementation of the plan and expected completion schedule.
- VI. The expected date of board meetings to be held according to law and other relevant treatment procedures when the plan is not completed within the time limit.

Article 15 Announcement and declaration procedures

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

- I. The Company acquires or disposes of real estate or their right-of-use assets from or to the person concerned, or acquires or disposes of other assets or their right-of-use assets other than real estate from or to the person concerned, and the amount of the transaction reaches 20% of the Company's paid-in capital, 10% of total assets or more than NTD300 million, Except for purchasing and selling domestic government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts.
- II. Merger, division, acquisition, or transfer of shares.
- III. Losses incurred in derivative commodity transactions have reached the provision of the treatment procedures or the maximum individual contract losses.
- IV. The Company acquires or disposes of equipment used for business purposes or their right-of-use assets, the trading counterpart is not the person concerned, and the amount of the transaction reaches one of the following provisions:
 - (I) For a public company, the paid-in capital is less than NT\$10 billion, and the amount of the transaction is more than NT\$500 million.
 - (II) For a public company, the paid-in capital is more than NT\$10 billion, and the amount of the transaction is more than NT\$1 billion.
- V. A public company acquires or disposes of the real estate for construction or its right-of-use assets, the trading counterpart is not the person concerned, and the amount of the transaction is more than NTD500 million. Among them, the paid-in capital is more than NTD10 billion. The Company disposes of the self-built and competed real estate, the trading counterpart is not the person concerned, and the amount of the transaction is more than NTD1 billion.
- VI. Real estate is acquired by means of commissioning to build on its own land, commissioning to build on leased land, co-building and sharing houses, co-building and sharing money or co-building and selling separately. The trading counterpart is not the person concerned, and

the Company expects to invest more than NTD500 million in the transaction.

VII. Except for asset transactions, disposal of creditors' rights by financial institutions, or investment in the Chinese mainland besides those items in the first six paragraphs, the amount of the transaction is more than 20% of the Company's paid-in capital or more than NT\$300 million. But the following circumstances are not included:

- (I) Purchasing and selling domestic government bonds.
- (II) Negotiable securities purchased and sold on domestic and foreign stock exchanges and securities brokerages' business premises by people engaged in investment, ordinary corporate bonds subscribed to, raised and issued, and general financial bonds not involving equity in the domestic primary market (excluding subordinated bonds), securities investment trust funds or future trust funds purchased or bought back, or negotiable securities subscribed to by a corporate body consulted and recommended by a securities brokerage as an emerging stock company according to the provisions of the Taipei Exchange for the needs of underwriting business.
- (III) Purchase and sell bonds with buy-back or sell-back conditions, and purchase or buy back money market funds issued by domestic securities investment trusts.

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

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

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

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

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

Article 16 The time limit for announcement and declaration:

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

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

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

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

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

Article 19 These procedures shall be formulated or revised with the consent of more than one-half of all members of the Board of Auditors and submitted to the Board of Directors for resolution. If the preceding paragraph has not been agreed upon by more than one-half of all the members of the Board of Auditors, the consent of more than two-thirds of the directors is required, and the resolution of the Board of Auditors shall be stated in the proceedings of the Board of Directors.

All members of the Audit Committee and all directors referred to in the

preceding paragraph shall be calculated by the actual incumbents. After approval by the Board of Directors, they shall be submitted to the Board of Shareholders for approval, and the revision shall be the same. When an independent director has been set up according to the laws and regulations, the Operational procedures for Acquisition and Disposal of Assets shall be submitted to the Board of Directors for discussion according to the provisions of the preceding paragraph. The opinions of the independent director shall be fully taken into account. If the independent director has objections or reservations, they shall be stated in the proceedings of the Board of Directors.

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

- 1st amendments hereto were made on July 18th, 1995.
- 2nd amendments hereto were made on March 10rd, 1996.
- 3rd amendments hereto were made on March 10rd, 1997.
- 4th amendments hereto were made on March 11th, 1998.
- 5th amendments hereto were made on November 29th, 1999.
- 6th amendments hereto were made on December 12th, 2000.
- 7th amendments hereto were made on March 12th, 2002.
- 8th amendments hereto were made on June 12th, 2003.
- 9th amendments hereto were made on June 11th, 2008.
- 10th amendments hereto were made on June 19th, 2009.
- 11th amendments hereto were made on June 17th, 2011.
- 12th amendments hereto were made on June 15th, 2011.
- 13th amendments hereto were made on June 12th, 2011.
- 14th amendments hereto were made on June 15th, 2017.
- 15th amendments hereto were made on June 15th, 2018.
- 16th amendments hereto were made on June 18th, 2019.

CLEVO CO.

Operational procedures for Acquisition and Disposal of Assets

Article 1 Purpose and legal basis:

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

Article 2 Scope of assets:

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

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

Article 3 Definition of terms:

- (I) The term "date of actual occurrence" used in these procedures refers to the date of the signing of the transaction, date of payment, date of entrusting the transaction, date of transfer, date of resolution of the Board of Directors, or the other dates on which the subject of the transaction and the amount of the transaction are determined with sufficient funds (whichever is the former). However, if the investor is subject to the

- approval of the competent authority, the former of the above date or the date of receipt of the approval of the competent authority shall prevail.
- (II) The term "professional valuator" in these procedures refers to a real estate valuator or other professional who is legally engaged in the valuation business of real estate and other fixed assets.
 - (III) Related persons and subsidiaries shall be identified according to the preparation for standards of financial report of securities issuers.
 - (IV) The term "within one year" used in these treatment procedures shall be based on the date on which the assets are acquired or disposed of, and shall be counted back for one year. The part that has been announced shall be exempted from calculation.
 - (V) The term "financial statements of the latest period" used in these treatment procedures refers to the financial statements of the Company that have been made available to the public according to law and audited or reviewed by an accountant before the Company acquires or disposes of the assets.
 - (VI) The term "related person" in these treatment procedures refers to the person specified in Bulletin No. 6 of the Financial Accounting Standards issued by the Foundation for Accounting Research and Development.
 - (VII) Investment in the Chinese mainland refers to investment in the Chinese mainland of the Investment Review Committee of the Ministry of Economy according to the provisions of the Licensing Measures for Investment or Technical Cooperation in Chinese Mainland.

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

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

other fixed assets:

1. The handling unit shall make a capital expenditure plan in advance, and after feasibility analysis on the purpose or use of purchase and sales and the expected benefits, it shall send it to the financial unit to prepare the capital expenditure budget and execute and control according to the content of the plan.
 2. The handling unit shall propose to sign off according to the Company's measures for delegation of authorization. If the requirements of the regulations are met, an objective, fair, and independent professional real estate valuation agency shall be employed for valuation and issue a appraisal report according to the provisions.
 3. When acquiring or disposing of the assets, the handling unit shall register, manage, and use the fixed assets according to the relevant provisions of the "Property Management Regulations" under the Company's accounting system. Those who reach the standard of public announcement shall be handled according to the provisions.
- (III) Internal auditors of the Company shall regularly check and evaluate the execution of relevant operations, and regularly check the certificates of important assets. If a violation of the relevant provisions is found to be serious, they shall notify the Audit Committee in writing immediately.

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

I. Price determination methods and reference basis

(I) The method and reference basis for determining the price of investment of negotiable securities:

1. For negotiable securities not traded in a centralized securities exchange market, an over-the-counter trading center or a securities firm's business premises, the handling unit shall submit the reference or calculation basis of the sales price and the trading conditions to the General Manager and Chairman of the Board of Directors for approval before handling.
2. Negotiable securities traded in a centralized securities exchange market, an over-the-counter trading center, or a securities firm's business premises shall be determined according to the stock price or bond price at that time.

(II) The methods and reference basis for determining the investment price of real estate and other fixed assets:

The handling unit shall submit the reference basis for price determination and the mode of transaction to the General Manager and Chairman of the Board of Directors for approval before the transaction. If it meets the requirements of Article 8 of these procedures, the appraisal report of the professional appraiser shall be obtained.

II. Authorization level:

(I) **The short-term investment shall be executed according to the measures for delegation of the Company's authority upon**

assessment by the execution unit. If the amount of investment exceeds NT\$300 million (including), the Board of Directors must agree before execution, unless it is related to financial scheduling (such as transaction of domestic government bonds, and bonds and monetary funds whose buying and selling has buy-back and sell-back conditions).

- (II) If the limit of acquisition or disposal of long-term investment exceeds NT\$300 million (including), the Board of Directors must agree before execution. If the limit is below NT\$300 million, it shall be approved by the Chairman before it is submitted to the next board meeting for recognition.
- (III) The acquisition or disposal of assets shall be handled according to the provisions of the Company Act or other decrees, and subject to the resolution, recognition, or reporting to the Board of Shareholders.

Article 6 Executing unit:

The executing unit of investment in relevant negotiable securities is a financial unit, and the executing unit of real estate and other fixed assets is the use departments and relevant power and responsibility units.

Article 7 Scope and amount of investment:

- (I) The Company's investment scope and amount:

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

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

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

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

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

1. The amount of real estate not for business use shall not exceed 20% of the paid-in capital.

2. The total amount of investment in negotiable securities (excluding monetary funds) shall not exceed 40% of the net value of the Company in the latest financial statements certified by CPAs, but the investment in individual negotiable securities shall not exceed 20% of the net value of the Company in the latest period of financial statements certified by CPAs.

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

Article 8 Experts shall give their opinions:

- I. In addition to acquiring or disposing of real estate, equipment **or its right-of-use assets** by making transactions with **domestic** government agencies, commissioning to build on its own land or commissioning to build on leased land, or acquiring or disposing of equipment for business use **or its right-of-use assets** and the amount of the transaction has reached 20% of the Company's paid-up capital or NT\$300 million, the appraisal report issued by the professional appraiser shall be obtained before the fact occurs and the following provisions shall be complied with:
 - (I) When a fixed price, a specific price, or a special price is to be used as a reference basis for the transaction price for special reasons, the transaction shall first be approved by the Board of Directors by resolution. The future changes in transaction conditions shall also be handled in the same way.
 - (II) If the amount of the transaction is more than NT\$1 billion, two or more professional appraisers shall be invited for appraisal.
 - (III) In any of the following cases of the professional appraiser's appraisal results, except where the valuation results of the acquired assets are higher than the amount of the transaction, or the valuation results of the disposed assets are lower than the amount of the transaction, accountants shall be employed to handle the issue according to the provisions of Statement on Auditing Standards No. 20 issued by the Foundation for Accounting Research and Development, and express specific opinions on the causes of the differences and the fairness of the transaction price:
 1. The difference between the valuation result and the amount of the transaction is more than 20% of the amount of the transaction.
 2. The difference between the valuation results of two or more professional appraisers is more than 10% of the amount of the transaction.
 - (IV) The difference between the date of issuance of the report and the date of signing of the contract by the professional eappraiser shall

not exceed three months. However, if the present value of the same period of announcement is applicable and the difference has not exceeded six months, the original professional appraiser shall give opinions.

- II. If the Company acquires or disposes of negotiable securities, it shall take the latest period of financial statements of the Company with the subject matter which has been checked by the accountant before the fact occurs as a reference for evaluating the transaction price. If the amount of the transaction reaches 20% of the Company's paid-in capital or more than NT\$300 million, it shall consult the accountant before the fact occurs to express its views on the rationality of the transaction price. If an accountant needs to adopt an expert report, he or she shall comply with the provisions of Statement on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation. However, this does not apply if the negotiable securities have an open quotation in a flexible market or the competent authority has other provisions.
- III. If the Company obtains or disposes of intangible assets, their right-of-use assets, or membership cards, whose amount of the transaction reaches 20% of the Company's paid-in capital or is more than NT\$300 million, except for transactions with government agencies, a CPA shall be invited to express opinions on the rationality of the transaction price before the fact occurs. The CPA shall also act according to the provisions of Statement on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation.
- IV. The calculation of the amount of the transactions mentioned in the first three paragraphs shall be made according to the provisions of Paragraph 2 of Article 15, and the said one-year period shall be based on the date on which the transaction is actually made, and shall be counted back for one year. The part for which the appraisal report issued by a professional appraiser or accountant's opinion has been obtained according to the provisions of these standards shall be exempted from calculation.
- V. Where the Company acquires or disposes of assets through the auction procedures of the court, the certificate issued by the court may replace the appraisal report or the CPA's opinions.
- VI. The professional appraiser and his/her personnel, CPAs, lawyers, or securities underwriters who issued the appraisal report or opinion obtained by the Company shall comply **with the following provisions:**
 - (I) They have never been declared to be sentenced to fixed-term imprisonment of more than one year due to violation of these measures, Company Act, Banking Law, Insurance Law, Financial Holding Company Act or Commercial Accounting Law, or fraud, breach of trust, embezzlement, forgery of documents or business crime. However, if the execution has been completed, the probation period has expired, or the pardon has expired for three years, this limit shall not apply.

- (II) They shall not be related to a party to a transaction or have a substantial relationship with the party concerned.
- (III) If the Company must obtain the appraisal reports of two or more professional appraisers, different professional appraisers, the appraisers may not be related to each other or have a substantial relationship with each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall act according to the following matters:

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

Article 9 Where the Company acquires or disposes of real estate **or its right-of-use assets** from or to the person concerned, or acquires or disposes of any assets other than real estate **or its right-of-use assets** from or to the person concerned, and the amount of the transaction reaches 20% of the Company's paid-in capital, 10% of total assets or more than NT\$300 million, except for purchasing and selling domestic government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts, the following information shall be agreed upon by more than one-half of the members of the Audit Committee and submitted to the Board of Directors for resolution before signing of a transaction contract and payment.

- I. The purpose, necessity, and expected benefits of acquiring or disposing of assets.
- II. Reasons for choosing the person concerned as a trading object.
- III. Relevant information about acquiring real estate **or its right-of-use assets** from the person concerned and evaluating the rationality of the predefined transaction conditions according to the provisions.
- IV. The date and price of the original acquisition, trading counterpart, its relationship with The Company and its person concerned, etc.
- V. The cash receipt and expenditure forecast for each month of the next year from the month expected contract signing, the necessity of accessing the

transaction and the rationality of the use of funds.

VI. appraisal report or opinions of accountants issued by professional appraisers obtained according to the provisions of the preceding article.

VII. Restrictions on this transaction and other important agreements.

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

The Board of Directors shall authorize the Chairman of the Board of Directors to make a decision within a certain amount before submitting it to the Board of Directors for approval at the latest date according to the provisions of Clause 2 of Article 5, if the Company and its parent company or subsidiary directly or indirectly owning 100% of the issued shares or total capital make the following transactions:

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

When an independent director has been set according to the laws and regulations, and the Operational procedures for Acquisition and Disposal of Assets have been submitted to the Board of Directors for discussion according to the provisions of Paragraph 1, the opinions of the independent director shall be fully taken into account. If the independent director has objections or reservations, they shall be stated in the proceedings of the Board of Directors. When an audit committee has been established according to the laws and regulations, it shall be agreed upon by more than one-half of all the members of the audit committee according to the provisions of Paragraph 1 and submitted to the Board of Directors for a resolution.

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

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

Article 10 When the person concerned of the Company acquires or disposes of assets, in addition to handling the relevant resolution procedures and evaluating the rationality of transaction conditions according to regulations, an appraisal report issued by a professional appraiser or CPA's opinions should be obtained according to the provisions of Articles 8 and 9 herein if the amount of the transaction reaches more than 10% of the total assets of the Company.

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

15.

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

Article 11 When making transactions of derivative commodities, the Company shall follow the “Operating Procedure for Trading Derivatives”, and pay attention to risk management and auditing, so as to ensure investment and strengthen management.

Article 12 When the Company handles mergers, divisions, acquisitions, or transfer of shares, before the resolution of the board meeting, accountants, lawyers, or securities underwriters shall be entrusted to give opinions on the rationality of the share exchange ratio, the purchase price or cash or other properties distributed to shareholders, which shall be submitted to the Board of Directors for discussion and approval. However, if a public company merges its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, or the merger is between its subsidiaries directly or indirectly holding 100% of the issued shares or the total capital, it may avoid obtaining the reasonable opinions of the experts before acquisition.

For the important agreed contents and related matters of merger, division or acquisition, public documents to shareholders shall be made before the board meeting, and submitted to shareholders together with the expert opinions in the preceding paragraph and the notice of the board meeting, for reference of whether to agree to the merger, division or acquisition. However, this does not apply when the board meeting does not have to be held to decide the merger, division, or acquisition matters according to other laws.

If the board meeting of either party cannot be held due to the lack of attendance, voting rights or other legal restrictions, or the resolution or proposal is rejected by the Board of Directors, the Company participating in the merger, division, or acquisition shall immediately disclose the reasons for the occurrence, subsequent processing operations, and the expected date of holding of the board meeting to the public. Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, the board meeting and shareholders’ meeting shall be held on the same day to decide on matters relating to merger, division, or acquisition.

Unless otherwise specified by other laws or special factors are reported to the competent authority for approval in advance, a company participating in the transfer of shares shall hold the board meeting on the same day.

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

- I. Basic information of personnel: including titles, names and ID card numbers (passport numbers for foreigners) of all people participating in

the plan of merger, division, acquisition, or transfer of shares or the implementation of the plan before the disclosure of information.

- II. Dates of important matters: including the date of signing the letter of intent or memorandum, entrusting financial or legal adviser, signing contract, board meeting, etc.
- III. Important documents and proceedings: including plans for merger, division, acquisition, or transfer of shares, letters of intention or memorandum, important contract, board proceedings, etc.

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

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

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

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

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

- I. Treatment of breach of contract.
- II. Treatment principles of negotiable securities with an equity nature issued or treasury shares bought back from a company that has been eliminated or divided due to merger.
- III. Treatment principles of the number of treasury shares to be bought back by a participating company according to the law after the base date on which the share exchange rate is calculated.
- IV. The way to deal with the change of participants or their number.
- V. Expected progress of implementation of the plan and expected completion schedule.
- VI. The expected date of board meetings to be held according to law and other relevant treatment procedures when the plan is not completed within the time limit.

Article 15 Announcement and declaration procedures

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

- I. The Company acquires or disposes of real estate or its right-of-use assets from or to the person concerned, or acquires or disposes of any assets other than real estate or its right-of-use assets from or to the person concerned, and the amount of the transaction reaches 20% of the Company's paid-in capital, 10% of total assets or more than NTD300 million, Except for purchasing and selling domestic government bonds or bonds with buy-back or sell-back conditions, and purchasing or buying back money market funds issued by domestic securities investment trusts.
- II. Merger, division, acquisition, or transfer of shares.
- III. Losses incurred in derivative commodity transactions have reached the provision of the treatment procedures or the maximum individual contract losses.
- IV. The Company acquires or disposes of equipment used for business purposes or its right-of-use assets, the trading counterpart is not the person concerned, and the amount of the transaction reaches one of the following provisions.
 - (I) For a public company, the paid-in capital is less than NT\$10 billion, and the amount of the transaction is more than NT\$500 million.
 - (II) For a public company, the paid-in capital is more than NT\$10 billion, and the amount of the transaction is more than NT\$1 billion.
- V. A public company acquires or disposes of the real estate for construction or its right-of-use assets, the trading counterpart is not the person concerned, and the amount of the transaction is more than NTD500 million. Among them, the paid-in capital is more than NTD10 billion. The Company disposes of the self-built and competed real estate, the trading counterpart is not the person concerned, and the amount of the

transaction is more than NTD1 billion.

- VI. Real estate is acquired by means of commissioning to build on its own land, commissioning to build on leased land, co-building and sharing houses, co-building and sharing money or co-building and selling separately. The trading counterpart is not the person concerned, and the Company expects to invest more than NTD500 million in the transaction.
- VII. Except for asset transactions, disposal of creditors' rights by financial institutions, or investment in the Chinese mainland besides those items in the first six paragraphs, the amount of the transaction is more than 20% of the Company's paid-in capital or more than NT\$300 million. But the following circumstances are not included:
 - (I) Purchasing and selling domestic government bonds.
 - (II) Negotiable securities purchased and sold on domestic and foreign stock exchanges and securities brokerages' business premises by people engaged in investment, ordinary corporate bonds subscribed to, raised and issued, and general financial bonds not involving equity in the domestic primary market (excluding subordinated bonds), securities investment trust funds or future trust funds purchased or bought back, or negotiable securities subscribed to by a corporate body consulted and recommended by a securities brokerage as an emerging stock company according to the provisions of the Taipei Exchange for the needs of underwriting business.
 - (III) Purchase and sell bonds with buy-back or sell-back conditions, and purchase or buy back money market funds issued by domestic securities investment trusts.
 - (IV) The amount of the transaction referred to in the preceding paragraph shall be calculated in the following manner:
 - (V) The amount of each transaction.
 - (VI) The accumulative amount of the transactions with the same counterpart within one year for subject matter of the same nature acquired or disposed of.
 - (VII) The accumulative amount of real estate or its right-of-use assets acquired or disposed of (accumulated separately for acquiring or disposing of) in the same development plan within one year.
 - (VIII) The amount of negotiable securities acquired or disposed of (accumulated separately for acquiring or disposing of) within one year.

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

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

When acquiring or disposing of assets, the Company shall keep the

relevant contracts, proceedings, records, appraisal reports, and opinions of accountants, lawyers, or securities underwriters in the Company for at least five years, unless otherwise stipulated by law.

Article 16 The time limit for announcement and declaration:

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

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

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

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

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

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

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

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

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

When an independent director has been set up according to the laws and regulations, the Operational procedures for Acquisition and Disposal of Assets shall be submitted to the Board of Directors for discussion according to the provisions of the preceding paragraph. The opinions of the independent director shall be fully taken into account. If the independent director has objections or reservations, they shall be stated in the proceedings of the Board of Directors.

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

1st amendments hereto were made on July 18th, 1995.

2nd amendments hereto were made on March 10rd, 1996.

3rd amendments hereto were made on March 10rd, 1997.

4th amendments hereto were made on March 11th, 1998.

5th amendments hereto were made on November 29th, 1999.

6th amendments hereto were made on December 12th, 2000.

7th amendments hereto were made on March 12th, 2002.

8th amendments hereto were made on June 12th, 2003.

9th amendments hereto were made on June 11th, 2008.

10th amendments hereto were made on June 19th, 2009.

11th amendments hereto were made on June 17th, 2011.

12th amendments hereto were made on June 15th, 2011.

13th amendments hereto were made on June 12th, 2011.

14th amendments hereto were made on June 15th, 2017.

15th amendments hereto were made on June 15th, 2018.

16th amendments hereto were made on June 18th, 2019.

17th amendments hereto were made on June 19th, 2020.

CLEVO CO.

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

The election of 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 voting rights of independent directors and non-independent directors shall be calculated separately, and it shall be dealt with according to the provisions of Paragraph 1.

Article 4 Before the election begins, the Chairman shall appoint a number of controllers of the ballots and poll-clerks to perform various related functions.

Article 5 Voting paper shall be made and issued by the Board of Directors and numbered and weighted according to the number of the attendance certificate.

Article 6 If the elected candidate is a shareholder, the elector shall indicate the account name of the elected candidate and the shareholder's account number in the column of the elected candidate. If the elected candidate is not a shareholder, the name and the unified number of the identity card of the elected candidate shall be indicated. If the government or legal person shareholder is the elected candidate, the name of the government or legal person and the account name of the shareholder shall be filled in the account name column of the elected

candidate of the vote, and the name of the representative shall be listed. When there are several representatives, the names of the representatives shall be added separately.

Article 7 The votes are invalid if one of the events listed on the left occurs:

1. Votes which do not comply with provisions of these measures.
2. Blank votes which are put into the voting cabinet.
3. Unclear and unrecognizable votes.
4. If the elected candidate is a shareholder, his or her account name and shareholder's account number do not conform to the shareholder's register, and if the elected candidate is not a shareholder, his or her name and unified number of identity card are inconsistent.
5. In addition to filling in the name of the elected candidate and shareholder's account number or unified number of identity card, other words are included.
6. The names of the elected candidates are the same as those of other shareholders, but the shareholders' account number or unified number of identity card are not filled in for identification purpose.
7. Two or more elected candidates are filled out on the same voting paper.

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

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

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

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

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

1st amendments hereto were made on May 31st, 91.

2nd amendments hereto were made on June 15th, 95.

3rd amendments hereto were made on June 12th, 2014.

4th amendments hereto were made on June 15th, 2019.

CLEVO CO.

Parliamentary Rules 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 shall announce that the meeting will be postponed. The number of postponements shall be limited to two times and the total time of postponement shall not exceed one hour. When the meeting has been postponed two times, but there is still an insufficient number of shareholders (or agents) and shareholders (or agents) representing more than one-third of the total number of shares issued present, a false

resolution shall be made according to Paragraph 1 of Article 175 of the Company Act. Before the end of the meeting, if the number of shares represented by the shareholders present reaches more than half of the total number of shares issued, the Chairman shall resubmit the false resolution to the meeting for vote according to Article 174 of the Company Act.

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

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

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

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

If a shareholder (or agent) present at the meeting only submits the speech note and does not speak, it shall be deemed not to speak. If the content of a speech is inconsistent with the speech note, the content of the speech shall prevail.

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

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

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

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

- shareholders' meeting, only one person shall speak for the same proposal.
- Article 13 After attending the shareholder's speech, the Chairman shall personally reply or designate a relevant person to reply.
- Article 14 When he/she considers that the discussion of a proposal can be voted on, the Chairman shall announce the suspension of the discussion and start voting.
- Article 15 The Chairman shall designate such staff as supervisors and counters of votes for a proposal, provided that the supervisors shall have the status of shareholders. The results of voting shall be reported on the spot and recorded.
- Article 16 In the course of the meeting, the Chairman may announce a rest at his/her discretion.
- Article 17 Except as otherwise provided in the Company Act and the Articles of Association, the voting of a proposal shall be approved with the consent of a majority of the voting rights of the shareholders (or agents) present.
When voting, if the Chairman asks and there is no objection, it shall be deemed to be adopted, and its validity shall be the same as that of voting.
- Article 18 When there are revisions or substitutions to the same proposal, the order of voting shall be determined by the Chairman together with the original proposal. If one of the proposals has been passed, other proposals shall be deemed to be rejected without further voting.
- Article 19 The Chairman shall direct the pickets (or security guards) to assist in maintaining the order of the meeting place. When the pickets (or security guards) assist in maintaining order on site, they shall wear armbands with "picket".
- Article 20 The matters not stipulated in these rules of procedure shall be handled according to Company Act and other relevant decrees.
- Article 21 These rules of procedure shall be implemented after adoption by the Board of Shareholders and revised in the same way.
- Article 22 These rules of procedure were formulated on May 30th, 1996.
1st amendments hereto were made on April 29th, 1998.
2nd amendments hereto were made on May 31st, 2002.
The third revision was made on June 15th, 2006.

CLEVO CO.

Detailed List of the Number of Shares Held in the Roster of Shareholders on the Book Closure Day of Directors and Supervisors

- 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 6,697,630,000 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% (21,432,416 shares).

CLEVO CO.

Detailed list of individual shareholding and total shareholding of directors

Title	Full name	Date of suspension of transfer registration (April 20, 2020) The number of shares held recorded in register of shareholders	Shareholding ratio	Remarks
Chairman	Kuntai Hsu	51,701,335	7.72%	
Vice Chairman	Mingxian Cai	10,084,224	1.51%	Part-time General Manager
Director	Jinzong Lu	0	0.00%	
Director	Yilong Jian	1,673,376	0.25%	
Independent Director	BoJiao Zhou	0	0.00%	
Independent Director	Zongming Chen	0	0.00%	
Total of six directors		63,458,935	9.48%	The quantitative percentage has been reached