Stock Code: 5227

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Annual Report 2019

Annual Report Enquiry Website: http://mops.twse.com.tw

Company Website: http://www.aleees.com

Printed on February 28, 2020

THIS IS A TRANSLATION OF THE 2019 ANNUAL REPORT (THE “ANNUAL REPORT”) OF ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD.(THE “COMPANY”).THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE,THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

1. Company Spokesperson, Deputy Spokesperson, Name of Domestic Litigation/Non-Litigation Agent, Title, Contact No. and Email Address:
   Spokesperson: Paul Chu, Investment Chief
   Email: ir@alechem.com
   Deputy Spokesperson: Paul Chu, Investment Chief
   Email: ir@alechem.com
   Contact Tel: 886-3-364-6655
   Name of Domestic Litigation/Non-Litigation Agent:
   Sheng-Shih Chang Chairman cum CEO
   Email: ir@alechem.com
   Contact Tel: 886-3-364-6655

2. Address and contact no. of headquarters, subsidiary and factories

(i) Parent Company

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Registered Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands, British West Indies. Main Operating Address: No. 2-1, Xinghua Road, Guishan Industrial Park, Taoyuan District, Taoyuan City, Taiwan (R.O.C.)
Website: http://www.aleees.com	Tel: (886) 3-364-6655

(ii) Subsidiary

Advanced Lithium Electrochemistry Co., Ltd.	Address: No. 2-1, Xinghua Road, Guishan Industrial Park, Taoyuan District, Taoyuan City, Taiwan (R.O.C.)
Website: http://www.aleees.com	Tel: (886) 3-364-6655
Aleees Eco Ark Co., Ltd.	Address: No. 2-1, Xinghua Road, Guishan Industrial Park, Taoyuan District, Taoyuan City, Taiwan (R.O.C.)
Website: http://www.aleees.com	Tel: (886) 3-364-6655
Advanced Lithium Electrochemistry (HK) Co., Limited	Address: Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong
Website: http://www.aleees.com	Tel: (886) 3-364-6655
Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. Website: http://www.aleees.com	Address: Address: Room 1202-042, 12F., Building 2 ,No. 2020, Zhongshan West Road, Xuhui District, Shanghai, China Tel: (86) 21-6420-1418

3. Name, address, website and contact no. of stock brokerage

Name: The Capital Group, Brokerage Dept.	Address: B2, No. 97, Sec.2, Dunhua S. Rd., Daan District, Taipei City, Taiwan (R.O.C.)
Website: http://www.capital.com.tw	Tel: (886) 2-2702-3999

4. Name of CPA for the latest certified annual financial statements; name, address, website and contact no. of accounting firm:

Name of CPA: Yu-Kuan Lin, WEI-HAO Wu

Name of Accounting Firm: PwC Taiwan	Address: 5F., No. 2, Industrial E. 3rd Rd., Hsinchu Science Park, Hsinchu City, Taiwan (R.O.C.)
Website: http://www.pwc.tw	Tel: (886) 3-578-0205

5. Name of stock exchange for overseas listed securities and method for enquiry of overseas securities information: N/A

6. Official website of main operating Company: http://www.aleees.com

7. List of the Company's board of directors:

Title	Name	Nationality	Academic Qualifications/Experience
Chairman	Sheng-Shih Chang	ROC	• Juris Doctorate, National Taiwan Normal University • Juris Master, National Taiwan Normal University • Juris Asst. Professor, China University of Science and Technology • General Manager of Neso Technology Limited in Greater China, Pou Chen Group
Director	Jaime Che	Australia	• The Scots College • CEO/Chairman's Assistant and Investor Relations Manager, Shougang Fushan Resources Group Limited (SEHK: 0639 , now renamed as Shougang Fushan Resources Group Limited)
Director	Chi-Kei Ching	Hong Kong China	• MBA, Bradford University (UK) • Bachelor of Business Administration in Accountancy, Hong Kong Polytechnic University • ACCA, certified by the Association of Chartered Certified Accountants • Member of the Hong Kong Institute of Certified Public Accountants
Independent Director	Wei-Min Shen	ROC	• Ph.D. in Accounting, Purdue University • Dean of Research and Development Division, Office of Academic Affairs and Department of Public Finance and Taxation of National Taichung University of Science and Technology • Chair of the Department of Accounting, Associate Professor of Tunghai University • Independent Director of Siliconware Precision Industries Co., Ltd
Independent Director	Yie-Yun Chang	ROC	• Doctor Juris, University of Munich (Germany) • Dean of the School of Law, Fu Jen Catholic University • Member of the Copyright Consultation and Review Committee of the Intellectual Property Office, MOEA • Associate Dean of Academic Affairs of the School of Law cum Chair of the Department of Financial and Economic Law, Fu Jen Catholic University • Member of the 6th Fair Trade Commission
Independent Director	Hsuan Wang	ROC	• Ph.D. in Accounting, National Taiwan University • Assistant Professor, School of Management, Yuan Ze University • Adjunct Lecturer, Department of Accounting, National Taiwan Normal University • Assistant Supervisor, Deloitte Accounting Firm
Independent Director	Chian-Hsiu Lee	ROC	• MBA, Central Queensland University • Mandarain Brother international pty ltd. (Sydney) Sales Manager • G.M., Taiwan Hua-Yu Industrial Co., Ltd. • Technical Director, Boteng (Xiamen) Plastics Co. Ltd. • President, Bailin Fluorescent PTY., LTD.

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I. Letter to the Shareholders

1. 2019 Business Report

1. The overview and results of management policy and business plan implementation

The company has been devoted to offering overall solution for materials of lithium batteries, and it has been in the industry of offering ingredients of positive electrode of lithium batteries for over a decade. It has accumulated a lot of experience in developing and innovating the techniques, and it obtains the patent of unique techniques. The company mainly produces positive electrode of lithium batteries with high quality, high cost-performance ratio, and long cycle life.

To avoid being controlled by subsidy policies of Chinese government, the Company would adjust its operational strategies and actively explore the new niche market in Europe and America. Last year, the company entered the global market of lithium-ion batteries for saving energy and replacing lead-acid battery of cars, and it has been delivering orders. The Company has thus made Net Operating Revenue amount to NT $388,079,000 dollars in 2019, which exceeded the operating revenue of the year 2018, which was NT $150,695,000 dollars, by NT$ 237,384,000 dollars; the operating revenue increased by 158%. In 2019, the Consolidated Net Loss amounted to NT$ 467,771,000 dollars. The net loss of 2018 amounted to NT$ 1,107,505,000 dollars, while the consolidated net loss after tax of 2019 was NT$ 467,770,000 dollars; the net loss was decreased by 639,734,000, which was 58% lower compared with that of 2018.

The company has devoted efforts in exploring new resources and update the technical competence. It also optimizes the products and client portfolio, putting more emphasis on higher-priced units and the clients of such products. Then, the company explore new niche market of materials for positive electrode of lithium batteries while seeking long-term operation with the clients. The aim is to establish good foundation for future development and build stable momentum for growing income.

All staff members will work hard with a cautious attitude so as to establish a more profitable operating environment, increase operating efficiency, and create corporate value in return for the long-term support of all stakeholders and investors.

2. Financial income and expenses and profitability analysis

Unit: NT$ thousand

	Item	2019	2018
Financial Income and Expenses	Operating revenues	388,079	150,695
	Gross Operating Profit	(27,692)	(188,265)
	Net Operating Profit	(467,771)	(1,107,505)
Profitability	Gross Profit %	-7%	-125%

	Net Profit %	-121%	-735%

Note: Prepared according to IFRS.

The company adjusts its business strategies and guidelines to actively explore the new niche markets in Europe, America, Japan, and Korea. Last year, the company entered the global market of lithium-ion batteries for saving energy and replacing lead-acid battery of cars. Since 2019, the transformation has gradually brought about positive outcome of stable growth in revenue. In 2019, the consolidated operating revenue amounted to 388 million dollars; compared with the revenue of 151 billion dollars in 2018, the revenue increased by 237 million dollars, representing a growth of 158%. Also, as the operating revenue increased in 2019, the net operating loss in 2019 was 160 million dollars less than that of 2018, decreasing by 85%.

Since the electric bus company was closed by the end of 2018, and the company worked on lowering expenses, the administrative expenses of 2019 was lower than that of 2018. The loss caused by impairment of expected credits in the reported financial assets also decreased, which made the consolidated operating expenses in 2019 decrease by 182 million dollars compared with that in 2018. Also, since the loss caused by damaged asset in electric bus business did not happen in 2019, and the loss caused by dropping fair value of convertible bonds issued by FDG Electric Vehicles Limited was lower than that of 2018. The net non-business expenditure of 2019 decreased by 298 million dollars compared with that of 2018.

In sum, the overall operating performance improved compared with 2018. The net loss after taxes decreased by about 640 million dollars, lowering the loss by 58%.

3. Research and Development

i. The company devotes itself in developing techniques for positive electrode of lithium ion phosphate batteries and LNMC batteries. It is also making efforts to commoditize the developed item.

ii. The company continues to develop new granule designs and cathode post-processing techniques,optimize the quality and function of the product, offer high-quality products to fulfill the needs of various clients, and increase its competitive advantage.

iii. The company takes initiative and launch developing projects in collaboration with domestic and overseas research institutes as well as the clients so as to increase the cycle life and density of energy density of the batteries.

2. Business Plan Overview for the Current Year and Company Development Strategies

With the longest batteries life and the highest quality well-known in the industries, the company continues to focus on developing the cathode materials for lithium batteries, introducing new-generation production press technologies and equipment and combining the advanced wet nano-grinding technology and surface-modification technique to further improve the energy density and the rate of discharge performance of materials. As a result, the cathode materials of lithium batteries can have higher purity, lower impurities and better processing performance to satisfy the demands of advanced product applications from customers. Moreover, with the use of advanced powder design and powder post processing technology, the company hope to improve production yield and reduce production costs as well as strengthening its leading position and brand in the industry and cultivating the competitiveness of products in the global market.

In addition to consolidating the original development of the new energy in the vehicle market of China, the Company has actively opened up new niche markets in regions, such as Europe, America, Japan, and South Korea recently, successfully entered the global industrial market for energy storage and lithium iron battery in replacement of lead-acid batteries for vehicles and gradually achieved steady revenue growth. This year, the company will continue to expand the lithium battery market for the energy storage and develop new customers in the lithium battery market replacing lead-acid batteries for vehicles. With the accumulated product development experience and reputation in the past, the Company will develop new niche markets in collaboration with overseas customers to optimize the product and customer portfolio, increase the high unit price products and achieve the goal of higher customer sales proportion while laying good foundation for its future development and continuing to enhance the new momentum for stable growth in its business.

3. The Effects of the External Competitive Environment, Regulatory Environment and Overall Business Environment

In the face of climate change and environmental pollution problems getting worse gradually, countries around the world is devoted in commitment to energy saving and carbon reduction. Along with the advancement in new energy technologies, countries will continue to support and promote the establishment and development of green energy and new energy policies. Enterprises will also developed relevant upstream and downstream industries and various application technologies and products consecutively.

In respond to global warming challenges, countries around the world are vigorously developing renewable energy. The biggest problem in renewable energy is the instability of power generation. Nevertheless, will all kinds of energy storage systems, green electricity can be stored and released for use when needed. Current development direction focused on energy storage by batteries. In terms of technology aspect, lithium-ion batteries remain the fist-choice technology for market deployment. Therefore, with the rise in green energy and the rapid decline in the cost of lithium batteries, the energy storage system market has grown unprecedentedly and the energy storage industry has unlimited business opportunities.

GlobalData, a world-renowned research institution, revealed in its latest research report that countries are increasing investment to improve their grid infrastructure and market structure so as to attract foreign investment. The global battery energy storage market is expected to grow to USD 13.13 billion by 2023. Asia-Pacific region will continue to be the world's largest regional market. Also, the United States will continue to be the leading battery energy storage market.

Under the circumstances that global environmental protection and carbon emission are required, countries have banned the sale of traditional fuel vehicles. Although the electric vehicle market is active and enthusiastic, there is still considerable room for progress in the popularization of electric vehicles. To achieve energy saving and carbon reduction goals, car manufacturers have successively introduced hybrid electrical vehicles that are more energy-efficient than traditional fuel vehicles. TrendForce, market research organization, believes that hybrids will become the main vehicle in the market of Europe, America and Japan and will have a faster growth in the markets than pure electric vehicles. In addition, the Chinese government announced a new credit system, making the importance of credits for hybrid vehicles increased significantly last year. Furthermore, the British IHS Markit predicted that the sales of hybrid electric vehicles will be affected by the increasingly stringent conditions of global emissions from cars. In 2030, there will be a huge growth, reaching up to 42% of global car sales, which is almost the same as that of traditional fuel vehicles.

Europe is expected to fully implement severe restrictions on carbon dioxide emissions with a limit of 95g/km from 2020 to 2021. Moreover, it chose the petrol cars as the main structure accompanied with micro-/light-hybrid system of less modification to achieve the most fundamental emission standards and effectively control the cost of modification to the power system. Lithium batteries have the advantages of better instant charge efficiency, shallow cycle life, higher energy density and lower weight as well as gradually reduced costs, making them as a priority for car manufacturers to adopt in the voltage system above 12V. Driven by the continuous growth of hybrid electric vehicles above 12V, the overall battery usage will also increase. It can be expected to have business opportunities of lithium-iron batteries replacing lead-acid batteries.

Overall speaking, the effects of the external competitive environment, regulatory environment and overall business environment, in addition to various developmental trends beneficially impact our company’s sustainable operations.

Chairman Sheng-Shih Chang

II. Company Profile

1. Date of Establishment and Company Introduction

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. was established as an investment holding company on November 16th, 2007. The organizational of the Company is according to their business operations,which is the production, R&D and sales of cathode materials for LFP batteries. Emerging industries belonging to alternative energy technology.

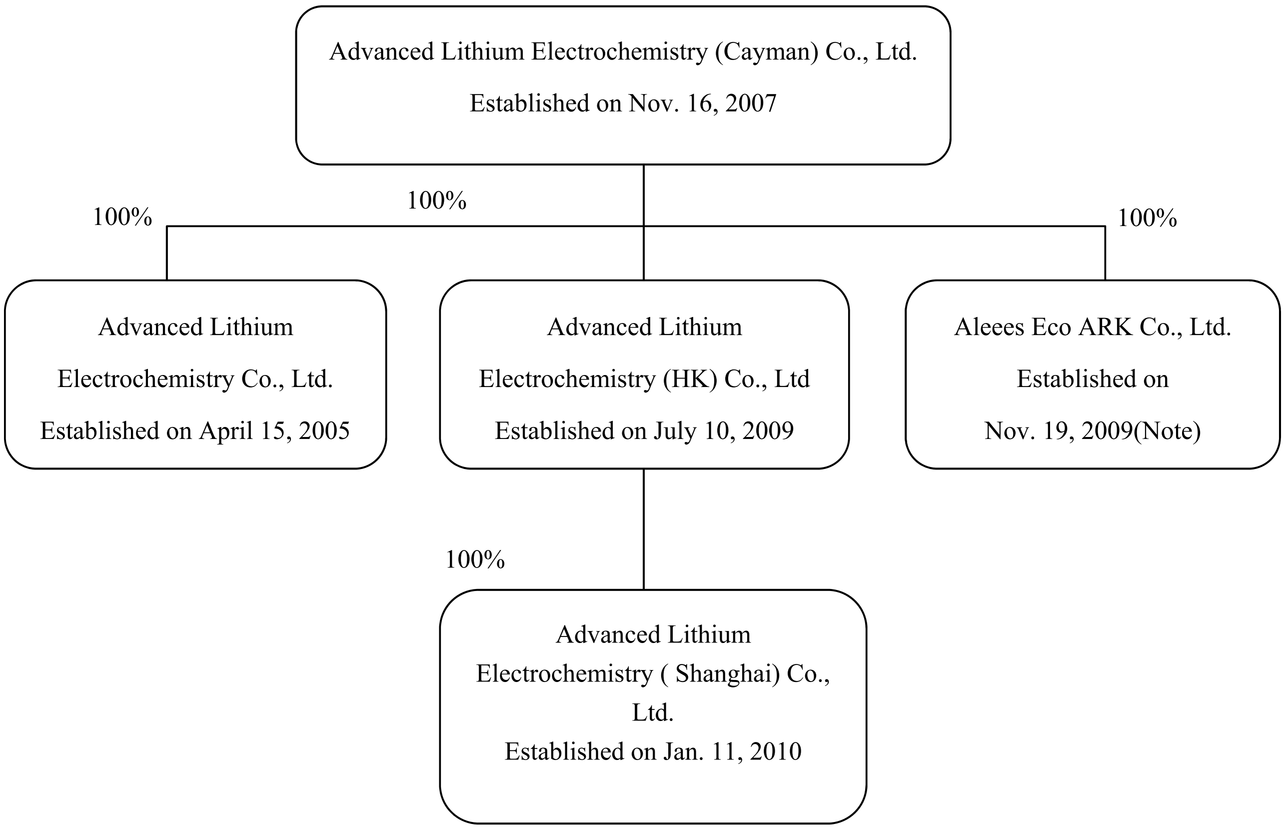
The Company started off with its foothold in Aleees (Taiwan), which was established on April 15th, 2005. Since its establishment, we have been relentlessly developing olivine-structured cathode materials, a critical driving force in the standing of lithium-ion batteries, and focusing our development on the goals of extending battery life and improving energy density. Our terminal application of the products are mainly electric vehicles (including hybrid electric vehicles) and energy storage business. Through our self-developed LFP Nano Cocrystalline Olivine (LFP-NCO) patent, substantial manufacturing capabilities, production experience and shipment track records, we have achieved a leading position in the global market of cathode materials for LFP batteries. In addition, with the subject on environmental issues gradually gaining the attention of various countries around the world, many governments are actively advocating for energy efficient polices to reduce carbon emissions. Different types of subsidies have been put forward to incentivize low carbon emissions and environmentally-friendly and green energy industries. Green energy and electric vehicles (including hybrid electric vehicles) industries have started to form a huge development potential with many policies being launched. With our extensive experience in R&D and production accumulated over the years, and our understanding of and confidence in LFP lithium battery modules.

Our group has been employing our strategy in the lithium battery industry as mentioned above, and we will continue to develop our business in cathode materials for LFP batteries as our basis of operations and capitalize on the area of end application– battery businesses as the main direction of our upstream and downstream integrated growth. The following is a description of the organization and operational functions of our respective major subsidiaries:

(i) Cathode Powders Business

Company Name	Established Location	Operational Function
Aleees (Taiwan)	Taiwan	Production, R&D and sales of cathode materials for lithium battery.
Aleees (HK)	Hong Kong	Investment holding, reinvestment in Aleees SH.
Aleees SH	Mainland China	Sales of cathode materials for lithium battery

(ii) Group Structure



Note：This company has been dissolved by resolution in the twentieth meeting of the seventh session of the Board of Directors, and is currently undergoing liquidation

(iii) Address and contact no. of headquarters, subsidiaries and factories

1. Headquarters

   Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

   Registered Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208 , Cayman Islands, British West Indies.

   Main Operating Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-364-6655

2. Main Operating Location

   Advanced Lithium Electrochemistry Co., Ltd.

   Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-364-6655

Aleees Eco Ark Co., Ltd.
Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-364-6655

Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.
Address: Room 1202-042, 12F., Building 2 ,No. 2020, Zhongshan West Road, Xuhui District, Shanghai, China Tel: (86) 21-6420-1418

3. Investment Holding Subsidiaries

Advanced Lithium Electrochemistry (HK) Co., Ltd.
Address: Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong Tel: (886) 3-364-6655

2. Company Chronicle of Events

Date	Major Events
Apr 2005	Aleees Taiwan was established.
Oct 2006	Aleees Taiwan set up its first LFP production line in Taoyuan Taiwan.
May 2007	Aleees Taiwan passed its ISO9001:2000 quality certification.
Jun 2007	Aleees Taiwan completed its four worldwide LFP patent deployments in 8 countries and territories (Taiwan, Japan, the U.S., Canada, European Union (EU), Korea, Mainland China and India).
Jul 2007	Aleees Taiwan announced its $LiFePO_4$ •zM'O technology.
Nov 2007	The Company completed its establishment and registration.
Jan 2008	Aleees Taiwan passed its ISO14001:2004 quality certification.
Jan 2008	Aleees Taiwan announced the start of a 3-year cooperation plan on the study of base materials with NSRRC Taiwan.
Jul 2008	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. was established
Nov 2008	Aleees Taiwan formally starts the mass production of LFP-NCO.
Nov 2009	Aleees Eco Ark (Taiwan) was established.
Jan 2010	Aleees SH was established.
May 2010	Aleees Taiwan set up its precision instruments lab.
May 2010	Aleees Taiwan presented its research results on neutron diffraction.
Dec 2010	Aleees Eco Ark (Taiwan) produced its first pure electric-powered low-floor battery swappable bus.
Feb 2011	Aleees Taiwan began phase two of its 3-year cooperation plan on study of base materials with NSRRC Taiwan.
May 2011	Aleees Taiwan set up the Electric Vehicle Demonstration Alliance.
Jul 2011	The group obtained licensing for 85 patents from $LiFePO_4$+C Licensing AG, including the "Good enough" patent and "Carbon-coating" patent.

Date	Major Events
Aug 2011	Aleees Taiwan passed the TTQS training quality evaluation conducted by the Workplace Development Agency of the Council of Labor Affairs, Executive Yuan.
Sep 2011	Aleees Eco Ark (Taiwan) completed the development of the E-bus battery module.
Oct 2011	Aleees Taiwan received invitation from Boston in the U.S., to give a keynote speech in the 220th ECS Meeting.
Dec 2011	Aleees Eco Ark (Taiwan) received the proof of vehicle safety certification from VSCC for its pure electric-powered low-floor battery swappable bus.
Jan 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Taoyuan City.
Feb 2012	Aleees Taiwan passed the OHSAS18001:2007 certification (Occupational Safety and Hygiene Management System).
Mar 2012	Aleees Taiwan passed the TS16949:2009 certification (Automotive Supplier Quality Management System).
Jun 2012	Aleees Eco Ark (Taiwan) signed the Electric Bus Procurement Agreement with Hsinchu Bus Co.
Aug 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Zhongli City.
Oct 2012	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. completed the cancellation of its registration
Oct 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Taipei City.
Oct 2012	The group joined as a member of the “Taiwan Electric Bus Cross-Industry Alliance”.
Nov 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Kinmen County.
Dec 2012	Aleees Taiwan received an award at the 6th Taoyuan County Corporate Excellence Awards for “Excellence in Green Energy”.
Dec 2012	Aleees Taiwan received an award at the 2012 EPA, Executive Yuan Award Ceremony for “Excellence in Taking Actions for Low Carbon Emissions”.
Mar 2013	Aleees Eco Ark (Taiwan) received proof of vehicle safety certification from VSCC for its pure electric-powered low-floor battery swappable large-sized buses.
Aug 2013	Aleees Taiwan received the “Outstanding Corporation Award” at the 10th National Quality Awards; while Aleees Eco Ark (Taiwan) received the “Best Green Energy Transportation System” in the award category of “Best Product Categories”.
Dec 2013	Aleees Taiwan passed the audit of the Industrial Development Bureau, MOEA, in “Determination of Conformance as a Green Mark Factory in the Hygienic Production Evaluation System”.
Dec 2013	First share listing of the Company on GTSM.
Jan 2014	The Aleees Group held the “Arts and Fun Fest with You” event to give back to local low income residents through the donation of household resources and care for the underprivileged. We led our employees to engage in volunteer work and take the lead to spread our remarkable corporate culture.

Date	Major Events
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with CHTC Bonluck Bus Co., Ltd. in Nanchang, Jiangxi Province, China.
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with Yuyao City People's Government in Zhejiang Province, China.
Mar 2014	Aleees Eco Ark (Taiwan) reaches the one-million-mile mark for its pure electric-powered low-floor battery swappable buses in Taiwan.
Apr 2014	The Aleees Group set up the Bade Research Center.
Apr 2014	In response to International Earth Day, our pure electric-powered low-floor battery swappable buses were put on display for the first time at the Lady Run Charity Run and the "Electric Bus Low Carbon Rest Area" was set up.
May 2014	Aleees Taiwan was invited to participate in the "LFP Batteries Recycled Use League" to manufacture secondary storage use of vehicular batteries.
June 2014	The vehicular batteries manufactured by Aleees Taiwan were on official display in Kinmen and adopted to team up with the National Chung-Shan Institute of Science & Technology to jointly promote the "Community Oriented Recycled Energy Storage Systems".
June 2014	The Aleees Group participated in the 11^{th} International Battery Tech Expo, believed to be the world's top scale exhibition of its like, to display the highest-level specification cathode materials for LFP batteries, applicable to electric buses and integrated usage in other regions (including energy storage).
July 2014	The low floor pure electric buses manufactured by Aleees Eco Ark (Taiwan) were put into commercial run in Hualien County in eastern Taiwan, to create a brand-new backyard for the Company in Taiwan.
July 2014	The Aleees Group sponsored the "Cross-Strait Green Industry Forum 2014".
July 2014	The Aleees Group teamed up with Longhua Automobile Co., Ltd.—the largest vehicle manufacturer in Heilongjiang, China and signed the Letter of Intent to deploy in China's electric bus market.
Aug 2014	The Aleees Group officially set up the Corporate Social Responsibility Committee.
Aug 2014	Aleees Taiwan signed the Memorandum of Understanding with Japanese counterpart Sony for a joint venture in the manufacturing of lithium batteries as the world's most advanced production base for lithium batteries.
Aug 2014	The Aleees Group set up Aleees Eco ARK (Ningbo) in Yuyao, Zhejiang, China to officially land in Chinese markets.
Sep 2014	Aleees Eco Ark Canada was officially incorporated.
Nov 2014	Aleees Eco Ark (Taiwan) was invited to co-sponsor the Contemporary Engineering Tech Symposium XXV and to sponsor a sub-project about the Trends of Sustainable Green Development to promote low carbon and energy conservation deployment for the entire world.
Nov 2014	Pure electric-powered low-floor battery swappable buses manufactured by Aleees Eco Ark (Taiwan) start to serve Taroko National Park, as the first line of low carbon green energy buses to serve a national park in Taiwan.
Nov 2014	The Aleees Group was conferred upon the double honors of "Sustainable Development Report Award among the Top 50 in Taiwan", and the "Innovative Growth Award".

Date	Major Events
Dec 2014	As officially promulgated by the Industry & Information Ministry, People's Republic of China through Announcement No. 82 [2014], the pure electric buses manufactured by Aleees through a joint venture with CHTC Bonluck Bus Co., Ltd. in Jiangxi, China were officially licensed in China and were approved to be marketed in the entire Chinese market.
May 2015	The Aleees Group was ranked among the top 5% among all companies listed on the Taipei Stock Exchange in Session One.
Nov 2015	The Aleees Group was awarded with the ISO50001 certification for efficient management of energy usage in the whole factory.
Nov 2015	The Aleees Group, for the second time, was conferred upon the honor of "Sustainable Development Report Award among Top 50 in Taiwan".
Apr 2016	The Aleees Group was awarded the distinction of being ranked among the top 5% among all enterprises listed on TSEC/TPEX in Session Two.
Apr 2016	The Aleees Group signed the strategic alliance and capital-related cooperation agreement with FDG Electric Vehicles Limited and FDG Kinetic Limited.
Apr 2016	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the second consecutive year.
Jun 2016	The Aleees Group received the Green Leadership Award-Asia Responsible Entrepreneurship Awards 2016.
Nov 2016	The Aleees Group received the gold medal among the Top 50 Corporate Sustainability Reports in Taiwan for three years running.
Nov 2016	The Aleees Group, FDG Kinetic Limited and the District Administration Commission of Gui'an New District, Guizhou Province, China, signed a cooperative framework agreement.
Dec 2016	Aleees Taiwan's cumulative shipments exceeded 10,000 metric tons.
Apr 2017	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the third consecutive year.
Apr 2018	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the fourth consecutive year.
Dec 2018	Through resolution at the Twentieth Meeting of the Seventh Session of the Board of Directors, Aleees Eco Ark (Taiwan) was dissolved and is currently undergoing liquidation
Apr 2019	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the fifth consecutive year.
Jun 2019	Officially signed a business purchase agreement by the Advanced Lithium Electrochemistry Co.,Ltd with a International battery manufacturer

3. Risk Matters

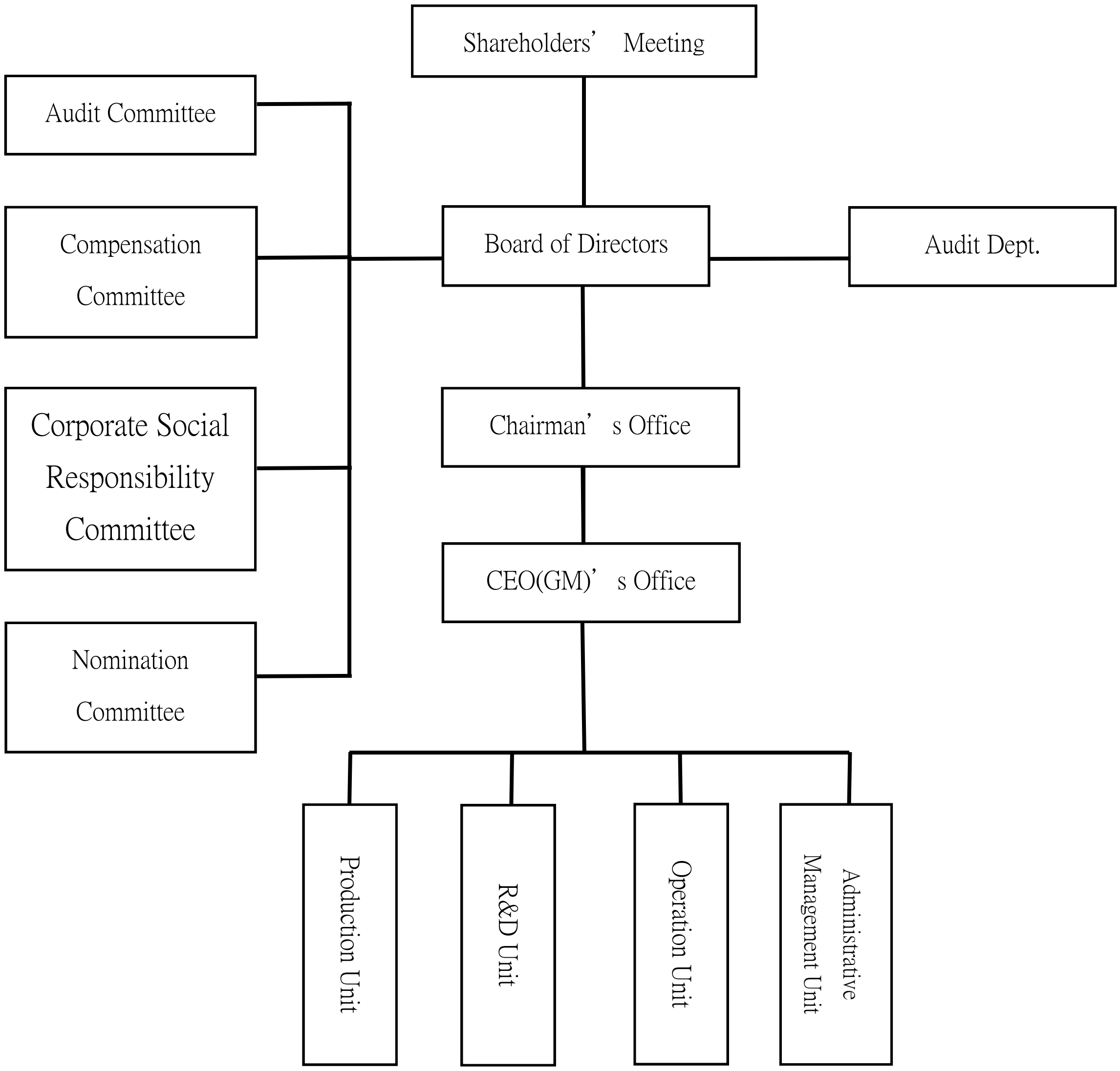
Please refer to the current year annual report from page 102 to page 113.

III. Company Governance Report

1. Management System:

As of Dec. 31, 2019

1. Company Organization Chart



(ii) Main operations of the respective departments:

Department Name	Work Scope
Internal Audit Dept.	• Take charge of the design and revision of the Company's internal control and internal audit system. • Take charge of the drafting and execution of the Company's annual audit plan. • Take charge of the improvement of internal control flaws and remediation tracking, as well as the planning and implementation of corporate governance.
CEO(GM)'s Office	• All types of operational management and operational analysis, and various project operations within the Company. • Take charge of comparison, internal/external benchmark comparisons, product trends analysis and existing/future expectations toward customers according to products of

Department Name		Work Scope
		competitors. Determine the business direction and long/short term goals of the Company, and achieve cost savings, continuous expansion of R&D resources and enhance product positioning through the oversight of business direction and achievement of long/short term goals. At the same time, carry out further analysis on the operating results. • Draft and collate documents and enquire on regulations relevant to employee health, assume the role of internal audit personnel during the normal course of operations, and be the contact window for relevant units.
Production Units	Aleees Taiwan	• In charge of the production of powders. Manufacturing process testing for prevention of quality issues and warehouse management. • Establish quality engineering, continue to achieve high efficiency production through advance manufacturing processes, and attain reasonable cost control to satisfy internal and external requirements. • Take charge of quality certification and system maintenance of raw materials and products, testing of products as well as formulating and implementing the product QA system. • Implement the product quality targets/benchmarks of the Company according to the nature of organizational functions. • Implement and execute performance management of sampling evaluation through activities of quality auditing on existing QA system. Actualize comprehensive quality requirements, feedback on underlying issues and use it as the basis of operational improvements. • Supervisory management of shipments and oriented toward customer services in the handling of customer complaints and product returns regarding quality issues.
R&D Units	Aleees Taiwan	• Develop all kinds of battery materials (cathode materials, anode materials, solid electrolytes). • In charge of the setup, quality improvement of manufacturing process development and enhancement of reliability test certification for new product development and manufacturing processes.
	Aleees SH	• Customer pre-sales and after-sales technical services.
Operational Units	Aleees Taiwan	• In charge of the sales & marketing of all products and agent management. Manage the development of all products, deployment of product lines and relevant management. Gathering of data and development in new markets. • Responsible for the management and arrangement of all raw materials and materials required for production and cargo shipment matters. • In charge of sale and marketing services, drafting of transaction terms, customer complaints, product returns, market intelligence gathering, and position customer segments, critical sales and marketing points and key competitors according to the determined marketing strategy, to ensure customer satisfaction and continuously improve customer satisfaction.
	Aleees SH	• In charge of the sales & marketing of all products and agent management. Gathering of data and development in new markets. • Management and arrangement of cargo shipment matters from Taiwan to Mainland China and back-end customers. • In charge of sales and marketing services, drafting of transaction terms, customer complaints, product returns,

Department Name		Work Scope
		market intelligence gathering, and position customer segments, critical sales and marketing points and key competitors according to the determined marketing strategy, to ensure and continuously improve customer satisfaction.
Administrative Units		• Manage general administration, human resources, educational training, vendor management and supporting operations, asset management and the implementation and filing of DCC. • In charge of the procurement for instruments and equipment, raw materials, semi-finished goods, products, consumables, spare parts, tracking of engineering work, tracking and analysis of pricing trends, development of countermeasures, procurement plan, management of contractor's delivery date and quality, time efficiency of shipment handling and inventory management, as well as coordinate the distribution and use of resources to all departments to have strong oversight on productivity resources. • Draft and implement the short, medium and long-term plans for the upgrading of computing equipment in the Company. Provide management of information services and equipment, and the relevant operations of information services and equipment as well as its integrated maintenance. • In charge of review and legal negotiation of contracts, litigation matters, selection of lawyers, trademark management, technical intelligence gathering, intellectual property and internal legal consultation services, and other relevant services. • In charge of accounting matters, financial cash flow deployment, investment planning and stock affairs, as well as maintain normal operations of the Company's financial and stock affairs. • In charge of keeping accurate records of the Company's operating results, provide relevant financial reports for use internally and externally to satisfy user requirements.

2. Information on the Directors, Supervisors, CEO (GM), Vice Presidents, Senior Manager and the Manager of Each Department and Branch

1. The Directors (The Company has not appointed any supervisors but has set up an audit committee)

As of Feb. 11, 2020; Units: Shares, %

Title	Nationality	Name	Sex	Date on Board for the First Time	Date on Board	Term	Shareholdings on Board		Current Shareholdings		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in this Company and Other Companies	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor			Note
							Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate			Title	Name	Rela-tion	
Chairman cum CEO	ROC	Sheng-Shih Chang	Male	2009/02/10	2017/06/16	3	1,749,661	0.83%	1,170,661	0.48%	-	-	-	-	• Juris Doctorate, National Taiwan Normal University • Juris Master, National Taiwan Normal University • Asst. Professor, China University of Science and Technology, • General Manager of Neso Technology Limited in Greater China, Pou Chen Group	Note 1	—	—	—	Note 7
Director	Australia	Jaime Che	Male	2016/11/23	2017/06/16	3	-	-	-	-	-	-	-	-	• The Scots College • CEO/Chairman's Assistant and Investor Relations Manager, Shougang Fushan Resources Group Limited (SEHK: 0639, now renamed as Shougang Fushan Resources Group Limited)	Note 2	—	—	—	—
Director	HK, China	Chi-Kei Ching	Female	2016/11/23	2017/06/16	3	-	-	-	-	-	-	-	-	• MBA, Bradford University (UK) • Bachelor of Business Administration in Accountancy, Hong Kong Polytechnic University • ACCA, certified by the Association of Chartered Certified Accountants • Member of the Hong Kong Institute of Certified Public Accountants • Accounting Manager, FDG Electric Vehicles Limited	Note 3	—	—	—	—

Independent Director	ROC	Wei-Min Shen	Male	2011/06/27	2017/06/16	3	-	-	-	-	-	-	-	-	• Ph.D. in Accounting, Purdue University • Dean of Research and Development Division, Office of Academic Affairs and Department of Public Finance and Taxation of National Taichung University of Science and Technology • Chair of the Department of Accounting, Associate Professor of Tunghai University • Independent Director of Siliconware Precision Industries Co., Ltd.	Note 4	—	—	—	—
Independent Director	ROC	Yie-Yun Chang	Female	2017/06/16	2017/06/16	3	-	-	-	-	-	-	-	-	• Doctor Juris, University of Munich (Germany) • Dean of the School of Law, Fu Jen Catholic University • Member of the Copyright Consultation and Review Committee of the Intellectual Property Office, MOEA • Associate Dean of Academic Affairs of the School of Law cum Chair of the Department of Financial and Economic Law, Fu Jen Catholic University • Member of the 6th Fair Trade Commission	Note 5	—	—	—	—
Independent Director	ROC	Hsuan Wang	Female	2017/06/16	2017/06/16	3	-	-	-	-	-	-	-	-	• Ph.D. in Accounting, National Taiwan University • Assistant Professor, School of Management, Yuan Ze University • Adjunct Lecturer, Department of Accounting, National Taiwan Normal University • Assistant Supervisor, Deloitte Accounting Firm	None	—	—	—	—
Independent Director	ROC	Chian-Hsiu Lee	Male	2017/06/16	2017/06/16	3	-	-	-	-	-	-	-	-	• MBA, Central Queensland University • Mandarain Brother international pty ltd. (Sydney) Sales Manager. • G.M., Taiwan Hua-Yu Industrial	Note 6	—	—	—	

															Co., Ltd • Technical Director, Technical Director, Boteng (Xiamen) Plastics Co. Ltd. • President, Bailin Fluorescent PTY., LTD.					

Note 1： Concurrent Positions in this Company and other companies: Chairman cum CEO of Aleees (Taiwan), Chairman cum CEO of Aleees SH, Legal Representative Chairman of Emerald Battery Technologies Co., Ltd.,.

Note 2： Concurrent Positions in this company and other companies: Executive Director and Chief Executive of FDG Electric Vehicles Limited, Executive Director and Chief Executive of FDG Kinetic Limited.

Note 3： Concurrent Positions in this company and other companies: CFO of FDG Electric Vehicles Limited.

Note 4： Concurrent Positions in this company and other companies: Independent Director of Episil-Precision Inc., Independent Director of Epistar Corp., Independent Director of UPI Semiconductor Corp., Professor of Public Finance and Taxation at National Taichung University of Science and Technology.

Note 5： Concurrent Positions in this company and other companies: Director of Great Eastern Resins Industrial Co. Ltd., Independent Director of Ocean Plastic Co., Ltd. Professor of Financial and Economic Law at Fu Jen Catholic University.

Note 6： Concurrent Positions in this company and other companies: AHK Australia Pty Ltd. Chairman.

Note 7： Where chairperson and general manager/personal of the equivalent level (the top executive) are the same person, spouses or first-degree relative, please explain reasons, rationality, necessity and countermeasures for this situation：

(1) The company is one of the emerging energy industry where its principal business activity is to make research and development, production and sales business on the cathode materials for lithium batteries. For the same person to take on both positions of chairman and general manager, this person can have more insight into the business status of the company so that the board of directors can get hold of it as well. This kind of flat management can enhance the management efficiency and make the execution of decisions smoother.

(2) The Company has established an audit committee. In addition to clearly defined tasks, it can also improve and supervise the management function of the board of directors. Meanwhile, when the Company re-elected the new board of directors in 2017, a seat of independent director

will be added to make the total seats of 4 accounted for 57.14% of the total seats of directors. This way, it not only helps the Company to strengthen the supervision and balance systems, it can also reduce centralized power caused by the chairman and the general manager served by the same person, resulting loss in its power for objectivity and supervision.

(1) Main shareholders of corporate shareholders: N/A

(2) Main shareholders being ones of a corporate: N/A

(3) Information on the Directors

Terms / Name	Meet One of the Following Professional Qualification Requirements and Have at Least Five Years of Work Experience			Independence Information (Note 1)												Number of the Other Public Companies in Which the Concerned Director/Supervisor Acts Concurrently as an Independent Director
	An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Sheng-Shih Chang			✓				✓	✓	✓		✓	✓	✓	✓	✓	-
Jaime Che			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	-
Chi-Kei Ching			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	-
Wei-Min Shen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Yie-Yun Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hsuan Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chian-Hsiu Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1: Please mark "✓" in the column of the following terms which the concerned director/supervisor meets during the two years before being elected or during their term of office.

(1) Not an employee of the Company nor any of its related companies.

(2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking as one of the top-10 shareholders.

(4) Not a spouse, relative within the second-degree of kinship, or lineal relative within the third degree of kinship, of any of the persons specified in the preceding three notes.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the Company or that ranks among the top-5 in shareholding or the representatives served as directors or supervisors appointed in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).

(6) Not a director, supervisor or employees of other companies controlled by the same person had shares over half of the company's director seats or voting rights. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).

(7) Not a director, supervisor or employees of other companies or institutions whom or his/her spouse is also the chairman, general manager or employee of equivalent position in the company. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).

(8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business relations with the Company. (This does not apply, in the cases where a specific company or institution held more than 20% of the total issued shares of the company, but less than 50%, and also served as an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).

(9) Not a professional individual, sole proprietor, partner, owner of a company or institution, director, supervisor, manager or a spouse thereof of a sole proprietorship, partnership, company, or institution providing auditing or services including commercial, legal, financial, accounting or consultation services to the Company or its related companies with

cumulative remuneration less than NT$500,000 in the past two years. However, this does not apply, in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performed their functions in accordance with the relevant laws of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not a spouse or a relative within the second degree of kinship to any other director of the Company.

(11) Not having any of the conditions defined in Article 30 of the Company Law.

(12) Not a governmental or judicial person, or a representative of such institutions as defined in Article 27 of the Company Law.

2. Names, Shareholdings and Academic Qualifications/Experience of CEO (GM), Vice Presidents, Senior Manager and the Manager of Each Department and Branch

As of Feb 11, 2020

Title	Nationality	Name	Date on Board (Note 1)	Shareholding		Shareholding of the Spouse and Underage Children		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in Other Companies	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Person			Note
				Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate			Title	Name	Rela-tion	
Chairman cum CEO	ROC	Sheng-Shih Chang	2007/11/16	1,170,661	0.48%	-	-	-	-	• Juris Doctorate, National Taiwan Normal University • Juris Master National Taiwan Normal University • Juris Asst. Professor, China University of Science and Technology • General Manager of Neso Technology Limited in Greater China, Pou Chen Group	• Aleees (Taiwan)-Chairman cum CEO •Aleees SH- Chairman cum GM •Emerald Battery Technologies -Representative of Corporate Chairman	—	—	—	Note 2
Chief, Finance & Accounting Dept.	ROC	Mei-Fang Huang	2018/05/10	-	-	-	-	-	-	• Department of Accounting, Chung Yuan Christian University • Manager of Audit Department, KPMG • Accounting Unit Manager, Tex-Ray Industrial Co., Ltd. • Senior Manager, Accounting Unit, Radium Life Tech Co., Ltd.	• Senior Manager of Accounting Dept., Aleees (Taiwan)	—	—	—	—
Corporate Governance Officer	ROC	Yi-Jing Lee	2019/11/08	-	-	-	-	-	-	•Department of Industrial Engineering & Management, Cheng Shiu University • Stock Affairs Department Manager of MOSEL VITELIC INC. • Stock Agency Department High Commissioner of Grand Cathay Securities Corporation(now renamed as KGI Securities Co., Ltd.) • Stock Affairs Department Team leader of SIRTEC INTERNATIONAL CO.,LTD.	—	—	—	—	—

Note 1: This date refers to the starting date that these personnel have assumed the current position, and not the start date in this company.

Note 2: Where chairperson and general manager/personal of the equivalent level (the top executive) are the same person, spouses or first-degree relative, please explain reasons, rationality, necessity and countermeasures for this situation：

(1)The company is one of the emerging energy industries where its principal business activity is to make research and development, production and sales business on the cathode materials for lithium batteries. For the same person to take on both positions of chairman and general manager, this person can have more insight into the business status of the company so that the board of directors can get hold of it as well. This kind of flat management can enhance the management efficiency and make the execution of decisions smoother.

(2)The Company has established an audit committee. In addition to clearly defined tasks, it can also improve and supervise the management function of the board of directors. Meanwhile, when the Company re-elected the new board of directors in 2017, a seat of independent director will be added to make the total seats of 4 accounted for 57.14% of the total seats of directors. This way, it not only helps the Company to strengthen the supervision and balance systems, it can also reduce centralized power caused by the chairman and the general manager served by the same person, resulting loss in its power for objectivity and supervision.

3. Compensation Paid to Directors, Supervisors, CEO (GM) and Vice Presidents in the Most Recent Year (2019)

(1) Compensation of directors (including independent directors) (The names and compensation of directors shall be individually disclosed if the Company has reported a post-tax loss in its most recent fiscal year.)

Unit: NT$ thousand

Title	Name	Compensation for Directors								Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (%) (Note 1)		Compensation Received by Concurrent Employees										Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 1)		Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Compensation (D)				Wages, Bonus and Special Disbursement, etc. (E)		Pension (F)		Employee Compensation (G)						
																This Company		All companies listed in the Financial Reports				
		This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	Cash Bonus	Share Bonus	Cash Bonus	Share Bonus	This company	All companies listed in the Financial Reports	
Chairman cum CEO	Sheng-Shih Chang	—	—	—	—	—	—	—	—	—	—	—	5,625	—	—	—	—	—	—	—	—	2,351
Director	Jaime Che	720	720	—	—	—	—	17.5	17.5	—	—	—	542	—	—	—	—	—	—	—	—	—
Director	Chi-Kei Ching	720	720	—	—	—	—	22.5	22.5	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Wei-Min Shen	872.5	872.5	—	—	—	—	22.5	22.5	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Yie-Yun Chang	932.5	932.5	—	—	—	—	17.5	17.5	—	—	—	—	—	—	—	—	—	—	—	—	—

Independent Director	Hsuan Wang	872.5	872.5	—	—	—	—	22.5	22.5	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Chian-Hsiu Lee	780	780	—	—	—	—	20	20													
Total		4,897.5	4,897.5	—	—	—	—	122.5	122.5	—	—	—	6,167	—	—	—	—	—	—	—	—	2,351

1. Please describe the policies, systems, standards and structure of independent directors' remuneration, and explain the relevance with the amount of remuneration based on their responsibilities, risks, and time investment：

The amount of directors' remuneration shall be decided by the board of directors with the consideration of their contribution to the company, the company's operating performance, and the standard of the domestic and overseas competitors in accordance of the provisions of Article 95 of the Company Policy. Considering that the independent directors promote various businesses with full effort and learn from each other for the transformation of the Company, and actively lead the company toward a brand new future without compensation. The remuneration committee recommended the board of directors to decide to pay monthly remuneration for the directors, but the Company is still at a loss. Compared with the remuneration of other listed companies, it is relatively low. Therefore, the Company will irregularly require the remuneration committee to evaluate and provide suggestions in the future.

2.Besides the figures shown in the table above, the amount of compensation the directors received for providing services to all the companies listed in this financial report (e.g. acting as a non-employee consultant, etc.): None.

Note 1: Not applicable for losses incurred during this period.

Pay Band of Compensation

All Types of the Compensation Paid to Each Compensation for Directors of this Company	Director name			
	Top four compensation budgets (A+B+C+D)		Total first seven remuneration (A+B+C+D+E+F+G)	
	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports
Below $1,000,000	Sheng-Shih Chang、 Jaime Che、Chi-Kei Ching、Wei-Min Shen、Yie-Yun Chang Hsuan Wang、Chian-Hsiu Lee	Sheng-Shih Chang、 Jaime Che、Chi-Kei Ching、Wei-Min Shen、Yie-Yun Chang Hsuan Wang、Chian-Hsiu Lee	Chi-Kei Ching、Wei-Min Shen、Yie-Yun Chang Hsuan Wang、Chian-Hsiu Lee	Chi-Kei Ching、Wei-Min Shen、Yie-Yun Chang Hsuan Wang、Chian-Hsiu Lee
$1,000,000（inclusive）～$2,000,000（exclusive）			Jaime Che	Jaime Che
$2,000,000（inclusive）～$3,500,000（exclusive）				
$3,500,000（inclusive）～$5,000,000（exclusive）				
$5,000,000（inclusive）～$10,000,000（exclusive）			Sheng-Shih Chang	Sheng-Shih Chang
$10,000,000（inclusive）～$15,000,000（exclusive）				
$15,000,000（inclusive）～$30,000,000（exclusive）				
$30,000,000（inclusive）～$50,000,000（exclusive）				
$50,000,000（inclusive）～$100,000,000（exclusive）				
Over $100,000,000				
總計	7	7	7	7

(2) Compensation of Supervisors: The Company has not appointed any supervisors and hence not applicable.

(3) Compensation of CEO (General Manager) and VP

Unit: NT$ thousand

Title	Name	Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Compensation (D)				Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (%) (Note 1)		Whether Receiving Compensation from the Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
Chairman cum CEO	Sheng-Shih Chang	－	5,625	－	－	－	－	－	－	－	－	－	－	2,351

Note 1: Losses were incurred during this period, hence not applicable.

Pay Band of Compensation

All Types of the Compensation Paid to Each Respective CEO, General Manager and VP of this Company	Names of CEO, General Manager and VP	
	This Company (Note 1)	All Companies Specified in the Financial Statements (Note 2)
Below $1,000,000	－	－
$1,000,000（inclusive）～$2,000,000（exclusive）	－	－
$2,000,000（inclusive）～$3,500,000（exclusive）	－	－
$3,500,000（inclusive）～$5,000,000（exclusive）	－	－
$5,000,000（inclusive）～$10,000,000（exclusive）	－	Sheng-Shih Chang
$10,000,000（inclusive）～$15,000,000（exclusive）	－	－
$15,000,000（inclusive）～$30,000,000（exclusive）	－	－
$30,000,000（inclusive）～$50,000,000（exclusive）	－	－
$50,000,000（inclusive）～$100,000,000（exclusive）	－	－
Over $100,000,000	－	－
Total	－	1

Note 1: The names of the CEO, General Manager and VP shall be disclosed in the pay band with regards to the amount for all types of compensation paid by the Company to each respective CEO (General Manager) and VP.

Note 2: The consolidated financial statements include the amount for all types of compensation paid to each respective CEO (General Manager) and VP of this company by all companies (including this company), and the names of the CEO, General Manager and VP are disclosed in the relevant pay band.

(4) Compensation of the top five highest paid executives

Unit: NT$ thousand

Title	Name	Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Compensation (D)				Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (%) (Note 1)		Whether Receiving Compensation from the Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
Chairman cum CEO	Sheng-Shih Chang	—	5,625	—	—	—	—	—	—	—	—	—	—	2,351
Chief, Finance & Accounting Dept.	Mei-Fang Huang	—	1,480	—	—	—	—	—	—	—	—	—	—	—
Corporate Governance Officer	Yi-Jing Lee	—	638	—	—	—	—	—	—	—	—	—	—	—

(5) Names of Managers Who Distributed Employee Bonuses and Circumstances of Distribution

No such circumstances exist in our company.

(6) Analysis of the ratio of aggregate compensation to post-tax net earnings paid to the directors and supervisors, CEOs, general managers and VPs of this company and all firms covered in the consolidated financial statements for the past two years and an explanation of the policy, standards and package, and the process of determining the compensation amount in relation to business performance and future risk.

(1) Analysis of the ratio of aggregate compensation to post-tax net earnings paid to the directors and supervisors, CEOs, general managers and VPs of this company and all firms covered in the consolidated financial statements

Unit: NT$ thousand

Item	Year 2018				Year 2019			
	This Company		The consolidated financial statements		This Company		The consolidated financial statements	
	Amount	Amount	Amount	Amount	Amount	%	Amount	%
Director	4,950	—	4,950	—	5,020	—	5,562	—
CEO (General Manager) and VP	—	—	2,400	—	—	—	5,625	—
Total	4,950	—	7,350	—	5,020	—	11,187	—

Note: Losses were incurred in 2018 and 2019, and hence the ratio is not calculated.

(2) The policy, standards and package, and the process of determining the compensation amount in relation to business performance

A. Compensation for Directors is in accordance with the Articles of Incorporation,Compensation of directors is determined (Monthly remuneration and transportation stipend for attending meetings) and paid in accordance to the level of participation and contribution to business operations of the Company by the director in the said position.

B. Compensation of CEOs, general managers and VPs is determined according to the position and contribution made to the Company, referencing industry standards and processed according to the Company's HR bylaws.

3. Corporate Governance Status

i. Operating Status of the Board of Directors

Over the past year, 11 [A] board meetings were held and the attendance rate of the directors is as follows:

As of February 26th, 2020

Title	Name	Times of Attendance in Person [B]	Times of Attendance by Proxy	Actual Attendance Ratio (%) [B/A]	Remarks
Chairman	Sheng-Shih Chang	11	-	100%	-
Director	Jaime Che	8	3	73%	-
Director	Chi-Kei Ching	11	-	100%	-
Independent Director	Wei-Min Shen	11	-	100%	-
Independent Director	Yie-Yun Chang	9	2	82%	-
Independent Director	Hsuan Wang	11	-	100%	-
Independent Director	Chian-Hsiu Lee	10	1	91%	-

Other remarks as required:

1. If any of the below situations apply, the details of the meeting date, session number, proposal content, opinions of all independent directors and actions taken by the Company in response to the opinions of the independent directors should be listed.

(1)Matters enumerated under Article 14-3 of Securities and Exchange Act:

Date and Session of the Board of Directors	Content of the Proposal	Opinions of the Independent Directors	Actions taken by the Company in response to the Independent Directors
Jan 15th, 2019 Meeting 21, Session 7	1. Proposed amendment of the Company's "Rules Governing the Processes for Making Endorsements and Guarantees" 2. Proposed amendment of the Company's "Rules Governing the Processes for the Acquisition and Disposal of Assets" 3. Proposal for the Board of Directors to approve the 2018 end of year bonus for the managers of the Company and Group for sound corporate governance	None	None
Feb 26th, 2019 Meeting 22, Session 7	1. Review of the 2018 Business Report and Financial Statements 2. Proposal for the increase of company assets through the private placement of common stocks 3. Proposed revision of the Company's and its subsidiary, Aleees Taiwan's "Rules Governing the		

		Procedures for the Loaning of Funds to Others” 4. Proposal to revise the rules of Internal Control for the Company and its subsidiaries “Aleees (Taiwan)” and “Aleees (Shanghai)” 5. Proposed revision of the Company’s “Rules Governing the Processes for Making Endorsements and Guarantees”		
	Mar 29th, 2019 Meeting 23, Session 7	The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
	May 2th, 2019 Meeting 24, Session 7	1. Board of Directors resolved cash capital increase in 2019 2. The Company drew up the dispose of the equity of the reinvestment company, Emerald Battery Technologies Co., Ltd., held by the Company 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
	Jun 5th, 2019 Meeting 25, Session 7	1. The Company drew up to approve contract bonuses cases between the Company and important international customers 2. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
	Jul 9th, 2019 Meeting 26, Session 7	1. The Company drew up to approve the remuneration of the members of the Third Corporate Social Responsibility Committee. 2. Related schedule of 2019 cash capital increase		
	Aug 13th, 2019 Meeting 27, Session 7	Cases of appointing accounting firms and certified public accountant for the 2019 financial statement of the Company		
	Nov 8th, 2019 Meeting 28, Session 7	The Company drew up to change in the amount of endorsement guarantee for Advanced Lithium Electrochemistry Co., Ltd, the Company's subsidiary.		
	Dec 20th, 2019 Meeting 29, Session 7	The company drew up to apply for a capital loan from its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
	Jan 10th, 2020 Meeting 30, Session 7	1. Proposal of year-end bonus for the managers of the Company in 2019 2. Proposed revision of the Company’s “Rules Governing the Processes for Making Endorsements and Guarantees” 3. Proposal for modification of the “Articles of Incorporation”		
	Feb 26th, 2020 Meeting 31, Session 7	1. Proposal for a capital reduction plan to offset company losses 2. Proposal for the raising of private equity 3. Proposal for modification of the “Articles of Incorporation”		

(2)Other matters the independent directors objected to or abstained from voting from which were recorded, declared in writing or resolved in the board of directors: None.

2. Information on the withdrawal of directors from proposals due to conflict of interests. The names of directors, proposal content, causes of required withdrawal due to conflict of interests and results of voting:

Date/Session of the Board of Directors	Director’s Name	Proposal Content	Cause of Withdrawal due to Conflict of Interests	Results of Voting
Jan 15nd, 2019 Meeting 21, Session 7	Sheng-Shih Chang	Proposal for the Board of Directors to approve the 2018 end of year bonus for the managers of the Company and Group for sound corporate governance	Chairman Sheng-Shih Chang withdrew from discussion and voting due to conflict of interests.	After consultation with the remaining directors by Interim Chairman Wei-Min Shen, as selected by Chairman Sheng-Shih Chang, the proposal passed as proposed

Jun 5th, 2019 Meeting 25, Session 7	Sheng-Shih Chang	The Company drew up to approve contract bonuses cases between the Company and important international customers	Chairman Sheng-Shih Chang withdrew from discussion and voting due to conflict of interests.	After consultation with the remaining directors by Interim Chairman Yie-Yun Chang, as selected by Chairman Sheng-Shih Chang, the proposal passed as proposed
Jul 9th, 2019 Meeting 26, Session 7	Wei-Min Shen、Yie-Yun Chang、Hsuan Wang	The Company drew up to approve the remuneration of the members of the Third Corporate Social Responsibility Committee	Chairman Wei-Min Shen、Yie-Yun Chang、Hsuan Wang withdrew from discussion and voting due to conflict of interests.	After consultation with the remaining directors by the chairman, the proposal passed as proposed.
Jan 10th, 2020 Meeting 30, Session 7	Sheng-Shih Chang	Proposal of year-end bonus for the managers of the Company in 2019	Chairman Sheng-Shih Chang withdrew from discussion and voting due to conflict of interests.	After consultation with the remaining directors by Interim Chairman Yie-Yun Chang, as selected by Chairman Sheng-Shih Chang, the proposal passed as proposed

3. The evaluation cycle and period, evaluation scope, method and evaluation content and other information of the self (or peer) evaluation of the Board of Directors:

Evaluation of the Board of Directors

Cycle	Period	Scope	Method	Content
The internal board of directors shall be evaluated for their performance at least once a year, which shall also be evaluated at least once every three years by an external professional independent institution or a team of experts and scholars.	By the end of each year	一. Board of Directors 二. Each director 三. Functional committees	Internal self-evaluation by the board of directors, self-evaluation by directors, peer evaluation, appointment of external professional organizations, experts or other appropriate methods for evaluation	Evaluation items of the Board of directors (functional committees): 一、Engagement in the operations of the Company 二、Improve the quality of decisions made by the Board of Directors 三、The composition and structure of the Board of Directors 四、Selection and continuing education of the directors 五、Internal Control Evaluation items for Board members (self or peer): 一、Management of the Goal and Mission of the Company 二、Awareness of directors' responsibilities 三、Engagement in the operations of the Company 四、Management and communication of internal relationship 五、Profession and continuing education of directors 六、Internal control

4. Evaluation of the execution status of, and with the purpose to strengthen the functionality of the Board of Directors in the current and most recent years (such as the establishment of the audit committee to enhance transparency):

(1)The Company shall set up a corporate and manage supervisors in accordance with the contents of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" announced by the competent authority on December 12, 2018 and the "Code of Corporate Governance Practice" of the Company.

(2)The Company has approved the "Regulations for the Standard Procedure of Handling Directors' Requirements" at the 25th Meeting of the seventh board of directors on June 5, 2019.

(3)The Company has approved the related contents of the amendments to the "Corporate Governance Best Practice

Principles" at the twenty-seventh meeting of the 7th Board of Directors on August 13, 2019.
(4)The Company has purchased liability insurance for all directors and declared according to the regulations.
(5)The Company shall inform relevant improvement courses to board members and assist in arranging for training courses to enhance the absorption of new knowledge and maintain professional advantages.

Attendance Records of the Independent Directors in 2019~2020

	Meeting Number of the Seventh Session of the Board of Directors										
Name	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th
Wei-Min Sheng	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Yie-Yun Chang	☆	☆	◎	◎	◎	◎	◎	◎	◎	◎	◎
Hsuan Wang	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Chian-Hsiu Lee	◎	◎	◎	◎	◎	◎	◎	☆	◎	◎	◎

◎: Present；☆: Attendance by Proxy

(ii) Operating Status of the Audit Committee

1. Annual work priorities of the Audit Committee
   - Establish or amend internal control systems in accordance with the company's articles of association.
   - Assessment of the effectiveness of the internal control system.
   - Handling or amending the handling procedures for obtaining or disposing of assets, engaging in derivative commodity transactions, borrowing funds from others, or endorsing or providing guarantees for major financial business activities in accordance with the Articles of Association of the Company.
   - Review matters involving the director's own interests.
   - Review major assets or derivatives transactions.
   - Review major fund loans, endorsements or provide guarantees.
   - Review the issuance, issuance or private placement of securities of an equity nature.
   - Review the appointment, dismissal or remuneration of the visa accountant.
   - Review the appointment and dismissal of financial, accounting or internal audit supervisors.
   - Review annual and semi-annual financial reports.
   - Review other major matters stipulated by the company or the competent authority.

2. Over the past year, 11 [A] audit committee meetings were held and the attendance rate of the independent directors is as follows:

As of February 26th, 2020

Title	Name	Times of Attendance in Person [B]	Times of Attendance by Proxy [A]	Actual Attendance Ratio (%) [B/A]	Notes
Independent Director	Wei-Min Shen	11	-	100%	-
Independent Director	Yie-Yun Chang	9	2	82%	-
Independent Director	Hsuan Wang	11	-	10%	-
Independent Director	Chian-Hsiu Lee	10	1	91%	-

Other remarks as required:
1. If any of the below situations apply to the operations of the audit committee, the details of the meeting date, session number, proposal content, results of voting by the audit committee, and actions taken by the Company in response to the opinions of the members of the audit committee should be listed:
   (1) Matters enumerated under Article 14-5 of Securities and Exchange Act:

Date and Session of the Board of Directors	Content of the Proposal	Voting Results by the Audit Committee	Actions taken by the Company in response to the Audit Committee
Jan 15th, 2019 Meeting 17, Session 3	1. Proposed amendment of the Company's "Rules Governing the Processes for Making Endorsements and Guarantees" 2. Proposed amendment of the Company's "Rules Governing the Processes for the Acquisition and Disposal of Assets"	After consultation by the chairman with all committee members present, the proposal passed as proposed.	None
Feb 26th, 2019 Meeting 18, Session 3	1. Review of the 2018 Business Report and Financial Statements 2. Proposal for the increase of company assets through the private placement of common stocks 3. Proposed revision of the Company's and its subsidiary, Aleees Taiwan's "Rules Governing the Procedures for the Loaning of Funds to Others" 4. Proposal to revise the rules of Internal Control for the Company and its subsidiaries "Aleees (Taiwan)"and "Aleees (Shanghai)" 5. Proposed revision of the Company's "Rules Governing the Processes for Making Endorsements and Guarantees"		
Mar 29th, 2019 Meeting 19, Session 3	The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
May 2th, 2019 Meeting 20, Session 3	1. Board of Directors resolved cash capital increase in 2019 2. The Company drew up the dispose of the equity of the reinvestment company, Emerald Battery Technologies Co., Ltd., held by the Company 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
Jun 5th, 2019 Meeting 21, Session 3	The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
Jul 9th, 2019 Meeting 22, Session 3	Related schedule of 2019 cash capital increase		
Aug 13th, 2019 Meeting 23, Session 3	1. Cases of appointing accounting firms and certified public accountant for the 2019 financial statement of the Company 2. Review of the second quarter 2019 Business Report and Financial Statements		
Nov 8th, 2019 Meeting 24, Session 3	The Company drew up to change in the amount of endorsement guarantee for Advanced Lithium Electrochemistry Co., Ltd, the Company's subsidiary.		
Jan 10th, 2020 Meeting 26, Session 3	1. In 2019, the annual general meeting approved that the private placement of ordinary shares will no longer be handled 2. Proposed revision of the Company's "Rules Governing the Processes for Making Endorsements and Guarantees"		
Feb 26th, 2020 Meeting 27, Session 3	1. Review of the 2019 Business Report and Financial Statements 2. Proposal to approve the 2018 Declaration of Internal Control for the Company and its subsidiaries "Aleees (Taiwan)", "Aleees Eco Ark (Taiwan)"and "Aleees (Shanghai)" 3. Proposal for a capital reduction plan to offset company losses 4. Proposal for the raising of private equity		

(2) Besides the information above, any resolutions not passed by the audit committee, but passed by two-thirds of the board of directors: None

2. Information on the withdrawal of independent directors from proposals due to conflict of interests. The names of the directors, proposal content, causes of required withdrawal due to conflict of interests and results of voting: None
3. Circumstances of Communications between the independent directors and the internal audit manager and CPA (including company financial matters, important communications regarding important matters, procedures and results of the status of business, etc.):
   (1) The Company's internal audit manager reports to the independent directors on the auditing matters of the Company and its subsidiaries, in addition to the execution status of follow-up reports, on a scheduled basis in the audit committee. The internal audit manager needs to frequently contact the independent directors directly; the status of communications is good.
   (2) The Company assigns CPA to the audit committee every quarter to report information to the independent directors, focusing on the review of the Company's and its subsidiary's financial reports, the examination of results, and the status of internal control. The CPA also communicates when there are adjusted journal entries for financial reports and the impact on accounting procedures.
   (3) The Company's independent directors communicate very well with the internal audit manager and the CPA.
   (4) Below is a summary of the occasions in which the independent directors communicate with the internal audit manager:

Date of the Audit Committee	Circumstances in Which Communication Occurred with the Internal Audit Manager
Feb 26th, 2019	1.As of the January. 2019 Audit Report 2.The passing of the Company's 2018 Report on Internal Control in addition to the assessment of the independence and competence of CPAs
Mar 29th, 2019	As of the Feb. 2019 Audit Report
May 2th, 2019	As of the Mar. 2019 Audit Report
Jun 5th, 2019	As of the Apr. 2019 Audit Report
Aug 13th, 2019	As of the Jul. 2019 Audit Report
Nov 8th, 2019	As of the Oct. 2019 Audit Report
Dec 20th, 2019	1.As of the Nov. 2019 Audit Report 2.Annual audit plan
Jan 10th, 2020	As of the Nov. 2019 Audit Report
Feb 26th, 2020	As of the Jan. 2020 Audit Report

   (5) Below is a summary of the occasions in which the independent directors communicate with the CPAs:

Date of the Audit Committee	Circumstances in Which Communication Occurred with the CPAs
Feb 26th, 2019	Discussion regarding the 2018 Financial Report, including an explanation of profits and losses in addition to issues in the application of accounting principles; discussion and communication regarding questions the CPA has raised to members of the meeting.
May 2th, 2019	Explanation of a review of the consolidated financial reports from the first quarter of 2019; discussion and communication regarding questions the CPA has raised to members of the meeting.
Aug 13th, 2019	Explanation of a review of the consolidated financial reports from the second quarter of 2019; discussion and communication regarding questions the CPA has raised to members of the meeting.
Nov 8th, 2019	Explanation of a review of the consolidated financial reports from the third quarter of 2019; discussion and communication regarding questions the CPA has raised to members of the meeting.
Feb 25th, 2020	Discussion regarding the 2019 Financial Report, including an explanation of profits and losses in addition to issues in the application of accounting principles; discussion and communication regarding questions the CPA has raised to members of the meeting.

(iii) Corporate Governance Status and the Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms

Evaluation Contents	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
1. Has the Company set up and disclosed the Corporate Governance Best Practice Principles based on the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	V		Our company firmly believes that a Board of Directors with sound structure and operations, transparency of information, protecting the rights and interests of shareholders and the fair treatment of shareholders is the foundation for company governance. Our company has set up "Corporate Governance Best Practice Principles" and disclosed it on our company's website in addition to the Market Observation Post System in accordance to the related procedures and laws regarding the establishment of corporate governance. Since the past, our company has ranked in the top tiers in terms of standards for corporate governance, and has received affirmation for the Company's corporate governance and transparency of information.	None
2. Company's Shareholding Structure and the Rights and Privileges of Shareholders A. Does the Company set up internal procedures to deal with shareholders' recommendations, concerns, disputes, litigation matters, and does it implement these rules according to procedure?	V		Our company has set up a spokesperson and acting spokesperson system to guarantee that any information regarding decisions that impact our shareholders is able to be promptly announced. Our company's website also contains a specialized e-mail inbox, dedicated to dealing with our shareholders' issues, such as recommendations and disputes. If the issue is related to laws and regulations, shareholders will be directed to the legal affairs department, according to procedure.	None
B. Does the Company retain a register of major shareholders that have controlling power over the Company and people who hold ultimate power over those major shareholders?	V		Our company has set up stock affairs and transfer agency departments and can bring up the register of major shareholders that have controlling power over the Company and people who hold ultimate power over those major shareholders. Changes in the stockholdings of people within the Company are reported every month, as required by law.	None
C. Has the Company set up and executed controls for risks and firewall mechanisms between affiliated firms?	V		Our company has established the "Rules Governing Related Party Transactions" and the "Procedures for the Supervision of Subsidiaries" to set the norms for financial and business matters involving related firms. This acts as an effective control for risk and as a firewall mechanism.	None
D. Has the Company set up rules and regulations to prohibit persons inside the firm from using unreleased market information to buy and sell negotiable securities?	V		Our company has already established the "Procedures Handling Internal Information and the Management of Preventing Insider Trading", preventing persons inside the Company from using unreleased market information to buy and sell negotiable securities.	None
3. The Organization and Responsibilities of the Board of Directors A. Has the Board of Directors set up and implemented a diversified strategy to choose its members?	V		(1) Our company's "Corporate Governance Best Practice Principles" include a policy that strengthens the functions of our Board of Directors. Considered factors for members of the Board of Directors are gender, age, nationality, academic and professional background (e.g., law accounting, industry, finance, marketing, technology), professional skills and industrial	None

Evaluation Contents	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			experience in addition to many other diversification standards. Our company's current Board of Directors consists of experts from different professional backgrounds and fields, conforming to the diversification policy. Within the seven members currently on the Board, three directors are women and two of those are independent directors. Women make up 42.86% of Board members and the average age of the female directors is 51 years old. Men make up 57.14% of Board members and the average age of the male directors is 48 years old. In addition to Taiwanese nationals serving on our Board, we also have one Australian and one Hong Konger.	

(2) Information on Each Director Meeting the Diversification Standards for Board Members

Members of the Board Meeting the Diversification Standards

Core Diversification Standard / Director Name	Gender	Academic Qualification	Operational Judgment	Accounting and Financial Analysis	Management Abilities	Crisis Management Abilities	Industry Knowledge	Int'l Market Perspective	Leadership Abilities	Decision-Making Abilities	Knowledge of Law
Sheng-Shih Chang	Male	J.D., National Taiwan Normal University	v	v	v	v	v	v	v	v	v
Jaime Che	Male	The Scots College	v	v	v	v	v	v	v	v	-
Chi-Kei Ching	Female	MBA, Bradford University	v	v	v	v	v	v	v	v	-
Wei-Min Shen	Male	Ph.D. in Accounting, Purdue University	v	v	v	v	v	v	v	v	-
Yie-Yun Chang	Female	J.D., University of Munich	v	v	v	v	v	v	v	v	v
Hsuan Wang	Female	Ph.D. in Accounting, National Taiwan University	v	v	v	v	v	v	v	v	-
Chian-Hsiu Lee	Male	MBA, Central Queensland University	v	v	v	v	v	v	v	v	-

Evaluation Contents	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
B. Other than the Compensation Committee and the Audit Committee which are required by law, is the Company willing to set up other committees?	V		Other than the Compensation Committee and the Audit Committee, the Company has set up the committees described below: 1. Under the Board of Directors is the Corporate Social Responsibility Committee (CSR Committee), which plans and sets goals for sustainable development and regularly reviews the progress and achievements of those goals. 2. A Nomination Committee has been set up to improve the functions of the Board of Directors of this company and to strengthen management mechanisms. This committee consists of three directors nominated by the Board and half of the committee consists of independent directors.	None
C. Whether the Company formulates the regulations and method for the performance evaluation of the board of directors, conducts performance evaluation regularly every year, reports the results of the performance evaluation to the board of directors, and takes it as a reference for the remuneration, nomination and re-appointment of each director.?	V		To implement the Company's governance and improve the functionality of the Board of Directors, performance goals are established to improve efficiency in the operations of the Board. The Company has set criteria to evaluate the performance of the Board and evaluates the Board internally once every year. In addition, the Board undergoes an external evaluation at least once every three years. In February 2019, the Company appointed EY Advisory Services Inc. (hereinafter referred to as EY) to perform the performance evaluation of the external board of directors in 2018 and submitted the report of performance evaluation results of the board of directors to the board of directors on May 2, 2019.The evaluation uses EY's eight big criteria to assist in identifying key elements to supplement the evaluation of our company's Board. Those criteria include: the structure and process of the Board, the members of the board, corporate and organizational structure, role and authority, behavior and culture, the training and developments of directors, the supervision of risk control and the supervision of reporting, disclosure and performance. Based on the results of the evaluation, EY believes that our company's Board has a sound interactive culture, which is one of the fundamental elements in having a high performing Board of Directors. Based on this foundation, we hope that the observations and recommendations made through EY's evaluation on the members of the Board, operational practices, risk management, performance supervision and other fields will assist our company and Board to make continuous optimizations and improvements. We hope to become the standard in the industry for corporate governance and Board performance. Also, EY's assessment recommendations will serve as a reference when the nomination committee and the board of directors examine the nomination of directors. On February 26, 2020, the Company reported the board of the results of the 2019 performance evaluation report of the board of directors.	None
D. Does the Company regularly evaluate the independence of the CPA's?	V		According to our company's "Corporate Governance Best Practice Principles", CPAs are evaluated regularly on a yearly basis in terms of their independence and competence. The 2019 evaluation of the independence and competence of the CPAs was passed by resolution by the	None

Evaluation Contents	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			Audit Committee and the Board of Directors. According to the evaluation of the independence of the Company's CPAs, they do not fall under the categories of being the Company's directors, supervisors, managers or a position of great impact to the Company. They are also not stakeholders and thus there are no issues of any direct nor indirect conflicts of interest; they do not have any direct nor indirect significant financial interests with our company. The CPAs execute professional services with upright, objective and serious attitude. In addition, the Audit Committee regularly obtains independence declarations from the CPAs. When the Company's Audit Committee and Board of Directors discuss the competence of the CPAs, they examine the CPA's personal credentials in addition to the CPA's major reviews and clients to evaluate the CPA's competence.	
4. Whether TWSE/TPEx listed companies have deployed appropriate numbers of suitable corporate governance personnel, and designated corporate governance directors responsible for corporate governance-related matters (including but not limited to providing directors, supervisors with information required to perform business, assisting directors, supervisors in complying with laws, handled matters related to meetings of the board of directors and shareholders' meeting on the basis of the laws, and prepared the minutes of the board of directors and shareholders' meetings, etc?	V		To enhance corporate governance and improve the effectiveness of the board of directors, the Company approved a resolution at the 25th meeting of the 7th Board of Directors on June 5, 2019 to set up a supervisor of corporate governance, and a qualified corporate governance personnel has been deployed. The main job description includes coordinating each relevant departments to provide directors with the information required to perform their business in time, assist directors in complying with laws and regulations, handling matters related to the board of directors and board meetings, and implement corporate governance, which includes the establishment of related promotion goals and regular follow-up of corporate governance, arrangement of related corporate governance training courses and other matters for directors and senior supervisors. The business execution of the governance unit is also disclosed on the website of the Company.	None
5. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, clients, suppliers, etc.), and set up a designated area on the Company website to handle the issues of the stakeholders? Has the Company appropriately responded to the stakeholders regarding key corporate responsibility issues that affect them?	V		(1) The Company values communication with its stakeholders (including shareholders, employees, clients, upstream and downstream factories, investors, etc.), each other's rights and privileges, and a balance in the dutiful relationship between both parties. In addition to regular communications with stakeholders, the Company's website has set up a "Designated Zone for Stakeholders". This zone contains online surveys that help the Company to understand the main concerns of the stakeholders, an e-mail inbox Aleees@alechem.com, and contact information, through which stakeholders can express their opinions. (2) The Company's website also has a page for corporate governance in the "Investor Relations\Corporate Governance\Major Internal Policies", in which investors can download documents related to the rules and regulations of corporate governance. (3) The Company has also set up a "Corporate Social Responsibility" section on the website. In addition to understanding the topics the major stakeholders are concerned about and the level of concern toward each topic, the webpage also discloses the status of and the latest news on the Company's corporate social responsibility for the reference of the	None

Evaluation Contents	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			stakeholders. It also provides ① e-mail address CSR@alechem.com and the contact no. 03-3646655 for Ms. Lee ② Praise/Complaint Mailbox：speak-up@alechem.com ③ e-mail address and contact no. for the Investor and Media Contact Person (e.g.: Spokesperson: Ruei-Yang Chu, Investment Chief), ir@alechem.com, 03-3646655, to provide a channel for voicing opinions and suggestions to the Company.	
6. Has the Company delegated a professional shareholder services agent to serve the shareholders?	V		The Company has delegated a professional shareholder services agent to serve the shareholders.	None
7. Disclosure of Information A. Has the Company set up a website that discloses information on the Company's financial affairs and corporate governance?	V		The Company has set up a company website (www.aleees.com) to disclose relevant information at all times, provide information on the Company's situation, all relevant information on MOPS and on the financial affairs of the Company, according to the stipulations of the competent authorities.	None
B. Has the Company taken other measures to disclose its information (i.e., setting up an English website, appointing personnel to gather and disclose the Company's information, implement a spokesperson system, uploading the whole process of the investor conference onto the Company website)?	V		The Company has already set up an English website, appointed personnel to gather and disclose the Company's information, implemented a spokesperson system and uploaded the whole process of the investor conference onto the Company website.	None
C. Whether the Company announced and reported the annual financial report within two months after the end of the fiscal year, and announced and reported the first, second and third quarter financial reports and operation of each month in advance before the prescribed period？	V		On March 12, 2019, the Company has reported the 2018 Annual Financial Report, which was half a month before the time stipulated by the Act, and announced the completion of the first, second and third quarter financial reports and the operation of each month before the provided period.	
8. Does the Company have any other information that would assist in letting others learn more about the Company's corporate governance status (including but not limited to the rights and privileges of employees, concern toward staff, relationship with investors, relationship with suppliers, rights and privileges of stakeholders, pursuance of higher education by directors and supervisors, risk control policy and performance of risk measuring standards, performance of customer policy, the Company taking out liability insurance for the directors and supervisors)?	V		Our company firmly believes that a Board of Directors with sound structure and operations, transparency of information, protecting the rights and interests of shareholders and the fair treatment of shareholders is the foundation for company governance. Since the past, our company has ranked in the top tiers in terms of standards for corporate governance, and has received affirmation for the Company's corporate governance and transparency of information. (1) In 2019, the Company arranged for professional development courses for the directors to attend. Related information in the table attached. (2) Every year, the Company takes out liability insurance for the directors and managers. Coverage and insurance rate among other important contents in the next report of the Board of Directors.	None

Evaluation Contents	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			(3) Implementation of risk management policies and risk measurement standards: Major operations related to major operational policies, investment cases, endorsement guarantees, capital loans, and bank financing have been evaluated and analyzed by appropriate authority department and implemented pursuant to the resolutions made by the board of directors, and the auditing office also drew up its annual auditing plans based on the results of risk evaluation, which shall be implemented exactly to conduct the supervision mechanism and control the implementation of various risk management. (4) The Company established a complaint mailbox to actively handle customer complaints to protect the rights of customers. (5) The Company has prepared a report on Corporate Social Responsibility, which includes information on the rights and privileges of employees, concern toward staff, relationship with investors, relationship with suppliers and the rights and privileges of stakeholders. Please refer to the Company's Corporate Social Responsibility Report at www.aleees.com.	
9. Please provide details regarding improvements made based recommendations listed in the most recent year's assessment from the Corporate Governance Center, Taiwan Stock Exchange Co., Ltd. If the changes have not yet been made, please provide a list of matters to be improved and the corresponding measures. (N/A for companies not assessed): For the past five consecutive years, our company has ranked in the top 5% of companies in terms of corporate governance, receiving strong affirmation in this area. The Company directly confronts the impact corporate governance has on business management, values the rights and privileges of shareholders and the fair treatment of shareholders and fully implements corporate social responsibility. The efficient operations of the Board of Directors and disclosure of credible and transparent information solidifies the Company's culture of governance. With increasing competitiveness, our company will continue to implement company governance and create maximum value for the Company and shareholders in the future.				

Appendix Table: Professional Development Courses Taken by the Company's Directors and Independent Directors in 2019 are as follows:

Title	Name	Organizer	Professional Development Course	Date	No. of Hours	Does the professional development conform to the stipulations? (Note 1)
Chairman	Sheng-Shih Chang	Securities and Futures Institute	Case Discussion on Corporate Financial Statement Fraud	Nov 6th, 2019	3	Yes
			Practice Discussion on Money Laundering Prevention and Counter-Terrorism Financing		3	Yes
Director	Jaime Che	Securities and Futures Institute	Discussion on Corporate Information Disclosure and False Responsibility	Nov 21th, 2019	3	Yes
			Discussion on Directors and Supervisors' Liabilities from Illegal Cases in the Securities Market		3	Yes
Director	Chi- Kei Ching	Hong Kong Institute of Certified Public Accountants	FSIG lunch seminar-Handing regulatory investigations	Aug 8th, 2019	1.5	Yes
			Hong Kong IPO offering structures and GEM placing guideline	Aug 27th, 2019	1.5	
			Opening Of Bank Accounts and Financing for SME	Sep 4th, 2019	1.0	
			Quality Assurance Forum: What	Sep 16th, 2019	1.5	
			Cybersecurity and IT Risk Management	Sep 30st, 2019	1.5	
Independent Director	Wei-Min Shen	Securities and Futures Institute	Discussion on the Impact of China–United States Trade War to the risks of Taiwanese Enterprises	Aug 12th, 2019	6	Yes
		Taiwan Corporate Governance Association	Realization of Corporate M & A Value -Discussion on the topic of integration after corporate M & A and the establishment of management mechanism	Nov 14th, 2019		
Independent Director	Chian-Hsiu Lee	Securities and Futures Institute	Discussing the legal risks and coping responses of directors and supervisors from the major enterprise embezzlement	Oct. 1th, 2019	3	Yes
			The impact and coping response of the latest tax law changes on the operations of enterprises		3	
Independent Director	Hsuan Wang	Securities and Futures Institute	Audit trends in the digital technology environment	Sep. 6th, 2019	6	Yes
Independent Director	Yie-Yun Chang	Taiwan Corporate Governance Association	Insider trading prevention and coping response	Jan 10rd, 2019	3	Yes
			How the directors and supervisors shall supervise the Company to perform enterprise risk management and crisis management well	Jan 29th, 2019	3	

Note 1: Referring to the amount of class hours, course content, course system, arrangement of courses and disclosure of information as stipulated by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".

(iv) The Compensation Committee established by the Company, and the status of its organization, duties and operations:

1. Information on the Members of the Compensation Committee

The members of the 3rd Compensation Committee originally consisted of independent directors Yie-Yun Chang and Hsuan Wang, Mr. Miao-Lung Hsieh, CFO of First Steamship Co., Ltd., and Mr. Ming-Jen Yu, VP of Sandmartin International Holdings Limited. Mr. Ming-Jen Yu resigned from the committee on November 22nd, 2017.

As of February 26th, 2020

Position (Note 1)	Terms / Names	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Information(Note2)								Number of Other Public Companies Concurrently Serving as a Member of Compensation Committee	Remark (Note 3)
		An instructor or a higher position of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Yie-Yun Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	–
Independent Director	Hsuan Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	–
Other	Miao-Lung Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	-	–
Other	Ming-Jen Yu (Note 4)			✓	✓	✓	✓	✓	✓	✓	✓	✓	-	–

Note 1: Please fill in “Director”, “Independent Director” or “Other” in the “Position” section.

Note 2: “✓” in the boxes indicates that, during the two years before the elected position or during the term of office, directors and supervisors met the following criteria:

(1) Not an employee of the Company nor any of its related companies.

(2) Not a director or supervisor of the Company or any of its related companies. It does not apply in cases where the person is an independent director of the Company, its parent company or any subsidiary that has been legally established according to this law or the statutes and ordinances of the country the Company is in.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking as one of the top-10 shareholders.

(4) Not a spouse, relative within the second-degree relatives, or lineal relative within the fifth degree, of any of the persons specified in the preceding three notes. Not a spouse, relative within the second-degree of kinship, or lineal relative within the third degree of kinship, of any of the persons specified in the preceding three notes.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the Company or a director, supervisor, or employee of a corporate shareholder that ranks among the top-5 in shareholding.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business relations with the Company.

(7) Not a professional individual, sole proprietor, partner, owner of a company or institution, director, supervisor, manager or a spouse thereof of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the Company or its related companies.

(8) Not having any of the conditions defined in Article 30 of the Company Law.

Note 3: If the position of a member is director, please state whether the requirement of Paragraph 5 of Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" is met.
Note 4: Resigned on November 22nd, 2017.

2. Responsibilities of the Compensation Committee

The Compensation Committee shall perform the duties listed below with the duty of care and integrity. Recommendations made in the Committee shall be submitted to the Board of Directors for discussion:

(1) Determine and regularly review the performance of directors and managers in addition to the policies, systems, benchmarks and structure of their compensation.

(2) Regularly assess and determine the salary compensation of directors and managers.

3. Information on the Performance of the Compensation Committee

(1) The Company's Compensation Committee originally had a total of four committee members. Mr. Ming-Jen Yu resigned from the Committee on November 22nd, 2017.

(2) Discussion of the reasons and resolutions of the remuneration committee in the most recent year and up to the date of this annual report, and the company's handling of members' opinions.

Date and Session of the Board of Compensation Committee	Contmen of the Proposal	Voting Results by the Compensation Committee	Actions taken by the company in response to the Compensation Committee
Jan 15th, 2019 Meeting 8, Session 3	In order to improve corporate governance, the committee intends to assist the board of directors in approving the year-end bonus case of the company and the group's 2018 director.	After consultation by the chairman with all committee members present, the proposal passed as proposed.	None
Jun 5th, 2019 Meeting 9, Session 3	1. Establishing company secretary and Approval of the remuneration 2. The Company drew up to approve contract bonuses cases between the Company and important international customers		
Jul 9th, 2019 Meeting 10, Session 3	The Company drew up to approve the remuneration of the members of the Third Corporate Social Responsibility Committee.		
Nov 8th, 2019 Meeting 11, Session 3	Establishing company secretary and Approval of the remuneration		
Jan 10th, 2019 Meeting 12, Session 3	Proposal of year-end bonus for the managers of the Company in 2019		

(3) The tenure of Committee members currently in office: June 16th, 2017 to June 15th, 2020. In the most recent year and as of the printing date of this annual report, four board meetings were held 4[A], and the qualifications and attendance of the Committee members are as follows:

As of February 26th, 2020

Title	Name	Times of Attendance in Person[B]	Times of Attendance by Proxy	Actual Attendance Ratio (%)[B/A]	Remarks
Convener	Yie-Yun Chang	4	1	80%	-
Committee member	Hsuan Wang	5	-	100%	-
Committee member	Miao-Lung Hsieh	5	-	100%	-
Committee member	Ming-Jen Yu	-	-	-	Resigned on Nov 22nd, 2017.

Other remarks as required:

1. If the Board of Directors refuses to adopt or revise suggestions from the Compensation Committee, the details of the meeting date, session number, proposal content, results of voting by the Board of Directors, and actions taken by the Company in response to the opinions of the members of the Compensation Committee should be listed (i.e., if the Board of Directors approved a compensation structure that is better than that suggested by the Compensation Committee, the circumstance of discrepancy and reasoning should be clearly stated): None
2. If members of the Compensation Committee object to or abstain from voting from resolutions of the Compensation Committee, and there is a record or written declaration regarding said objection or abstention, the details of the meeting date, session number, proposal content, all the opinions of the committee members, and actions taken in response to the opinions of the members of the Compensation Committee should be listed: None

(v)The difference between the situation of social responsibility fulfillment and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and its reasons.

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
1. Whether the Company have conducted risk assessments of environmental, social and corporate governance issues related to its operations in accordance with the materiality principles, and formulated relevant risk management policies or strategies?	V		(1)To guarantee the full implementation of strategies for sustainability, the Company established the Corporate Social Responsibility Committee (CSR Committee) under the Board of Directors in 2014 to integrate the resources of the Company and raise efficiency. The CSR Committee operates following the “P-D-C-A” (Plan-Do-Check-Act) method of management. Each team regularly identifies stakeholders, gathers and examines information on key concerns of stakeholders, and guarantees that all significant considerations are covered. After assessing the performance of each team, the chairman of the Committee will report the results back to the Board of Directors. The Board will identify and review the performance of the Committee on economic, environmental and social issues, in addition to providing a strategic plan for the Committee to adopt, based on the results of the performance evaluation. (2)The performance and detailed contents of the Company’s CSR are disclosed in the Company’s annual CSR Report.	None
2. Has the Company set up specialized or concurrent departments to promote CSR, authorized by the Board of Directors to have high-level management and hierarchical operations, and report back to the Board on the status of matters handled?	V		To guarantee the sound management of CSR, the Company has established the CSR Committee, in which the Company’s Board of Directors appoints high-level managers from the Company and each of its subsidiaries to act as committee members. The Committee studies and discusses the CSR policies and supervises the implementation of said policies in each company; the Committee regularly reports on CSR performance to the Board of Directors.	None
3. Issues of Environment A.Has the Company established appropriate systems for environmental management based on the characteristics of its operations?	V		(1)The Company’s principles for sustainable environmental management consist of reducing environmental impact, implementing environmental management, developing green products, taking environmental responsibility and disseminating	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			environmental knowledge, in addition to making efforts to reduce environmental footprint caused by the Company's operations. (2)The Company has passed certification for the ISO14001 Environmental Management System, the OHSAS 18001 Occupational Health and Safety Management System, and the ISO50001 Energy Management System. (3)To implement green factories, we promoted clean production processes, strengthened internal autonomy implementation to increase the energy and resource efficiency, improve the equipment effectiveness, reduce the pollution sources, replace raw materials, recover the resource of waste, we were also approved by the Industrial Department Bureau, Ministry of Economic Affairs for the "Identification of Green Factory Mark for the Cleaner Production Evaluation System" (4)Concerning the air pollution, we installed a washing tower to wash the gas discharged from the powder production line to minimize the emission of nitrogen oxides, sulfur oxides, particulate matters and other gas, thereby achieving the goal of no pollution. (5)As to sewage treatment, we added sewage treatment equipment, increased the amount of treatment and reduced the moisture content of sludge, which not only reduced the amount from the inside of the Company, but also gradually increased the proportion of resource recovery of waste from the outside.	
B.Has the Company dedicated itself to improving the efficiency of all resource usage and using recycled materials that have lower negative impact on the environment?	V		The Company utilizes the Cradle to Cradle ideology in the design of its products, hoping to reach the sustainable environmental target of "zero waste, 100% recycling" and implement it in the life cycles of all our products and services. (1)Acquirement of Raw Materials (Green Design): The Company has executed the R&D of increasing the life span and times of use of lithium batteries, significantly increased the purity of LFP cathode materials, and increased the efficiency of resource usage.	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			(2) Production (Green Factories): The Company has put forward green factories, the conservation of resources and reduction of carbon emissions in addition to surveying the usage of water resources and the consumption of energy, specifically making several proposals to conserve water and energy. (3) Usage (Optimal Performance): The Company has put forward a five-year proposal dedicated to conserving energy, saving 1% of electricity every year in addition to introducing the ISO 50001 Energy Management System internally, actively implementing measures to increase resource efficiency. (4) Waste and Recycling (Zero Waste, 100% Recycling): we look forward to creating a complete recycling system with the supply chain by taking reducing waste and secondary reuse as our goals; implement environmental management and reduce the environmental footprint made by operations.	
C.Whether the Company have assessed the current and future potential risks and opportunities of climate change to the Company, and adopted measures to respond to climate-related issues?			The Company pays close attention to issues leading from global climate change and the CSR Committee has established a plan of action toward global climate change, divided into three big steps (1)Acknowledgement: Identify the climate risks brought by global climate change, including but not limited to lack of materials risk, disaster risk, market risk and operating risks (2)Action: The Company has adopted actions such as adjustment and reduction, in addition to setting up evaluation tools to identify related risks and opportunities, including: surveying adjustment ability, past evaluations on climate impact, future predictions on climate impact, planning adjustment measures and opportunity evaluation. (3)Sustainability: Through the publication of the CSR Report, sound communications	

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			with the stakeholders and review of the enterprise's development path, the Company can reach its sustainable development goals.	
D.Whether the Company counted the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and whether the Company formulated policies on energy saving and carbon reduction, reduction of greenhouse gas and water consumption or other waste management?	V		1. Policy on managing greenhouse gases (1)The Company has established policy on managing greenhouse gases. According to the guidelines in ISO14064-1 and 14064-3, the Company has established and organized mechanisms to take inventory of greenhouse gases and has strengthened internal verification abilities. After passing third-party verification, the Company will internally verify the amount of greenhouse gases emitted on a yearly basis and use the information to create and execute feasible plans to reduce greenhouse gas emissions. (2)The Company takes inventory of greenhouse gas emissions every year, actively discloses information regarding greenhouse gas management and performance in reducing carbon emissions in the Company's CSR Report in addition to recording information regarding greenhouse gas emissions and reducing carbon emissions on MOPS, for the stakeholders to reference. 2. Policy on managing Water and Electricity Conservation (1)Promoting the management of water conservation, effectively recycling water and boasting a conservation rate of 7.7%. (2)Promoting five year plans for energy conservation, boasting an electricity conservation rate of 1%. (3)Using Energy Conserving and Green Mark Products: We installed LED energy-saving lamps to improve the efficiency of the lighting system; energy-saving lamps have been largely replaced since 2014, so energy has been successfully saved and the lighting has been improved as well. (4)Renting environmentally friendly copy machines, using recycled copy paper and environmentally friendly toner to lessen the impact on the environment. Due to the adoption of electronic forms, the amount of copy paper used decreases every year. (5)Raising Efficiency in Equipment Systems:	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			Variable-frequency drives are used or installed in equipment to improve performance, reduce damages and can reduce electricity costs. (6)Regular Inspection of Electronic Equipment: Inspection and maintenance of equipment are performed regularly to guarantee electrical safety and reduce energy consumption due to inefficiency and calculate the optimal contract capacity for electricity usage to reduce electricity costs. 3.Waste Management: Increasing sewage treatment equipment, effectively increasing the amount processed and decreasing the amount of water in the sewage. The target is to decrease the amount of water in the sewage to below 65%. 4.Recycling and Reuse of Packaging Materials by Suppliers: The containers (buckets) holding raw materials used in production should be recycled and reused by the supplier to reduce costs in buying new containers and the production of waste.	
4. Issuse of Social A.Has the Company established management policies and procedures based on relevant laws and the International Bill of Human Rights?	V		The status of the policies executed by the Company to protect human rights are as follow: (1) Complying with the relevant local laws and international standards The Company and its subsidiaries comply with the local laws of the place of operations and support and respect the relevant international norms for human rights, including the Tripartite Declaration of Principles of the ILO and the UN Global Compact. (2) Labor Rights Every employee’s contract with the Company complies with the relevant local laws. (3) No Forced Labor When all employment relationships are established, a paper contract is signed which emphasizes that the relationship is established under the agreement of both parties. Forced labor, human trafficking and systems of slavery are prohibited.	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			(4) Child Labor The Company is prohibited from hiring child workers under the age of sixteen. All behaviors that could result in the hiring of child workers are prohibited. Youth workers between the ages of sixteen and eighteen are prohibited from doing work that is possible dangerous or possibly dangerous to their health, including night duty and working overtime. (5) Working Hours Weekly working hours should not surpass the maximum limit determined by the local law. (6) Salary and Benefits The salaries paid to employees should comply with the relevant laws concerning wages, including rules concerning minimum wage, overtime pay and benefits. The deducting of wages as a form of disciplinary action is prohibited. (7) Humane Treatment The violent and inhumane treatment of workers is prohibited, including any form of sexual harassment, sexual abuse, physical punishment, mental or physical oppression, verbal abuse or blackmail. (8) Anti-Discrimination The Company prohibits any physical or non-physical forms sexual harassment and discriminatory behaviors. There are set guidelines stating that race, gender, age, marital status, political affiliation and religious faith cannot be used as standards in the consideration of employees for employment, evaluation or promotion. The Company also only works with vendors that follow the principles stated above.	
B.Whether the Company have formulated and implemented reasonable employee benefits measures (including salary, leave and other benefits, etc.), and appropriately reflect the operating performance or results on the compensation of	V		(1)The Company announces the working rules to employees, encourages engagement in social welfare and measure of energy conservation and carbon reduction through internal education and training.	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
employees?			(2)Open performance assessment systems are adopted to implement performance management whether there is difference from the gender and age of the employees. We hope to combine our overall operating targets and work goals of each employee through performance management as an evaluation, review and feedback of employees' annual work performance and the basis of the subsequent staff training and development. (3)In the Company Policy, it clearly provides that if the Company earns profit in the current year, 1% to 10% of which shall be allocated as the compensation for employees of the Company and its subsidiaries.	
C.Has the Company provided employees with a safe and healthy working environment in addition to regularly providing education to the employees regarding safety and health?	V		(1)The Company constantly strives to improve working environments to prevent disasters from happening in the workplace and guarantee the safety of all employees (including partners). The Company passed the OHSAS 18001 Occupational Health and Safety Management System Certification, providing a safe working environment for employees. (2)The items provided by the Company to employees regarding occupational safety and health are listed below: 01.Arrange regular yearly health examinations. 02.Set up yearly educational trainings regarding safety and health. 03.Perform semi-annual inspections on working environments. 04.Set up diverse channels for employees to communicate their opinions and complaints. 05.Establish "Procedures for Preventing and Managing Sexual Harassment", set up channels for filing claims, maintain order in the working environment. 06.Take out accident and health insurance for employees. 07.Establish procedures and precautions in response to disasters and emergencies, hold semi-annual fire safety lectures and drills, hold regular meetings on safety maintenance.	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
D.Has the Company established occupational competence training programs for the employees?	V		To improve each employee's technical and management skills necessary for the performance of various duties on the job and tap into employees' potential to succeed in every challenge, the Company provides various educational resources, tightly integrating the corporate vision, department goals and the development of employee talents. Through the development of education-type organizations, the Company has accomplished its goals for all members of the organization to continue studying. (1)Education and Training on General Education and Competency: According to government law, courses to be taken by all employees for well-rounded educational training on occupational safety and health, emergency response, quality systems and information systems shall be set up to teach employees the basic knowledge, skills and abilities they should have. (2)Education and Training on Management and Competency: Training employees to have the knowledge, skills, abilities and personality required to be competent in handling management work. This includes basic supervisor training, junior supervisor training, senior supervisor training, training within industry, strategy development, communication skills and internal lecturer training. (3)Professional Competence Training: Training employees to efficiently reach occupational goals and have specified professional abilities, including OJT (On Job Training), participation in projects, development of professional experts and external professional training.	None
E. Whether the Company has complied with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulated relevant consumer protection policies and complaint procedures?	V		(1)The Company's cathode material products' specifications, properties and precautions for used are listed in the Certificate of Analysis (COA) and Material Safety Data Sheet (MSDS) for clients to understand the safe operating methods of the products. (2)The Company has established a professional quality assurance and inspection center that is focused on the marketing and labeling of products and services. The Company complies with all related laws	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	Summary of Explanations	
			and international standards in addition to each country's environmental laws and regulations related to the management of harmful substances. The Company has also completed REACH registration, providing customers with a friendly choice for materials. (3) The Company has already established relevant procedures to protect the rights and privileges of the stakeholders. (4) The Company values the opinions of its stakeholders and has set up a communications window on its website to ensure sound channels for handling complaints. (5) The Company values the opinions of its clients and regularly performs consumer satisfaction surveys in addition to active visits to existing customers by personnel in each region of operation. The Company asks relevant departments to provide plans for improvement of items receiving unsatisfactory feedback in addition to giving timely feedback in response to clients' recommendations to maintain the healthy long-term business relationship between the client and the Company.	
F. Whether the Company have formulated a supplier management policy which requires suppliers to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and how their implementation is.	V		(1) Before establishing relations with suppliers, the Company must always evaluate records regarding whether the supplier has harmed the environment or society in the past. If a supplier is found to have a record of significant negative impact, the Company requires said supplier to explain the measures taken to make improves and the related results as a major factor in the selection of the supplier. (2) In addition to fulfilling its corporate social responsibilities, the Company acknowledges that the CSR of the Company extends throughout the entire supply chain and this responsibility exists at all levels of the supply chain. The Company continues to improve the management system of the supply chain and implements the CSR evaluation system of suppliers at every level to expand the evaluation criteria to include economic, social and environmental factors. It is hoped that through the continuous improvement of	None

<table>
<tr><th rowspan="2">Evaluation Status</th><th colspan="3">Operational Status</th><th rowspan="2">Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary of Explanations</th></tr>
<tr><td></td><td></td><td></td><td>supply management, the performance of the supplier will improve and share the responsibility of CSR with the Company.
(3) We have established sustainable management principles for supply chain, including that suppliers shall operate its business in an ethical and honest manner, be committed to protecting the human rights of employees, provide a safe and healthy working environment, and encourage suppliers to protect natural resources and be responsible for the environment and avoid using harmful substance.
(4) The Company has established regulations on the “Corporate Social Responsibility of the Supplier” hoping that suppliers working with the Company will comply in addition to facilitating the sustainable development of economics, society and the balance of nature along with the Company.</td><td></td></tr>
<tr><td>5. Whether the Company referred to the reporting standards or guidelines which are accepted internationally for compiling reports which disclosed the non-financial information of the Company, such as the corporate social responsibility report. Whether the previous report obtained the assurance or verification statement of a verification unit from the third party.</td><td>V</td><td></td><td>Our corporate social responsibility report was prepared according to the core options of GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative (GRI), and was verified by a third party (BSI) in compliance with the AA1000 assurance standard, issuing an independent verification statement.</td><td>None</td></tr>
<tr><td colspan="5">6. According to the stipulations of the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, if the Company has established its own Corporate Social Responsibility Best Practice Principles, its operations and differences with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” shall be described:
We operate the Company in compliance with its own customized Corporate Social Responsibility Best Practice Principles and there are no major differences. The Company and its subsidiaries implemented internal control systems and related supervision regulations on the basis of the spirit of the Corporate Social Responsibility Best Practice Principles.</td></tr>
<tr><td colspan="5">7. Other Information Important to Helping Understand the Status and Operations of CSR:
In order to ensure the implementation of the sustainable strategy, the Company established a Corporate Social Responsibility Committee (CSR Committee) which is subordinate to the Board of Directors to integrate the organizational resources and improve its efficiency. The CSR Committee is the highest-level internal corporate social responsibility organization, where the chairperson is the chairman. The CSR Committee has an advisory committee and a secretariat, and is committed to creating a corporate governance system and fulfilling the corporate social responsibility according to the "Corporate Governance Best Practice Principles for Companies" and "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". Moreover, The CSR Committee compiles a "Corporate Social Responsibility Report" every year to disclose the sustainable strategy and implementation of the Company. Please refer to the "Corporate Social Responsibility Zone" on our official website.(URL http://www.aleees.com/zh/csr/download-csr-report-2/)。</td></tr>
</table>

(vi)Circumstances of the company fulfilling ethical corporate management and the differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons thereof.

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	Descriptions in summary	
1. Enactment of Policies and Measures of Ethical Corporate Management Best Practice Principles A. Did the company develop ethical corporate management policies approved by the board of directors and clearly state its policies and practices of ethical corporate management in the regulations and external documents? Are the Board of Directors and the senior management implementing the commitment to business policies?	V		(1) Ethical Corporate Management is the basis of the corporate culture of the Company. To strengthen the employees' moral and professional capabilities, the Company has established the "Rules Governing Ethical Corporate Management Best Practice Principles" and the "Rules Governing Codes of Ethical Conduct". The compliance of which is a responsibility that shall be followed by all the directors, managers and employees of the Company. (2) The Company's discloses its "Principles on Integrity, Transparency and Responsibility" on its website, expressing the commitment of the managers at all levels to implement Ethical Corporate Management Best Practice Principles.	None
B. Did the company establish the assessment system for the risks of unethical behaviors and regularly analyze and assess the business activities with higher risks of unethical behaviors within its business scope? Furthermore, did the company establish prevention programs against unethical behaviors, which at least covered the prevention measures for the behaviors in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?			The company has signed integrity agreement with the employees and established "Code of Conduct for Employees", which clearly stated that employees may not receive any gifts, special treatment or other improper rights and interests directly or indirectly and the establishment of principles and systems can surely to prevent the potential occurrence of unethical behaviors and reduce the risks. The company has established "Regulations Governing Ethical Corporate Management Best Practice Principles", which clearly stipulated the preventive measures for the business activities with higher risks of unethical behaviors. The company also established "Regulations Governing Complaints on Illegal, Unethical or Dishonest Behaviors" to encourage internal and external personnel to report unethical or	

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	Descriptions in summary	
			improper behaviors to implement ethical corporate management and ensure the legal rights and interests of the whistleblower and the respective party.	
C. Has the Company clearly established and implemented operating procedures, code of conduct, penalties for violation and complaint system in the prevention programs against unethical behaviors as well as reviewed and revised the aforementioned programs regularly?	V		In the “Management of Ethical Corporate Management Best Practice Principles” and “Management of Codes of Ethical Conduct”, the Company has expressly stated behavior guidelines and terms on conflict of interest, confidentiality of client information, gift-giving during business, fair trade and competition, and it advocates this concept through educational dissemination to make sure the directors, managers and employees all understand and follow it. Any behaviors that violate the Company’s morals and ethics, no matter what position the violator holds, shall be received punishment according to the guidelines stipulated in the “Employee Work Regulations” and the “Rules Governing Employee Rewards and Penalties”. Employees are also provided with channels to file complaints regarding unfair or unreasonable treatment to be handled by relevant departments.	None
2. Fully Implementing the Ethical Corporate Management Best Practice Principles A. Has the Company evaluated the ethical corporate management records of business counterparts and expressly written ethical business clauses into the terms of the contracts signed with said business counterparts?	V		The Company engages in commercial activities with fairness and transparency, and it has clearly established that employees have the responsibility of protecting the Company’s intellectual property. To avoid the disclosure of information not to be disclosed, engagement with any unethical vendors and clients should be avoided. Any irregularities shall be reported immediately and all contracts contain clauses regarding business ethics.	None
B. Has the company established units exclusive for the promotion of ethical corporate management, which are affiliated under board of directors and will report regularly (at least once a year) to board	V		The Company has established a corporate governance team under the Corporate Social Responsibility Committee that is responsible for the implementation and supervision of policy on Ethical Corporate	None

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	Descriptions in summary	
of directors about the programs, supervision and execution situations for the ethical corporate management policies and the prevention against unethical behaviors ?			Management Best Practice Principles and the establishment of preventative measures. The Committee reports to the Board of Directors regularly every year. The Company's legal affairs department reported the 2019 status of implementation and corresponding results of Ethical Corporate Management Best Practice Principles to the Board of Directors on February 26th, 2020.	
C. Has the Company set up and implemented policies to prevent conflicts of interests and provided appropriate channels for employees to express their opinions if needed?	V		(1)The Company has clearly written policies on the prevention of conflicts of interests in the "Rules Governing Ethical Corporate Management Best Practice Principles", "Rules Governing Codes of Ethical Conduct", employment contracts and "Employee Work Regulations", providing employees compete guidelines on conduct. (2)The Company's internal system for submitting proposals and external mailbox for reporting complaints offer sound channels for filing claims and expressing opinions.	無
D. Has the Company established effective accounting systems and internal control systems for implementing Ethical Corporate Management and has its internal audit unit developed relevant audit programs according to the assessment results for the risks of unethical behaviors as well as reviewed compliance to prevention against unethical behaviors or entrusted accountants to conduct the review ?	V		The Company has already established systems for accounting and internal control to guarantee stable processes for financial reporting and the effectiveness of internal control. The internal audit department creates audit proposals based on the results of risk evaluation, regularly performs inspections and inspects projects on a need-to-need basis. The department reports the inspection results to the audit committee and the Board of Directors.	None
E. Does the Company regularly hold internal and external educational trainings regarding ethical corporate management?	V		The Company's legal affairs and intellectual property rights department regularly holds educational training on ethical corporate management to guarantee that all employees understand the responsibilities involved in protecting the Company's intellectual property, avoid the disclosure of information not to be disclosed and avoid engagement with any unethical vendors and clients, maintaining the Company's philosophy on ethical corporate management.	None

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	Descriptions in summary	
3. Operating Status of the Company's Reporting System A. Has the Company established a concrete reporting and rewards system and provided convenient channels for reporting in addition to assigning appropriate personnel dedicated to handling the matters reported?	V		The Company has set up concrete handling procedures, channels for reporting and a rewards system in the "Rules Governing Handling Procedures for Reported Cases of Illegal, Immoral and Unethical Behaviors". The Company has also set up the "Praise/Complaint Mailbox (speak-up@aleees.com)" on its website, providing people in and outside of the Company a means of reporting any irregularities. The legal affairs and independent audit departments are responsible for carrying out investigations and taking appropriate legal action. There are established appeal mechanisms for persons reported and hearings are held when needed in the pursuit of justice.	None
B. Has the Company established standard operating procedures for the investigation on complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms?	V		The Company has established standards and procedures for investigation and confidentiality mechanisms in the "Rules Governing Handling Procedures for Reported Cases of Illegal, Immoral and Unethical Behaviors".	None
C. Has the Company adopted measures to safeguard the personnel who filed the report from receiving any unfair or inappropriate treatment?	V		The Company handles reported cases with confidentiality, protecting the confidentiality of the identity of the person who filed the report. If the person who files the report is an employee of the Company, the Company guarantees that said employee will not receive unfair or inappropriate treatment.	None
4. Improving Information Disclosure Has the Company disclosed the details of its Ethical Corporate Management Best Practice Principles and information regarding its effectiveness on the Company's website in addition to MOPS?	V		In addition to disclosing the details of its Ethical Corporate Management Best Practice Principles on the Company's website and MOPS, the Company has also disclosed information related to the effectiveness of the Ethical Corporate Management Best Practice Principles in its annual report and CSR report.	None
5. According to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", if the Company has established its own Ethical Corporate Management Best Practice Principles, the details of its operations and differences shall be listed below: None				
6. Other Information Important to Helping Understand the Status and Operations of Ethical Corporate Management:				

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	Descriptions in summary	
✧ Compliance in Moral and Ethical Management Ethical Corporate Management is the basis of the corporate culture of the Company. To strengthen the employees' moral and professional capabilities, the Company has established the "Rules Governing Ethical Corporate Management Best Practice Principles" and the "Rules Governing Codes of Ethical Conduct". The compliance of which is a responsibility that shall be followed by all the directors, managers and employees of the Company. ✧ Principles of Integrity, Transparency and Responsibility in Operations • The offering and accepting of bribes are prohibited. • The offering of illegal funding for political parties is prohibited. • The offering of unjustifiable charitable donations and sponsorship is prohibited. • The offering and accepting of irrational gifts, special treatment and other forms of profiteering are prohibited. • The direct or indirect offering, commitment, request and acceptance of any form of profiteering and the performing of other behaviors considered to be unethical, illegal or in violation of fiduciary duty are prohibited. • The intention to gain profits or the gaining profits from using the company's assets, information or taking advantage of business is prohibited. ✧ Management and Penalties for Acts Performed in Business Operations: The Company's "Employee Work Regulations" clearly state that employees are prohibited from the direct or indirect acceptance of gifts, special treatment and any other forms of profiteering. Through the establishment of these principles and systems, the Company has provided complete behavioral guidelines for the employees. Any behaviors that violate the Company's morals and ethics, no matter what position the violator holds, shall be received punishment according to the guidelines stipulated in the "Employee Work Regulations" and the "Rules Governing Employee Rewards and Penalties". In addition to internally requiring all employees to comply with the moral and ethical norms, the Company also externally requires suppliers, contractors and other entities the Company has a contractual relationship with to comply with the terms written in the contracts regarding ethical behavior. Both parties are prohibited from engaging in bribery, sales commission, brokerage, and the giving and receiving of inappropriate gifts and services. The Company's managers shall lead by example and be models for the establishment of norms for ethical behavior.				

(vii) If the Company has established Corporate Governance Codes and related guidelines, its method of inquiry shall be listed below:

The Company has established the “Articles of Incorporation”, “Regulations Governing Shareholders’ Meeting”, “Rules of Procedure for Board of Directors Meetings”, “Procedures for Election of Directors”, “Regulations of Acquisition or Disposal of Assets”, “Regulations for the Loaning of funds”, “Regulations Governing Endorsement & Guarantee Operations”, “Remuneration Committee Charter”, “Audit Committee Charter”, “Corporate Governance Best Practice Principles”, “Rules Governing Ethical Corporate Management Best Practice Principles” , “Corporate Social Responsibility Best Practice Principles”, “Procedures for Handling Material Inside Information” and “Rules Governing Codes of Ethical Conduct” and posted them in the Investor Relation’s section of the Company’s website at http://www.aleees.com, according to the Company’s philosophy on operating corporate governance and the related norms on implementing corporate governance.

(viii) Other Important Information to Helping Understand the Status and Operations of Corporate Governance:

The links to “Corporate Social Responsibility” and “Exclusive Zone for Investors” were established on the company’s website (http://www.aleees.com). Annual report for corporate social responsibility is updated every year to disclose the promotion outcomes for Ethical Corporate Management Best Practice Principles.

(ix) The Status of Execution of the Internal Control System

1. Declaration of Internal Control: Please refer to page 124 of this annual report.
2. Report by the CPAs on the Review of the Internal Control System: None

(x) In the most recent year and up to the date of the annual report, where the company and its internal personnel were punished in accordance with the law, or the company has punished its internal personnel for violating the provisions for the internal control system, if the results of penalty could make a significant impact on shareholders' equity or the price of securities, the content of the penalty, major faults and the circumstances of improvement shall be listed here: None

(xi) Major Resolutions of the Shareholders’ Meeting and the Board of Directors in the most recent year up until the date this report was published

(1)Major Resolutions of the Shareholders’ Meeting in 2019

Meeting Date	Major Resolutions	Implementation
Apr 12th, 2019 (Regular Shareholders’ Meeting)	1. Proposal for Business Report and Financial Statements 2018	Resolution passed
	2. The proposal of deficit compensation 2018	Resolution passed
	3. Proposal for the raising of private equity	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	4. Proposal for modification of the “Articles of Incorporation”	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	5. Proposal for modification of the “Regulations for the Loaning of funds”	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	6. Proposal for modification of the “Regulations Governing Endorsement & Guarantee Operations”	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	7. Proposal for modification of the “Regulations of Acquisition or Disposal of Assets”	Resolution passed and execution completed as resolved in the Shareholders’ Meeting

(2) Details of major resolutions adopted by the Board of Directors in the most recent year up until Feb 26th, 2020:

Meeting Date	Major Resolutions
Jan 15th, 2019	1. Proposed amendment of the Company's "Rules Governing the Processes for Making Endorsements and Guarantees" 2. Proposed amendment of the Company's "Rules Governing the Processes for the Acquisition and Disposal of Assets" 3. Proposal to convene the 2019 Regular Shareholders' Meeting 4. Proposal for the Board of Directors to approve the 2018 end of year bonus for the managers of the Company and Group for sound corporate governance
Feb 26th, 2019	1. Review of the 2018 Business Report and Financial Statements 2. Proposal to formulate the Company's 2018 Deficit Compensation 3. Proposal for the Company to handle the increase of company assets through the private placement of common stocks 4. Proposal for modification of the "Articles of Incorporation" 5. Proposal to revise the Company and its subsidiary's Aleees (Taiwan)'s "Rules Governing the Procedures of Loaning Funds" 6. Proposal to revise the 2019 Convening of the Regular Shareholders' Meeting 7. Proposal to evaluate the independence and competence of the Company's CPAs for 2019 8. Proposal to approve the 2018 Declaration of Internal Control for the Company and its subsidiaries "Aleees (Taiwan)", "Aleees Eco Ark (Taiwan)"and "Aleees (Shanghai)" 9. Proposal to revise the internal control systems for the Company and its subsidiaries Aleees (Taiwan) and Aleees (Shanghai) 10. Proposal for the amendment to "Regulations Governing the Acquisition and Disposal of Assets" of the subsidiary and the second-tier subsidiary, Aleees (Taiwan) and Aleees (Shanghai). 11. Proposal for the Company to participate in the cash capital increase and issuance of new shares of its subsidiary Aleees (Taiwan) 12. Resolution for the extension to the guarantee made by the subsidiary, Aleees (HK), to Aleees (Shanghai). 13. Proposal to approve the subsidiary Aleees (Taiwan) Increasing of Loaning of Funds and Quotas to Aleees (Shanghai) 14. Proposal for the Company to indirectly participate in Aleees (Shanghai)'s cash capital increase totaling 650 thousand USD through Aleees (HK) 15. Proposal for the subsidiary Aleees (HK) to participate in Aleees (Shanghai)'s cash capital increase 16. Proposed revision of the Company's "Rules Governing the Processes for Making Endorsements and Guarantees"
Mar 29th, 2019	1. Proposal for the amendment to the articles of incorporation of the subsidiary, Aleees (Shanghai). 2. Proposal for the company to make endorsements/guarantees for the subsidiary, Aleees (Taiwan).
May 2nd, 2019	1. Board of Directors resolved cash capital increase in 2019 2. Extension of the subsidiary Aleees (Shanghai) allocating funds of 20 million RMB to Aleees (Guizhou) 3. Resolution for the extension on the guarantee made by the subsidiary, Aleees (HK), to Aleees (Shanghai). 4. Resolution to the contract for the subsidiary, Aleees (Taiwan), leasing Bade factory and the authorization governing relevant leased improvements. 5. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. 6. Proposal for the amendment to the budget of the company as well as its subsidiaries and second-tier subsidiaries in 2019.
Jun 5th, 2019	1. Establishing company secretary and Approval of the remuneration 2. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium

Meeting Date	Major Resolutions
	Electrochemistry Co., Ltd. 3. Proposal for the establishment of "Standard Operating Procedures Governing the Requirements from Directors".
Jul 9th, 2019	1. Proposal for the approval on the remuneration for the members of the 3rd Corporate Social Responsibility Committee. 2. Proposal for extension to the remuneration for the liquidator of the subsidiary, Aleees Eco ARK Co., Ltd. 3. Related schedule of 2019 cash capital increase
Aug 13th, 2019	1. Resolution for the public expenses for the entrusted accounting firms and certified accountants in 2019 financial statements of the company 2. Proposal for the Company to participate in the cash capital increase and issuance of new shares of its subsidiary Aleees (Taiwan) 3. Proposal for the Company to indirectly participate in Aleees (Shanghai)’s cash capital increase totaling 650 thousand USD through Aleees (HK) 4. Resolution for extension to the second-tier subsidiary, Aleees SH financing RMB 20 million to Aleees (Guizhou).
Nov 8th, 2019	1. Establishing company secretary and Approval of the remuneration 2. The Company drew up to change in the amount of endorsement guarantee for Advanced Lithium Electrochemistry Co., Ltd, the Company's subsidiary. 3. Proposal for the amendment to the Company's "Regulations Governing the Seals".
Dec 20th, 2019	1. Proposal to formulate the Company and Group’s 2020 Audit Plan 2. Proposal to approve the Company and Group’s 2020 Business Plan and Budget 3. Proposal for the Company to indirectly participate in Aleees (Shanghai)’s cash capital increase totaling 4,000 thousand USD through Aleees (HK) 4. Resolution for the second-tier company, Aleees (Shanghai), to apply for a change to the originally agreed capital loan and amount from Aleees (Taiwan). 5. Resoluiton for the second-tier company, Aleees (Shanghai), to apply for an additional capital loan from Aleees (Taiwan). 6. Resolution for the company to apply for a capital loan from its subsidiary, Aleees (Taiwan).
Jan 10th, 2020	1. Proposal for the amendment to the budget of the company as well as its subsidiaries and second-tier subsidiaries in 2020. 2. Proposal for the 2019 year-end bonus for managers. 3. During 2019 Regular shareholders’ meeting, the resolution stating that private placement of common shares will no longer be handled was passed. 4. Proposed revision of the Company’s “Rules Governing the Processes for Making Endorsements and Guarantees” 5. Proposal to amend the Company's "Administrative Measures for Seals". 6. Proposal for modification of the “Articles of Incorporation” 7. The Election of Directors 8. Proposal to convene the 2020 Regular Shareholders’ Meeting
Feb 26th, 2020	1. Review of the 2019 Business Report and Financial Statements 2. Proposal to formulate the Company’s 2019 Deficit Compensation 3. Proposal to approve the 2019 Declaration of Internal Control for the Company and its subsidiaries “Aleees (Taiwan)”, “Aleees Eco Ark (Taiwan)”and “Aleees (Shanghai)” 4. Proposal for a capital reduction plan to offset company losses 5. Proposal for the raising of private equity 6. Proposal for modification of the “Articles of Incorporation” 7. Proposal for modification of the “Regulations Governing Shareholders’ Meeting” 8. Proposal on the list of candidates for directors and independent directors nominated by the shareholders during 2020 regular shareholders' meeting of the company 9. Proposal of Release the Prohibition on Directors from Participation in Competitive Business 10.Proposal to revise the 2020 Convening of the Regular Shareholders’ Meeting

Meeting Date	Major Resolutions
	11. Proposal for modification of the “Board of Directors Meetings” 12. Proposal for modification of the “Rules Governing the Scope of Powers of Independent Directors” 13. Proposal for modification of the “Audit Committee Charter” 14. Proposal for modification of the “Remuneration Committee Charter”

(xii) In the most recent year and as of the printing date of this Annual Report, different opinions posed by the directors and supervisors` to the major resolutions passed in the Board of Directors, as backed with written records or declarations in writing: None.

(xiii) In the most recent year and as of the printing date of this Annual Report, facts regarding the resignation or dismissal of individuals involved in the writing of the financial report (including but not limited to the chairman, CEO(GM), principal accountant, financial head, principal internal auditor, Corporate governance executive and research & development head):

As of February 28th, 2020

Title	Name	Appointment Date	Dismissal Date	Reason for Dismissal
Corporate governance executive	Bing-chun Chen	Jun 5st, 2019	Nov 8st, 2019	Post adjustment
Corporate governance executive	Yi-Jing Lee	Nov 8st, 2019		Post adjustment

4. Information on the Certified Public Accountant (CPA) fees

Range of CPA fees

Names of CPA firm	Name of CPA		Duration covered in the audit	Remarks
PricewaterhouseCoopers Taiwan	Yu-Kuan Lin	Tien-Yi lee	Jan 1, 2019~Mar 31, 2019	internal office rotation
	Yu-Kuan Lin	WEI-HAO Wu	Apr 1, 2019~Dec 31, 2019	

Unit: NT$ thousand

Amount range \ Fee item		Audit fee	Non-audit fee	Total
1	Below $2,000 thousand	-	500	500
2	$2,000 thousand（inclusive）～$4,000 thousand	-	-	-
3	$4,000 thousand（inclusive）～$6,000 thousand	4,835	-	4,835
4	$6,000 thousand（inclusive）～$8,000 thousand	-	-	-
5	$8,000 thousand（inclusive）～$10,000 thousand	-	-	-
6	Over $10,000 thousand（inclusive）	-	-	-
Total		4,835	500	5,335

Unit: NT$ thousand

Name of CPA Firm	Name of CPA	Audit fees	Non-audit fees				Duration covered in the audit by CPAs	Note
			System design	Commercial registry	Human resources	Others (Note)		
PwC Taiwan	Yu-Kuan Lin Tien-Yi Lee	4,835	-	-	-	500	Jan 1, 2019~ Mar 31, 2019	internal office rotation
	Yu-Kuan Lin WEI-HAO Wu						Apr 1, 2019~ Dec 31, 2019	
Total		4,835	-	-	-	500		

Note: The non-audit fees include transfer pricing reports, etc.

(i) When the non-audit fees paid to the appointed Certified Public Accountants, appointed Certified Public Accounting Firm and its related enterprises are greater than a quarter of the audit fee, the total amounts of the audit fees and non-audit fees and the contents of the non-audit fees should be disclosed. N/A

(ii) When the Company changes accounting firms and the audit fee in the year of change is lower than the audit fee in the previous year prior to the change, the total amount in audit fees for the two years in question and the reasons for the discrepancy should be disclosed: None

(iii) When the audit fee decreases by 10% or more in comparison to the preceding year, the decreased amount, ratio of decrease and reasoning should be disclosed: N/A.

5. Information on the Change in the CPAs

(i) Information on the Former CPAs

<table>
<tr><td>Date of change</td><td colspan="5">Year 2019</td></tr>
<tr><td>Cause and explanation of change</td><td colspan="5">In 2019, due to the internal office rotation of PricewaterhouseCoopers Taiwan in accordance with the law, Since 2019 second quarter Certified Public Accountants Yu-Kuan Lin and Tien-Yi Lee were replaced by Certified Public Accountants Yu-Kuan Lin and WEI-HAO Wu.</td></tr>
<tr><td rowspan="3">Explanation about whether the change resulted from voluntary termination or rejection of appointment or reappointment by the appointer or the CPAs</td><td colspan="3">Parties concerned / Facts</td><td>By the CPAs</td><td>By the Appointer</td></tr>
<tr><td colspan="3">Voluntary termination</td><td>V</td><td></td></tr>
<tr><td colspan="3">Rejection of appointment or reappointment</td><td></td><td></td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="5">N/A</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td></td><td colspan="3">Accounting principles and practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Scope or steps of audit</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td>No</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Explanation</td></tr>
<tr><td>Other facts of disclosure (Facts to be disclosed under Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)</td><td colspan="5">None</td></tr>
</table>

(ii) About the succeeding CPAs

Name of CPA House	PwC Taiwan
Names of CPAs	CPA Yu-Kuan Lin/CPA WEI-HAO Wu
Date of retaining	Since 2019 second quarter
Consultation results and opinions on accounting procedures or principles with respect to specified transactions and the company's financial reports that the CPA might have issued prior to the appointment	N/A
Succeeding CPA's written opinion of disagreement toward the former CPA	N/A

(iii) The opinions provided by the former CPAs according to Items 1 and 2-3, Subparagraph 6, Article 10 Regulations Governing Information to be Published in Annual Reports of Public Companies: N/A

6. The Company's Chairman, CEO(GM), the manager in charge of financial affairs or accounting affairs having served with the verifying Certified Public Accountant House or its related companies over the past year

None

7. Transfer of shares, pledge or change in equity by the directors, supervisors, managers and major shareholders holding over 10% of the aggregate total in the recent fiscal year and as of the printing date of this Annual Report

(i) Status of change in shares held by directors, supervisors, managers and main shareholders holding over 10% of the aggregate total

Title	Name	2019		2019 up until Feb 28th, 2020	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman cum CEO	Sheng-Shih Chang	—	—	—	—
Director	Jaime Che	—	—	—	—
Director	Chi-Kei Ching	—	—	—	—
Independent Director	Wei-Min Shen	—	—	—	—
Independent Director	Hsuan Wang	—	—	—	—
Independent Director	Yie-Yun Chang	—	—	—	—
Independent Director	Chian-Hsiu Lee	—	—	—	—
Chief, Finance & Accounting Dept.	Mei-Fang Huang	10,000	—	(10,000)	—
Corporate Governance Officer	Yi-Jing Lee	—	—	—	—
Shareholder with over 10% ownership	FDG Kinetic Limited's custodian account with KGI BANK	—	—	—	—

(ii) Information on the relationship between counterparties with regards to share transfer: None.
(iii) Information on the relationship between counterparties with regards to pledged shares: None.

8. Information on the top-10 shareholders of the Company being related parties, spouses, or relatives within the second degree of kinship among themselves

Feb 11th, 2020; Unit: shares

Name (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Names and Relations of Top 10 Shareholders who have Spousal Relationships or are within the Second Degree of Kinship of each other (Note 3)		Remarks
	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Title (Or Name)	Relation	
FDG Kinetic Limited's custodian account with KGI BANK	46,000,000	19.04%	N/A	NA	-	-	None	None	—
Chang Chuen Investment Co., Ltd.	8,889,495	3.68%	N/A	N/A	-	-	Yi Tai Fund	Same group enterprise	—
Representative: Samuel Yin	-	-	-	-	-	-	None	None	—
KPCB CHINA FUND, L.P.	6,777,168	2.81%	N/A	N/A	-	-	None	None	—
Yi Tai Fund Co.	6,185,633	2.56%	N/A	N/A	-	-	Chang Chuen Investment	Same group enterprise	—
Representative: Kun-Lung Chang	-	-	-	-	-	-	None	None	—
CID Greater China Venture Capital Fund III L.P.	5,750,081	2.38%	N/A	N/A	-	-	None	None	—
Global X Lithium & Battery Tech ETF's custodian account with Standard Chartered Bank's Business Division	3,145,098	1.30%	N/A	N/A	-	-	None	None	—
Jui-Che Tsai	2,831,401	1.17%	-	-	-	-	None	None	—
Chia-Ling Tsai	2,097,278	0.87%	-	-	-	-	None	None	—
San-Tsai Tsai	2,073,769	0.86%	-	-	-	-	None	None	—
Ke-Hui Lin	1,610,000	0.67%	-	-	-	-	None	None	—

Note 1: The top-10 shareholders shall be fully listed and if the shareholder is a corporate shareholder, the names of the corporate shareholder and representative shall be separately listed.

Note 2: Calculation of shareholdings ratio refers to the shareholdings ratio held in the name of the shareholder, spouse, underaged children, or using the name of others.

Note 3: The listing above of shareholders disclosed shall include corporations and individuals, as well as their relationships according to the Regulations Governing the Preparation of Financial Reports by Issuers.

9. Company, company directors, supervisors, managers and businesses controlled by the Company directly or indirectly pertaining to the same re-investment business supporting share volume, and the consolidated shareholdings rate combined and calculated

Dec 31th, 2019; Unit: shares

Name of Related Companies (Note 1)	Investment by the Company		Investment by directors, supervisors, managers and the directly or indirectly controlled company		Comprehensive investment	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate
Advanced Lithium Electrochemistry Co., Ltd.	137,347,125	100%	—	—	137,347,125	100%
Advance Lithium Electrochemistry (HK) Co., Ltd	14,770,000	100 %	—	—	14,770,000	100 %
Advance Lithium Electrochemistry (Shanghai) Co., Ltd	Note 2	100 %	—	—	Note 2	100 %
Aleees Eco Ark Co., Ltd. (Note 3)	52,800,000	100 %	—	—	52,800,000	100 %
Emerald Battery Technologies Co., Ltd.	3,600,000	24%	—	—	3,600,000	24%
Shanghai Licang Technologies Co., Ltd.	Note 4	25%	—	—	Note 4	25%

Note 1: The related company adopts the equity method for long-term investments.

Note 2: Refers to limited liability companies and has no shareholdings.

Note 3:This company has been dissolved by resolution in the twentieth meeting of the seventh session of the Board of Directors, and is currently undergoing liquidation.

Note 4:This company is a limited company and has no shares. Relevant local cancellation of application for industry and commerce was completed on November 14, 2019.

IV. Capital Raising Status

1. Capital and Shares

(1) Source of Capital

A. Process of Capital Formation

Unit: shares; NT$

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid by property other than cash	Other
Nov 2007	US $0.1	50,000,000	5,000,000	15,000,000	1,500,000	Original Capital from Shares	–	–
Jul 2008	US $0.1			16,100,000	1,610,000	Capital Increase in cash of NT$ 110,000	–	–
May 2009	US $0.1			17,300,000	1,730,000	Capital Increase in cash of NT$ 120,000	–	–
Nov 2009	US $0.1			22,300,000	2,230,000	Capital Increase in cash of NT$ 500,000	–	–
Dec 2009	US $0.1			23,966,667	2,396,667	Capital Increase in cash of NT$ 166,666.7	–	–
Sep 2010	US $0.1			24,119,917	2,411,992	Employee Stock Options of NT$ 15,325	–	–
Dec 2010	US $0.1			30,486,646	3,048,665	Capital Increase in cash of NT$ 636,672.9	–	–
Mar 2011	US $0.1			31,119,917	3,111,992	Capital Increase in cash of NT$ 63,327.1	–	–
Mar 2011	US $0.1			31,426,667	3,142,667	Employee Stock Options of NT$ 30,675	–	–
May 2011	US $0.1			34,360,417	3,436,042	Employee Stock Options of NT$ 293,375	–	–
Jul 2011	NT $10	200,000,000	2,000,000,000	103,081,251	1,030,812,510	Execute share swap (Note)	–	–
Jun 2012	NT $10			113,081,251	1,130,812,510	Capital Increase in cash of NT$ 100,000,000	–	–
Jul 2012	NT $10			112,953,654	1,129,536,540	Cancellation of treasury stock of NT$ 1,275,970	–	–
Jun 2013	NT $10			127,953,654	1,279,536,540	Capital Increase in cash of NT$ 150,000,000		
Dec 2013	NT $10			142,073,654	1,420,736,540	Capital Increase in cash of NT$ 141,200,000	–	–
Feb 2015	NT $10			164,573,654	1,645,736,540	Capital Increase in cash of NT$ 225,000,000	–	–
Aug 2016	NT $10	300,000,000	3,000,000,000	210,573,654	2,105,736,540	Issue and private placement of new shares of NT$ 460,000,000	–	–
Jul 2019	NT $10	300,000,000	3,000,000,000	241,573,654	2,415,736,540	Capital Increase in cash of NT$ 310,000,000	–	–

Note: The Company has applied for listing in Taiwan and the face value of each share is NTD10. Upon the resolution passed by the Board of Directors on Jun 27th, 2011, the face value of the Company capital stock has changed from USD 0.10 to NTD 10 according to the laws of the Cayman Islands. Based on 10,882,247 new shares with the face value of NTD10 per share, the Company has exchanged them with 34,360,417 issued common stock shares with the face value of USD 0.10 from shareholders listed in the Registry of Shareholders. The Company has also transferred NTD 921,990,040 from its capital stock premium account into its capital stock, paying the difference of the subscribed shares of 92,199,004 shares with the face value of NTD 10 per share (hereafter referred to as "shares paid-in capital stock"), to be used in the issuance and distribution to all Company shareholders. After this issuance and transferring in of shares paid-in capital stock, the Company has issued a total of 103,081,251 NTD-denominated shares with the face value of NTD 10 per share. The amount of issued capital is NTD 1,030,812,510.

B. Types of shares issued

Feb 11th, 2020；Unit: shares

Type of share	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common Shares	241,573,654	58,426,346	300,000,000	(1) TPEx primary listed stocks (2) Privately placed 46,000,000 shares not listed (note)

Note: The number of shares outstanding is 195,573,654 shares. The remaining 46,000,000 shares, are held by private placement investors. According to Article 43-8 of the Securities & Exchange Act, unless in the situations otherwise specified by laws, the shares issued to private placement investors are not freely transferrable within three years after issue. We intend to apply to the competent authorities for the public trading of these shares after this three-year period according to the related laws and regulations.

C. Relevant information on shelf registration: N/A

(2) Structure of Shareholders

Feb 11th, 2020

Structure of Shareholders / Quantity	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Mainland Chinese and the organizations invested in by Mainland Chinese	Total
Number of People	-	-	124	19,431	39	-	19,594
Shares held	-	-	19,693,927	154,297,600	67,582,127	-	241,573,654
Shareholding rate	-	-	8.15%	63.87%	27.98%	-	100.00%

Note:Companies with a primary listing on TPEx are required to disclose the shareholding rate of Mainland Chinese investors; Mainland Chinese Investors: refers to the nationals, corporations, groups and other organizations or other companies invested in located in a third territory stipulated under Article 3 of the Measures Governing Investment Permits for the People of the Mainland Area.

(3) Status of Stock Dispersion

A. Common shares:

Face value of NT$ 10 per share；Feb 11th, 2020；Unit: shares

Shareholding grading	Number of shareholders	Number of shares held	Shareholding rate %
1 to 999	7,590	175,760	0.07%
1,000 to 5,000	7,907	17,129,003	7.09%
5,001 to 10,000	1,658	13,060,546	5.41%
10,001 to 15,000	659	8,193,125	3.39%
15,001 to 20,000	397	7,206,259	2.98%
20,001 to 30,000	457	11,480,496	4.75%
30,001 to 40,000	219	7,649,030	3.17%
40,001 to 50,000	161	7,361,912	3.05%
50,001 to 100,000	292	21,005,751	8.70%
100,001 to 200,000	149	20,071,008	8.31%
200,001 to 400,000	45	12,126,443	5.02%
400,001 to 600,000	31	14,557,756	6.03%
600,001 to 800,000	8	5,497,965	2.28%
800,001 to 1,000,000	7	6,179,833	2.55%
Over 1,000,001	14	89,878,767	37.20%
Total	19,594	241,573,654	100.00%

B: Preferred Shares: The Company has not issued preferred shares

(4) List of main shareholders: The names, number of shares held and shareholding ratio for shareholders holding more than 5% of total issued shares of the Company or ranking as one of the top-10 shareholders are listed clearly below:

Feb 11th, 2020; Unit: shares

Names of Main Shareholders	Number of shares held	Shareholding rate %
FDG Kinetic Limited's custodian account with KGI BANK	46,000,000	19.04%
Chang Chuen Investment Co., Ltd.	8,889,495	3.68%
KPCB CHINA FUND, L.P.	6,777,168	2.81%
Yi Tai Fund Co.	6,185,633	2.56%
CID Greater China Venture Capital Fund III L.P.	5,750,081	2.38%
Global X Lithium & Battery Tech ETF's custodian account with Standard Chartered Bank's Business Division	3,145,098	1.30%
Jui-Che Tsai	2,831,401	1.17%
Chia-Ling Tsai	2,097,278	0.87%
San-Tsai Tsai	2,073,769	0.86%
Ke-Hui Lin	1,610,000	0.67%

(5) Market price per share, net value, earnings and dividends and other related information for the most recent 2 years:

Unit: NTD

Item		Year	2017	2018	2019 (Note 8)
Market price per share (Note 1)	Highest		33.90	29.65	21.90
	Lowest		18.15	13.20	12.85
	Average		27.36	21.22	16.59
Net Value per share (Note 2)	Before distribution		14.40	7.10	5.70
	After distribution		14.40	7.10	Not yet distributed
Earnings Per Share	Weighted average shares (thousands of shares)		210,574	210,574	223,653
	Earnings Per Share (Note 3)		(0.99)	(5.26)	(2.09)
Dividends per share	Cash dividends		None	None	(Note 9)
	Stock grants	From retained earnings	None	None	(Note 9)
		From capital reserve	None	None	(Note 9)
	Retained Dividends (Note 4)		None	None	(Note 9)
ROI Analysis	PE ratio (Note 5)		—	—	(Note 9)
	Dividend-Price ratio (Note 6)		—	—	(Note 9)
	Cash dividend yield (Note 7)		None	None	(Note 9)

Note 1: The highest and the lowest market prices during the year, and the mean price calculated based on trading value and trading volume of the individual year.

Note 2: Filled in based on the number of shares issued as of the year's end, and the distribution determined by the shareholders' meeting during the following year

Note 3: The earnings per share before and after adjustment provided if retrospective adjustment is required due to the issue of stock grants

Note 4: If the terms of issue of equity securities state that the current year's dividends that have not yet been distributed must accumulate until the annual distribution of earnings per share, the figures for the current year's dividends that have not yet been distributed should be disclosed separately.

Note 5: PE ratio = Average closing price per share in the current year/earnings per share

Note 6: Dividend-Price ratio = Average closing price per share in the current year/cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share/ Average closing price per share in the current year

Note 8: Book value per share and earnings per share as of the date of the publication of this annual report to be provided according to the audited (reviewed) financial data for the most recent quarter; data of the current year as of the date of the publication of this annual report to be provided in other columns

Note 9: We reported post-tax losses in 2019 and hence the board has decided not to distribute dividends. This is still to be ratified by the 2020 General Shareholders' Meeting.

(6) The Company's share dividend policy and status of implementation

A. Share dividend policy as defined in the Company's Articles of Incorporation

If the Company reports profit in any given year, 1-10% of said profits shall be given to the Company's employees and no more than 1% shall be given to the Directors as a bonus. However, when the Company has accumulated losses, funds to compensate for the losses shall be retained in advance. Employee bonuses must take the forms of either stocks or cash; the receivers of the bonuses must include subordinates who fit the criteria set by the Board of Directors or authorized personnel. The distribution of employee bonuses must be passed through resolution in a meeting of the Board of Directors in which at least two-thirds of the directors are present and more than half of those presents vote yes; the results shall be reported to the Shareholders' Meeting. The Board of Directors shall adhere to the methods listed below to propose guidelines for the distribution of dividends and said guidelines have to pass through ordinary resolution in the Shareholders 'Meeting.

i. Pay taxes

ii. Compensate for previous losses

iii. Deposit 10% as a statutory surplus reserve. This does not apply if the statutory surplus reserve has reached the company's total capital.

iv. When necessary, set aside or reverse special reserves.

The Board of Directors shall make proposals for the allocation of the remaining profit (based on the amount after items one to four above have been deducted, and with the initial non-allocated profit added) and distribute the profit based on resolution in the Shareholders' Meeting.

Any remaining profits may be allocated as a dividend. The company is in the initial stages of industry development, and the corporate life cycle is in a stage of positive growth. To respond to plans in the future for the expansion of operations, and considering the dividend balance and shareholders' rights, the dividend shall be allocated to shareholders in the form of cash or newly issued stocks (meaning that shareholders shall apply such sums to paying in full the unissued shares for allotment and distribution, crediting the shares as paid in full and can be distributed amongst them in the proportion aforesaid) in a combination of both cash and stocks, or in the form of a bonus. The actual issuance ratio authorized by the Board of Directors is in accordance with the Company Act and other public company regulations. Finance, business and management factors are considered before making the allocation. However, a dividend allocation shall not be less than 10% of the remaining profit, and the cash dividend portion of the allocation shall not be less than 10% of the total dividend amount.

B. Proposed distribution of share dividends in the current year: None.

(7) The impact of the issuance of bonus shares proposed in the current Shareholders' Meeting on the Company's business performance and earnings per share (EPS): None.

(8) Bonuses and Compensation to Employees, Directors and Supervisors

A. The percentage or range of employee bonuses and compensation for directors and supervisors are stated in the Company Articles of Incorporation: Please refer to Subparagraph (vi)-A above on the explanation of the policy of share dividends.

B. The accounting process used in the event that the basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensationin the current period has discrepancy with the actual amount being disbursed: N/A

C. Information on any approval by the Board of Directors of the distribution of compensation:

(1) The case for distributing earnings for 2019 was proposed to not be carried out by the Company's Board of Directors.

(2) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors: N/A

(3) The amount of any employee compensation distributed in the form of stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: N/A

D. The actual distribution of employee, director, and supervisor compensation in the previous fiscal year: The Company did not distribute any employee, director or supervisor compensation in 2018. The Board has decided not to distribute employee bonuses for 2019. The compensation expected to be paid to the directors is NTD 5.020 million.

(9) Information on the Company’s stocks being repurchased by the Company: No repurchasing of Company shares occurred in the most recent year up until the printing date of this annual report.

2. Status of Company debt (including overseas Company debt) arrangements

None

3. Issuance of preferred shares

None

4. Issuance of overseas deposit receipt certificates (DRC)

None

5. Issuance of employee stock option certificates

(i) Unexpired employee stock option certificates issued by the Company in existence as of the date of publication of the annual report, and explanation of the impact of such certificates upon shareholders' equity:

Dec 31th, 2019 Units: NTD, shares

Type of Employee Stock Option Certificate	Issued in 2018
Date of authorization by the governing authority	Sep 7th, 2017
Date of issue (transaction)	Mar 2nd, 2018
Units issued	10,500,000
Ratio of subscribable shares to total issued shares %（Note）	4.35%
Subscription period	10 years
Exercise method	Newly-issued shares
Period and ratio in which subscription is restricted（%）	2 year maturity 50%；3 year maturity 100%
Number of shares that have been obtained through exercise of subscription rights	-
NT dollar amount of the shares subscribed	-
Number of shares that have not been subscribed	10,500,000
Subscription price per share of the unsubscribed shares	28.9
Ratio of the number of unsubscribed shares to the number of issued and outstanding shares	4.35%
Impact on shareholders’ equity	The equity dilution rate is low; therefore the impact is not big.

Note: The number of total issued shares is 241,573,654 (including 46,000,000 privately placed shares)

(ii) The names of the managers and the top 10 employees that have obtained employee stock option certificates up until the printing of this annual report and the method used to obtain them

Dec 31th, 2019；Units: NTD, Thousands of shares

Title	Name	Shares Obtained	Ratio of subscriptions obtained to total number of issued shares	Shares Already subscribed				Unsubscribed Shares			
				Amount	Subscription Price	Subscription Value (NT$ Thousand)	Ratio of subscriptions to total number of issued shares (Note 1)	Amount	Subscription Price	Subscription Value (NT$ Thousand)	Ratio of subscriptions obtained to total number of issued shares
GM of Aleees (Cayman Islands)	Sheng-Shih Chang	2,100	0.87%	-	-	-	-	2,100	28.9	60,690	0.87%
Employee	Hsiang-Pin Lin	3,800	1.57%	-	-	-	-	3,800	28.9	109,820	1.57%
	Han-Wei Hsieh										
	Yuen-Kai Lin										
	Fung-Yen Tsai										
	An-Fung Huang										
	Hsiu-Hsiu Su										
	Chi-Heng Hsieh										
	Wen-Yi Hsueh										
	Jui-Yang Chu										
	Chun-Chieh Mei										

Note 1: The number of total issued shares is 241,573,654 (including 46,000,000 privately placed shares)

6. **Restriction upon employees in rights over new shares**

None

7. **Status of Merger**

None

8. **Inward transfer of other firms' new shares**

None

9. **Implementation of Capital Utilization Plans**

(1) The information regarding implementation of the plans for the use of funds collected through capital increase through the private placement of marketable securities in 2019 is as follows:

A. Contents of the Plan

(i) Date and file number of approval granted by the competent authorities in charge of the subject enterprise: Jin-Guan-Cheng-Fa-Zi 1080321116 dated July 5, 2019.

(ii) Total funds required for the Project: NT$372 million.

(iii) Source of capital: Private placement to issue 31,000,000 new shares at NT$10 par value, and issue them at NT$12 per share, to raise a total of NT$372 million.

(iv) Contents of the Plan and schedule to use the fund:

Unit: NT$ Thousand

Contents of the Plan	Scheduled Date of Completion	Total funds required	Scheduled disbursement of the funds				
			2019		2020		
			Q3	Q4	Q1	Q2	Q3
Replenish operational capital	2020 Q3	257,000	1,300	65,000	100,000	38,000	52,700
Repay bank loan	2019 Q4	115,000	-	115,000	-	-	-
Total		372,000	1,300	180,000	100,000	38,000	52,700

B. Implementation Status

As of December 31st, 2019, the 2019 capital increase by cash project of the Company was completed on Aug 15th, 2019, with a total amount NTD 372,000,000 collected. The part for repaying bank borrowings was completed in Q4 of 2019 according to the schedule. However, regarding the part for enriching the working capitals, conservative valuation was made during fundraising. Hence, the actual payment situation is ahead of the original schedule and progress. The overall execution progress for the funds was 62.30%, which is ahead of the original progress.

Units: NT$ Thousand

Contents of the Plan	Facts of implementation		Q4 2019	Progress ahead of or behind schedule, the reasons and the improvements of plan
Repay bank loan	Amount disbursed	Anticipated	115,000	On Schedule
		Actual	115,000	
	Progress of implementation (%)	Anticipated	100.00	
		Actual	100.00	
Replenish operational capital	Amount disbursed	Anticipated	66,300	Due to the conservative valuation during fundraising, the execution progress is slightly ahead of the original plan.
		Actual	116,755	
	Progress of implementation (%)	Anticipated	25.80	
		Actual	45.43	
Total	Amount disbursed	Anticipated	181,300	
		Actual	231,755	

	Progress of implementation (%)	Anticipated	48.74	
		Actual	62.30	

C. The discrepancy between the anticipated benefits and the actual achievement

(1) As of December 31st, 2019, the 2019 capital increase by cash project of the Company was completed on Aug 15th, 2019, with a total amount NTD 372,000,000 collected. Enrichment to the working capitals and repayment for bank borrowings were completed according to the original schedules. There are no circumstances that delayed progress. Hence, there is no major differences between the expected benefits and the achieved actual benefits.

(2) As of December 31st, 2019, the analysis for achieved benefits is shown as follows:

Units: NT$ Thousand

Item／Year		2018 (Before fundraising)	2019 (After fundraising)
Financial information	Current assets	673,626	610,253
	Current liabilities	558,037	419,053
	Total liabilities	609,573	506,099
	Operating Revenues	150,695	388,079
	Interest expense	3,896	7,285
	Net loss before tax	(1,109,810)	(467,771)
	EPS	(5.26)	(2.09)
Financial Structure	Debt to asset ratio	28.96	26.88
	Long-term funds to property, plant and equipment ratio	368.70	299.73
Solvency	Current ratio	120.71	145.63
	Quick ratio	92.18	111.76

After applying the raised funds to enrich working capital and repay bank borrowings, the company can reduce its borrowing dependency from financial institutions and improve its financial structure. From the perspective of solvency, the company's current ratio and quick ratio were increased from 120.71% and 92.18% to 145.63% and 111.76%, respectively, after fundraising and execution. In addition, financial structure, solvency and operating losses have all improved significantly. Hence, the expected benefits should appear reasonably.

V. Operational Highlights

1. Business Activities

(1)Scopes of business

(i) Main contents of operating business

The Company is an investment holding Company established on November 16, 2007 in the Cayman Islands. According to its business development strategy, the subsidiaries, Aleees (Taiwan) primarily engaged in the production, R&D and sales and marketing of cathode materials for Lithium battery, while Aleees SH acts as a sales and marketing point for the Mainland China market.

(ii) Main products and business proportion

Unit: NT $ thousand;%

Main products	2017		2018		2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Cathode materials for LFP battery	645,100	86.19	148,916	98.82	387,220	99.78
Others (Note)	103,382	13.81	1,778	1.18	859	0.22
Total	748,482	100.00	150,695	100.00	388,079	100.00

Note: includes battery cells, batteries, electric buses and battery swap income, etc.
Source: Annual consolidated financial reports of the Company signed and checked by certified accountants.

(iii) Existing products (services)：Cathode materials for LFP battery

Since its establishment, Aleees (Taiwan) has been committed to the R&D, production and sales and marketing of cathode materials for LFP battery, and has chosen to use the olivine-structured cathode materials that provide high level of safety as its development direction. It is mainly due to the olivine-structure materials has stable structure and strong intermolecular bonding, therefore, it can provide high level of safety and relatively long cycle life. Among current commercialized lithium battery materials, LFP is featured with the highest level of safety, its cycle use reaches more than 2,000 times, as well as low environmental pollution, and its sources of raw materials are abundant. Therefore, it is considered to be the next generation lithium battery as it is an ideal cathode material that can be applied in the fields like electric vehicles, wind-solar power storage and alternative to lead-acid battery.

Product Item	Application
Cathode materials for LFP battery	•Electric vehicles •Wind-solar power storage and smart grid •Supply battery required by electric buses • Alternative to lead-acid battery

(iv) New products (services) development projects

A. Cathode materials for lithium battery

1. Improvement and optimization of existing products

(1)The use of more advanced powder design concepts and powder post-processing processes to increase production yields and reduce production costs, and enhance products competitiveness in the global market for continually expanding market shares of products.

(2)Actively introducing a new generation of manufacturing process to manufacture cathode materials for lithium battery with higher purity, lower impurities and better processing performance by expanding customer base with high-end product application needs.

2. Continue to develop high voltage cathode materials for lithium battery.

The cathode material such as lithium manganese iron phosphate, lithium cobalt phosphate and lithium nickel phosphate is used for development. The lithium manganese iron phosphate can be used together with the ternary material in the energy storage system, lithium cobalt phosphate and lithium nickel phosphate, which can be combined with the modified negative electrode material. The voltage difference of this combination is similar to that of the current commercial lithium battery; comprehensively, the clear market application can accelerate the commercialization speed, and provide another safer electric vehicle and energy storage market. Positive material selection.

3. Actively investing in the development of high-nickel ternary cathode materials

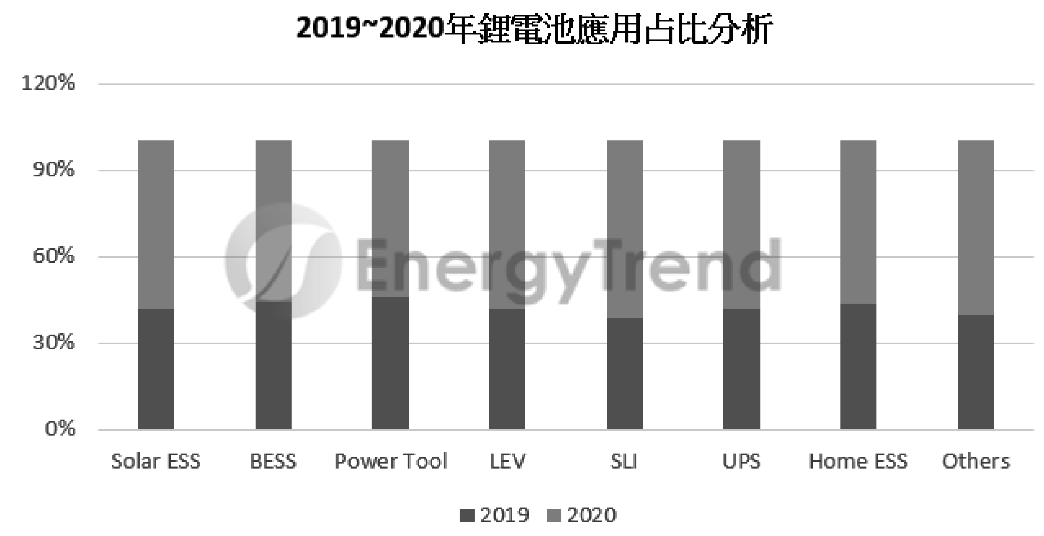
With the development of the electric vehicle industry for many years, the choices of battery are developing in the direction of high energy density. At present, for the selection of the cathode materials for the battery of electric vehicles, the European and Japanese car manufacturers generally choose nickel-cobalt-aluminum and high-nickel-cobalt-manganese as their development directions. At present, Aleees has also actively investing in the development of high nickel-cobalt-manganese cathode materials in order to cope with market development and sustainable development of enterprises. In combination with the extensive experience in material development, at present, it has achieved good results in the laboratory development stage.

(2)Industry Overview

(i) Current Situation and Development of Industry

In recent years, global environmental awareness has increased. Hybrid or pure electric vehicles are the future trend of vehicles, so battery materials continue to evolve to satisfy the needs in the automotive market.

As pointed out in the analysis report from TrendForce green energy research (EnergyTrend), in terms of new energy vehicles, although the overall global car market has fallen into the stage of low growth, it still cannot stop the trend of electric vehicles. Especially in recent years, automotive manufacturers have proposed schedules for electric vehicles while oil companies have also transformed into other energy industries. The estimated annual growth rate of global pure electric passenger car sales in 2019 is still more than 15%. Meanwhile, with the help of Tesla's price reduction and the release of the affordable Model 3, the global battery consumption of pure electric passenger cars will still have the potential to grow over 30%, reaching 86GWh. After Tesla Shanghai has begun mass production in 2020, the global battery consumption of pure electric passenger cars is expected to further increase to 116GWh (YoY: 34%), where the proportion of hybrid (including plug-in hybrid) batteries is estimated to be about 20%.



2019~2020年鋰電池應用占比分析

Source：EnergyTrend Jan., 2020

In the report, it has pointed out that various applications will benefit from the decline in lithium battery price in addition to the automotive industry. From the change in the proportion of each applications, it can be seen that the growth of standby power (UPS) in 2020 is particularly significant (YoY is 39%), among which the demand for industrial applications is the largest. Automobile start-up batteries (SLI) will also show rapid growth with the addition of traditional lead-acid battery factories (YoY is 57%). In general, the base period for niche application is still low in 2019. Hence, various niche applications, whether livelihood or industrial, will become the new spot light for the growth in 2020.

According to the survey conducted by TrendForce green energy research (EnergyTrend), it has become an inevitable trend for future smart cities to make the deployment of centralized power generation tend towards smart decentralized grids. The capacity of global large-scale battery energy storage system (BESS) will reach 3.2GWh in 2020, and the compound annual growth rate will reach 22% during 2019 to 2024. TrendForce analysts pointed out that large-scale centralized power generation systems have been developed globally for more than a century, however, power plants have to adopt large-scale energy storage system to enhance energy efficiency along with the trend of energy conservation and carbon reduction as well as the continuous decline in the costs of renewable energy. Starting from 2018, installations in large-scale energy storage markets have increased rapidly with the price reduction in batteries. Among them, South Korea has included energy storage systems in one of the subsidies for green energy power plants through policy promotion in 2018, driving rapid growth of large-scale energy storage markets in Asia.

Looking at the costs of energy storage components, battery is still a key factor. Benefiting from the development of electric vehicles, the continuous expansion of production capacity in lithium battery makes battery prices more competitive in the market, driving the emergence of energy storage market.

TrendForce believed that large-scale energy storage applications and electric vehicles will be the two key supports for lithium batteries in the future along with the continuous expansion of production capacity. With the evolution of new technologies, the use of special metals, such as cobalt, in lithium batteries will gradually decrease, and the uncertainty in the future development of material end will also gradually disappear. Unlike electric vehicles, which are moving towards universalization, large-scale energy storage will be connected to smart grids and remain in small amount diversified electric grid systems. As a result, it can be expected that the product profits in the next 5 years will still be higher than electric vehicle industry.

(ii) Industry relevance of upstream, midstream and downstream companies

Upstream	Midstream	Downstream Applications
Cathode material of lithium iron Anode materials Electrolytes Separator membranes Other parts	•Battery(cells) manufacturing industry •Battery module management	•Power battery application →Electric vehicles •Energy storage battery applications →Energy storage equipment →Smart grid •Replace lead acid battery →Car start battery

(iii) Various product development trends

A. LFP replaced lead-acid battery, enters the development trend of idle stop-start vehicle market

Since the commencement of development and mass production of ISS in the 1970s, it driven the number of ISS has reached 16.95 million units in 2015. As the European Union has set a fuel consumption target of 26.3 km/L in 2020, each car manufacturer gradually increases the number of vehicles equipped with the ISS, it is predicted that by 2023, the number of vehicles equipped with ISS will reach 65.43 million, and the compound annual growth rate (CAGR) will reach 18% in the next 8 years. At present, lead-acid battery is used as power source for ISS, however, lead-acid battery is subjected to stricter regulations on lead environmental pollution in various countries or increasingly stringent recycling of downstream battery applications. It is hoped that lithium battery can replace the position of the lead-acid battery in starter of automotive and motor or electric bicycle.

Global deliveries of lead-acid batteries have maintained a certain level of growth in the past years. According to the IEK Industrial Economics and Knowledge Center, it is estimated that from 2017 to 2020, a slightly growth around 4% can still be maintained in the annual growth rate. However, currently, downstream applications of lead-acid batteries are still mainly based on the start-up of batteries for automobiles and locomotives. Due to the increasingly stringent environmental regulations in the European Union, automotive manufacturers have developed Idle Start & Stop Systems applied in micro-hybrid electric vehicles, which can improve fuel efficiency by 4 to 15%. Also, due to low development and production costs, the market is growing rapidly. The automotive secondary batteries are dominated by lead-acid batteries, which are subject to the poor instantaneous charging efficiency and shallow life cycle of traditional lead-acid batteries.

Regarding voltage systems above 12V, lithium battery was introduced to the Idle Start &Stop System market due to its better instantaneous charging efficiency, shallow cycle life, high energy density and low weight as well as gradually reduced costs

In order to achieve the goals of energy saving and carbon reduction, the micro-hybrid vehicle equipped with the ISS will be the mainstream. Driven by the continuous growth of hybrid electrical vehicles above 12V, the overall battery usage will also increase and the business opportunities for lithium-iron batteries in replacement of lead-acid batteries can be expected

B. Energy storage market development trend

In respond to the global warming challenge, global renewable energy generation continues to increase, and many countries and public utilities are aware of the availability of energy storage systems to balance the gap between power generation and electricity consumption, and stabilize the grid to increase the capacity. At the present stage, the development direction of energy storage systems is mainly based on electrochemical energy storage systems, which are easy to be mass produced and are not subject to the geographical environment. Among the use of electrochemical energy storage by batteries, lithium batteries are accounted for the highest proportion and most widely used. According to a recent international industry research report published by Bloomberg New Energy Finance (BNEF), the scale of global battery storage installation will experience significant growth of 64 times within 15 years from 2016 - 2030. In 2030, the total installed capacity is 125 gigawatts, and the total power supply capacity is 305 gigawatt-hours.

The global electricity consumption continues to rise and the proportion of renewable energy increases year by year. According to the forecast conducted by Bloomberg New Energy Finance, the requirements for storage devices will increase due to the demand for renewable energy and smart grids in the future. In addition, with the high demand for lithium-ion technology in the renewable energy industry and the continuous price drop in lithium-ion batteries, energy storage systems have become the new favor of the industry, and the energy storage industry has unlimited business opportunities.

GlobalData, a world-renowned research institution, revealed in its latest research report that countries are increasing investment to improve their grid infrastructure and market structure so as to attract foreign investment. The global battery energy storage market is expected to grow to USD 13.13 billion by 2023. Asia-Pacific region will continue to be the world's largest regional market with its market size expected to reach USD 6.05 billion by 2023. Also, regarding the cumulative engine installation capacity and the market value of the installation projects in 2018 (based on countries), the United States has always been the biggest market for energy storage systems by batteries and would likely continue to lead the national markets. It is expected that the energy storage market by batteries in US will reach USD 2.96 billion by 2023, accounted for 23% of the global markets. In terms of technology aspects, lithium batters will continue to become the first-choice technology for market deployment.

(iv) Competitive Landscape

At present, there are many well-known manufacturers around the world are developing cathode materials for LFP battery: In addition to the Company, other manufacturers like Tatung Fine Chemicals, Shenzhen Dynanonic, Süd-Chemie, ,BASF, Sumitomo Osaka Cement, Pulead Technology, Tianjin STL Energy, Hunan Shanshan and Shenzhen BTR, etc are active in the market.

The Company uses the sol-gel method to manufacture LFP, its advantage is the synthesis and sintering of phosphate-iron eutectic are carried out first, and then the iron phosphate eutectic and the lithium salt are sintered to obtain a LFP high end product with stable structures and high purity. The application for patent protection of this special manufacturing process has been submitted at home and abroad.

As compared with the competitors, the products that have been mass-produced by the Company are more superior than the competitors in terms of the product's power capacity, cycle life and product stability although the manufacturing cost is higher than the competitors. However, from the perspective of customers, although the material cost is slightly higher than other competitors, but the battery produced by using the cathode materials for LFP battery produced by the Company have higher power capacity and product stability, hence, it creates even greater benefits for the customer.

The company is committed to developing more cost-effective products to provide customers with more sophisticated improvements in the process to produce higher output power products to meet future electric vehicles (including hybrid electric buses) and energy storage markets. In addition, the company is also committed to extending the battery life to reduce the use costs of users and to improve the user's acceptance of electric vehicles (including hybrid electric buses) and automotive lithium-iron batteries in replacement of lead-acid batteries.

(3)Technology and R&D Overview

(i) Technology level and R&D status of Operating Business

Since its establishment in 2005, Aleees (Taiwan), a subsidiary of the Company, has been committed to the development of olivine-structure materials, the key materials for power lithium-ion battery. The development supplemented by the strategy of improving the energy density capacity and cycle life of the product as the main technology roadmap, provides a core technology with competitive advantages in promoting the promotion of electric vehicles and power storage businesses. At present, Aleees (Taiwan) has with its own patented nano-metal oxide co-crystallized lithium iron phosphate, and in response to the needs of different customers, Customized production.

In view of the fact that the battery is still an important part of the current development in the electric car industry, and its high cost is an important consideration as the cathode material accounted for the highest proportion in the overall material cost of battery, as well as being the most significant part in affecting battery performances. In order to resolve the overly high pricing issue which affects the marketization of electric car, the Company has successfully introduced a new manufacturing process, and developed a new generation of long-acting and power-type cathode materials for LFP battery, which hopes to gradually reduce the cost of battery for each use. In addition, the Company continues to invest in the development of high-voltage olivine-structured cathode materials, as high-voltage cathode materials will make the battery's energy density even higher, making the electric vehicle's endurance farther, these two points will effectively promote the relevant new energy industry.

(ii) Researchers and their academic qualifications/experience

Year		2016	2017	2018	2019
R & D Personnel		38	13	23	25
Average years of service		2.92	6.64	3.95	3.72
Academic Distribution	Doctorate Degree Holder	-	15.39%	13.05%	12.00%
	Master’s Degree Holder	55.26%	46.15%	73.91%	84.00%
	Bachelor’s Degree Holder and College Graduate	42.11%	30.77%	13.04%	4.00%
	High School	2.63%	7.69%	-	-

(iii) R&D expenses invested in the past five years

Unit: NT$ thousand

Year	2015	2016	2017	2018	2019
R&D expenses	251,840	181,531	64,059	50,197	50,132
Net Operating Revenue	1,094,651	1,318,280	748,482	150,695	388,079
Percentage of Net Operating Revenue	23%	13%	8%	33%	12.92%

(iv) Technology (product) development accomplishments

Business Segment	Period	Results of Product R&D
Cathode Material Business	2006-2008	LFP-NCO materials.
	2010-2011	Completed the development of battery module for electric buses.
	2010-2011	Completed the development of BMS for LFP battery.
	2011	Completed the development of long-lasting type materials.
		Completed the development of long-lasting type anode materials for LFP
		Completed the development of the manufacturing process for $Fe_7(PO_4)_6$ eutectic precursor.
	2011-2012	Completed the development of the manufacturing process for reinforcement in sintering of the new generation of carbon cladding material.
	2012	Completed the development of new generation water-based adhesive-specific products.
		Completed the development of new generation low temperature-based performance products.
		Completed the development phase of new generation powder granulation process laboratory.
	2013	Completed the mass production testing of new generation of water-based adhesive-specific product’s production line.
		Completed the mass production testing of new generation low temperature-based performance product’s production line.
	2014	Completed the development of new generation high power LFP cathode materials.
		Completed the development of new generation high purity long-lasting type LFP cathode materials.
	2015	Completed the pilot production of new generation powder granulation

Business Segment	Period	Results of Product R&D
		process production line.
		Completed the pilot production of new generation high power type LFP cathode materials production line.
	2016	Completed the sample presentation of new generation high power type LFP cathode materials for customers.
		Completed the five-year project plan for high-capacity layer-structured cathode materials in cooperation with the Taiwan University of Science and Technology team.
	2017	Completed the mass production testing stage of the new generation of high-power type LFP cathode materials production line.
		Completed the sample presentation of car starter specific high-power type LFP cathode materials for customers.
		Completed the development phase of NCM cathode material laboratory.
	2018	Completed the development phase of NCM811 cathode material laboratory.
		Completed the development phase of NCM cathode material surface modification technology laboratory.
		Completed the development phase of NCM cathode material precursor manufacturing technology laboratory.
		Completed the first phase of the establishment of technology commissioned research project by the R&D Centre on Advanced Battery Materials in cooperation with the Industrial Technology Research Institute (a total of three phrases)
	2019	Completed the test phase for mass production line of new-generation energy-type cathode material, lithium iron phosphate.
		New-generation high-power cathode material, lithium iron phosphate, has officially entered the mass production phase.
		Small samples of cathode material, NCM811, were sent to customers.
		Small samples of high-voltage materials, lithium vanadium fluorophosphate and lithium cobalt phosphate, were sent to customers.
		Completed the second phase of technology commissioned research with the Advanced Battery Materials R & D Center in cooperation with Industrial Technology Research Institute (a total of three phases)

(4)Short and long term business development plans

(i) Short term business development strategies and plans

A. Provide a comprehensive solution: The Company provides recommended use of products to customers, and provides suggestions on the combination of other key materials, as well as information on equipment purchase, use, and environmental control.

B. Product line integrity: In order to meet the needs of different customers, the Company will gradually develop different types of products for customers with different processes in order to reduce the costs of introducing products of customers. The long cycle life cathode materials developed specifically for electric modes of transport applications are used to accelerate market applications.

C. Provide better Pre-sale & After sale technical services: The subsidiary in China, Aleees SH, has a full-fledged FAE team that able to assist customers effectively and quickly in solving problems in use, and rapid introductions of products and provide more added value.

(ii) Long term business development strategies and plans

A. Continue to invest in the R&D of key technologies and patents to strengthen the competitiveness in the industry

B. Optimize product and customer portfolios so as to increase the percentages of high unit price products and sales customers.

C. Conduct industry-university collaboration plans with professional research units and academic institutions at home and abroad, and conduct research on the directions like material synthesis and material application science, etc. through collaboration, and cultivate talents needed by enterprises during the collaboration process to enhance long-term competitiveness of enterprises.

D. Implement corporate governance, strengthen risk control, and sustainable management of the Company, creating a win-win-win situation for customers, employees and shareholders

2. Market and Sales Overview

(1)Market Analysis

(i) Sales regions of main products

At present, the Company primarily marketed the products in Asian. In 2018, the company adjusted business strategies and directions with its own patent technologies and R&D resources, actively expanded markets in Europe, America, Japan and Korea with its own expertise and battle for the entry to global markets for energy storage and lithium iron battery in replacement of lead-acid batteries. Performances were shown gradually from the aforementioned measures. The transformation direction in 2019 has become clearer and the company has realized stable growth in revenue gradually, resulting that the consolidated operating income in 2019 was hugely increased 157.53% comparing to 2018.

Unit: NT$ thousand; %

Region	2017		2018		2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Asia	731,231	97.70%	146,314	97.09%	375,958	96.88%
America	8,320	1.11%	2,438	1.62%	918	0.24%
Europe	8,931	1.19%	1,943	1.29%	11,203	2.88%
Others	—	—	—	—	—	—
Total	748,482	100.00%	150,695	100.00%	388,079	100.00%

(ii) Market Share

In 2018~2019, the company adjusted business strategies and directions with its own patent technologies and R&D resources, actively expanded markets in Europe, America, Japan and Korea with its own expertise and battle for the entry to global markets for energy storage and lithium iron battery in replacement of lead-acid batteries. Performances were shown gradually from the aforementioned measures. The transformation direction in 2019 has become clearer and the company has realized stable growth in revenue gradually

(iii) The future supply and demand situation and growth of the market

The business of the company is centralized in the material market of phosphoric batteries in China. The Chinese market has gradually gone downhill along with the subsidies for new energy vehicles, which made the power battery industry facing severe capital scission and the supply chains quickly fallen into a bubble dilemma. The pressure in price reduction on the car manufacturers was transferred to the upstream power battery and material vendors to cause the decline in the price of phosphoric battery materials. To get rid of the restrictions from the subsidy policy of China government, the company adjusted its operating strategies and policies, actively expanded new niche markets such as Europe, America, Japan, and South Korea and has successfully transformed into the global markets for energy storage and the automotive lithium-iron battery in replacement of lead-acid batteries.

In the face of climate change and environmental pollution problems getting worse gradually, countries around the world is devoted in commitment to energy saving and carbon reduction. Along with the advancement in new energy technologies, countries will continue to support and promote the establishment and development of green energy and new energy policies. Nowadays, green energy is emerging, the regulations for carbon emission have become stringent gradually and the costs of lithium batteries have been declined rapidly. Markets of the energy storage system and electric vehicles (including hybrid electric cars) have grown unprecedentedly with relevant industries having unlimited business opportunities. Please refer to the explanation in V. Operational Highlights.

(iv) Competitive Niches

A. Possess a professional management team

The Company has extensive technical collaboration and exchanges with academia to enhance the R&D technology of battery materials. The management team has many years of relevant industry experience and is keenly responsive to the market, and meticulous and quick in decision-making, as well as continue to attract outstanding talents to join the business and R&D. The team is properly mastered the key technologies of the products, and capable to develop new products by themselves, hence they can fully grasp the changes in the overall market, maintain a good competitive advantage, and maintain its leadership position.

B. Excellent manufacturing process and R&D technology

The Company's products have the characteristics of small battery cell volume and weight, good applicability; high product consistency, can effectively improve battery reliability; high price-performance ratio, can increase customer profits and other advantages, customers are satisfied with the product performance, and safeguard customers from becoming the victims of immature products.

C. Complete patent portfolio

The Company has put a strong emphasis on the development of intellectual property rights and patents, committed to its management and maintenance, and builds a complete patent protection umbrella.

D. Encourage innovation and implement quality management

The Company encourages employees to actively engage in innovative development. Employees can engage in activities which can exceed customer needs, reduce production costs, improve existing technologies, create advanced technologies, encourage basic research, improve various administrative processes, improve efficiency, reduce costs, etc. Positive rewards are given according to the internal "Innovative Proposal Incentive Regulations" of the Company. In addition, the Company's production quality has passed ISO9001, ISO14001, TS16949 and OHSAS18001 certifications, and it has led the industry by introducing 6 standard deviation as the basis for the Company's continuous innovation and improvement to ensure the consistency of products, services and Company management. In addition, the Company plans to continuously introduce quality-related certifications in the future for further quality assurance of the products.

(v)Development outlook - favorable and unfavorable factors and countermeasures

A. Favorable factors

a. In line with the green energy industry policy orientation of governments

Driven by rising environmental awareness and oil prices, various countries have placed the development of energy storage battery and power battery to the strategic national development level, and the intensity of funding and policy support are very strong. The LFP battery and the NCM cathode materials will become the mainstream of power battery and energy storage battery as the LFP battery features high-level safety, high power capacity, and relatively high cycle life and relatively environmentally friendly, while the NCM cathode materials feature high energy density. Governments have committed to promoting of new energy vehicles, and propose strategic plans to promote the development of the electric vehicle industry, and will focus more on LFP battery and NCM.

b. Lithium battery is widely used

In the past, the global lithium battery application market has been mainly focused on mobile phones and notebook computers, and it is suitable to be used for lithium-cobalt and ternary lithium battery with high energy density. Recently, LFP and NCM are the revolutionary new materials for lithium battery. Their superior characteristics have aroused extensive researches and rapid development, and have greatly expanded the application fields of lithium battery, expanding to new realms of electric bicycles, hybrid vehicles, electric vehicles and energy storage battery.

c. Lithium battery material technology has high patent barriers to avoid excessive competition

The primary obstacle to the entry of lithium battery materials is the patent barriers. Many companies that entered this field early have completed their patent deployment, resulting in the high possibility of patent litigation for latecomers. Hence, there is not many people who have ventured into its production.

B. Unfavorable factors

a. Concentration source of raw materials risk: At present, the mining of lithium is concentrated in a few regions worldwide and the main sources of supply still rely on foreign imports.

<u>Countermeasures:</u>

In order to eliminate the concentration source of raw materials risk, in addition to maintaining close relationship with manufacturers, more than two suppliers are established for each main material to meet the needs of emergencies.

b. Disorderly competition among Mainland players: Due to the good development prospects of the industry, hence, there are more than 200 suppliers of cathode materials for battery in Mainland China. However, most of them have no mass production capacity, the material capacity is low and the product quality is unstable, but they frequently attempted to enter the market with low price strategy, which creates pressure on the market for price reduction.

Countermeasures:

In order to overcome the low price competition in the market, the Company not only accelerates the development of new products and improves product quality to widen its gap with competitors. At the same time, it attracts new customers by establishing brand awareness and actively providing other additional services to enhance customer satisfaction in all aspects.

In addition, the Company has the following competitive advantages over the lithium battery cathode material manufacturers in Mainland China:

(1)Stable process capability, leading to market leadership

The stability of cathode materials for lithium battery is usually the key that affects the battery products of downstream battery manufacturers. As there are many different manufacturing processes for cathode materials of battery, and the types, quantity and timing of chemical compounds to be added will all affect the cathode materials being produced. Therefore, the biggest issue for lithium battery cathode materials manufacturers is how to produce the products with consistent quality. Although the Company faces competition from Chinese manufacturers like other industries, however, the Company has a stable process capability, and the quality of the products produced is highly consistent. The company is well recognized by customers. With the patent deployment owned, the company may develop new customers in Europe, America, Japan and South Korea.

In addition, the supply chain of automotive industry requires terminal automotive manufacturer certification. Once the company has become the main supplier for battery manufacturers, they will not easily change the supplier due to high conversion costs. Furthermore, the Company has reached a leading position with brand awareness in the market of cathode materials for LFP batteries, as well as having absolute competitive advantages despite facing competition from Chinese competitors.

(2)Acquire patent licensing, helps customers to obtain overseas orders outside of Mainland China

There are many customers of battery cell manufacturers in Mainland China are located outside of Mainland China. In view of the layout of patent licensing globally, they definitely will face patent issue as long as they are exported to the main markets (including countries such as Europe, America, Japan, Korea, etc.). Moreover, all international manufacturers put an emphasis on intellectual property rights when purchasing battery cells. Therefore, the use of the products of Aleees (Cayman) that have been granted global patent licensing can significantly eliminate patent concerns during the production and marketing processes of end products.

The Company has the aforementioned two characteristics, making the company take on the leading position in the layout of global markets outside China comparing to horizontal competitors in mainland China.

In summary, although the Company faces competition from competitors in Mainland China, however, the Company has the two competitive advantages which possesses stable process capability and acquired patent licensing that has taken the lead in Mainland China. In the future, the Company will continue to develop new products and maintain its market leadership position.

c. Competitors may capitalize on patent litigation as a means of commercial obstruction.

Countermeasures:

(1)The Company has abundant experience in working with lawyers in Mainland China, America, and Europe, and these firms are highly specialized in intellectual property rights and have extensive experience in handling transnational cases. Hence when any dispute arises in any country, the Company is able to promptly resolve the dispute with the assistance of the well-prepared law firms.

(2)The Company and LiFePO4+C Licensing AG completed the patent license signing on July 4, 2011, and acquired 85 patents including the earliest patents developed by Professor Goodenough, carbon cladding patents and NTT patents, etc., which completely solving the patent concerns of the major battery manufacturers in Europe, America, Japan and Korea. It can also help the customers of the battery factory in the Mainland to develop overseas market.

(3)In addition to obtaining the aforementioned patent authorization, the company has always valued the importance of independent research and development since its establishment and had a complete patent layout in the field of cathode materials.

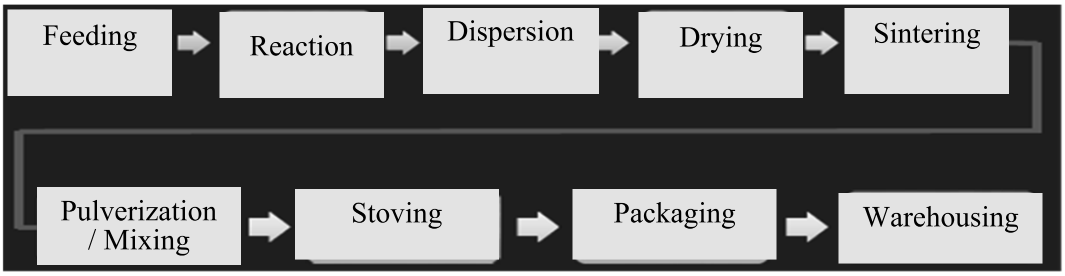
(2)Important use and production process of main products

(i) Important use of main products

Main products	Purposes
Cathode materials for LFP battery	The cathode material determines the battery capacity characteristic, and choosing the right cathode material not only increases the power capacity of the battery, but also greatly improves the safety at the same time. In the green era which promotes energy conservation and emission reduction, the demand for electric vehicles is rising, and the demand for large-scale energy storage equipment is expanding. There are not many choices available for the battery which have high level of safety and high capacity, thus the use of LFP as the cathode materials for lithium battery fortuitously meet the needs of this emerging market.

(ii) Production process of the main products

Cathode materials for LFP battery



(3)Supply situation of main raw materials:

Cathode materials for LFP battery

Main raw materials	Suppliers	Supply situation
Lithium compounds	FMC, ALB Taiwan, Ltd. (Note)	Normal
Phosphoric acid	Kanto-PPC, E-CHEM	Normal
Iron-based compound	Höganäs	Normal

Note: ALB (U.S.) merged with Jiangxi Jingli Technology and Rockwood Lithium.

(4)List of main customers for inbound/outbound sales

(i) Details of suppliers accounted for more than 10% of total purchase in any of the last two years, and explanation of increase/decrease. However, due to the contractual agreement, some of the supplier name may not be disclosed, and it is represented by alphabetical symbols.

Unit: NT$ thousand

Item	2017				2018				2019			
	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Net annual share of purchases (%)	Relationship with the issuer	Name	Amount	Percentage of quarterly net purchases (%)	Relationship with the issuer
1	ALB Taiwan, Ltd (Note 1)	144,116	49.31%	None	ALB Taiwan, Ltd (Note 1)	30,177	28.10%	None	Company A	125,129	62.24%	None
2	Rockwood Lithium Taiwan Co. Ltd.	55,645	19.04%	Note 1	FMC	30,141	28.06%	None	Company B	25,193	12.53%	None
3	E-CHEM	38,979	13.34%	None	ALBEMARLE LIMITADA	19,741	18.38%	None	FMC	24,270	12.07%	None
4	-	-	-	-	E-CHEM	10,857	10.11%	None	-	-	-	-
	Others	53,552	18.31%	-	Others	16,504	15.35%	-	Others	26,460	13.16%	-
	Net purchase	292,292	100.00%		Net purchase	107,420	100.00%		Net purchase	201,052	100.00%	

Note: ALB (U.S.) merged with Jiangxi Jingli Technology and Rockwood Lithium.

Explanation of increase/decrease: The company adjusted its operating strategies and policies, actively expanded new niche markets such as Europe, America, Japan, and South Korea and has successfully entered the global market for energy storage and automotive lithium iron battery in replacement of lead-acid batteries so that its revenue has increased significantly in 2019 compared to 2018. In addition, the amount of procurement has increased significantly. The changes in suppliers are subject to changes in order receiving conditions, product quotations, and adjustments in product demand, which were reasonable.

(ii) Details of customers accounted for more than 10% of total sales in any of the last two years, and explanation of increase/decrease. However, due to the contractual agreement, some of the customer name may not be disclosed, and it is represented by alphabetical symbols.

Unit: NT$ thousand

Item	2017				2018				2019			
	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of quarterly net sales (%)	Relationship with the issuer
1	Company C (Note 1)	270,183	36.10%	None	HD New Energy	38,465	25.53%	None	Company L	159,668	41.14%	None
2	HD New Energy	138,165	18.46%	None	Company D (Note 1)	34,791	23.09%	None	Company C (Note 1)	56,147	14.47%	None
3	FDG	103,382	13.81%	Note 2								
	Others	236,752	31.63%	-	Others	77,439	51.38%	-	Others	172,264	44.39%	-
	Net sales	748,482	100.00%		Net sales	150,695	100.00%		Net sales	388,079	100.00%	

Note 1: The net sales of Company C and Company D including their affiliates.

Note 2: The investment of the enterprises have significant influence on the Company

Explanation of increase/decrease: T he company adjusted its operating strategies and policies, actively expanded new niche markets such as Europe, America, Japan, and South Korea and has successfully entered the global market for energy storage and automotive lithium iron battery in replacement of lead-acid batteries so that its revenue has increased significantly in 2019 compared to 2018. Which is still reasonable.

(iii) Production value in the last two years

Unit: NT$ thousand

Main products \ Year / Production value		2018			2019		
		Capacity	Output	Output value	Capacity	Output	Output value
Cathode materials for LFP battery	Kg	2,700,000	499,172	114,984	2,590,530	1,049,477	345,617

(iv) Sales value in the last two years

Unit: NT$ thousand

Main products \ Year / Sales value		2018				2019			
		Domestic		Foreign		Domestic		Foreign	
		Output	Output value	Output	Output value	Output	Output value	Output	Output value
Cathode materials for LFP battery	Kg	4,180	2,974	330,766	145,942	1,750	990	928,637	386,230
Others (Note)	EA; Vehicle; Granule; Type	-	-	33,000	1,778	-	-	-	859
Total		4,180	2,974	363,766	147,720	1,750	990	928,637	387,089

Note: Including revenues from battery cells, battery, electric buses and demonstration operation services, etc.

Explanation of increase/decrease: T he company adjusted its operating strategies and policies, actively expanded new niche markets such as Europe, America, Japan, and South Korea and has successfully entered the global market for energy storage and automotive lithium iron battery in replacement of lead-acid batteries so that its revenue has increased significantly in 2019 compared to 2018. Which is still reasonable.

3. Update of employees in the last two years and up to the publication of the annual report

Year		2018	2019	February 2020
Number of employee	Manager	3	3	3
	Manager (R&D)	-	-	-
	R & D Personnel	23	25	23
	General staff	107	119	115
	Total	133	147	141
Average age		34.84	35.45	35.51
Average length of service		4.24	4.22	4.49
Education level distribution percentage	Ph. D.	5.26%	4.76%	4.26%
	Master	22.56%	27.21%	27.66%
	University / College	38.35%	41.50%	40.43%
	High School	28.57%	21.77%	21.98%
	Below high school	5.26%	4.76%	5.67%

4. Disbursements for environmental protection

(1)Total amount of losses and penalties due to environmental pollution in recent years and up to the publication of the annual report: None

(2)Countermeasures and possible expenditures in the future

(i) At present, there has been no occurrence of environmental pollution which has affected the operation and competitive position of the Company. The Company also actively handles various environmental issues and complies with the laws and regulations to improve the work, so there will be no major impact on the Company's operation, competitive position and capital expenditure.

(ii) The Company continues to improve various environmental pollution preventive equipment, and investing in environmental protection can enhance environmental benefits of the Company. The Company is committed to environmental protection to enhance its corporate image and product competitiveness. The major capital expenditure for environmental protection in recent years and ongoing capital expenditure are as follows

Serial number	Company	Types of Equipment Invested	Investment Amount (NTD)	Possible Benefits
1	Aleees (Taiwan)	Off-gas treatment equipment and maintenance (Including dust collector and scrubbing tower maintenance, and estimated to set up new scrubbing tower)	3.39 million	Reduction of particulate matter polution and PM2.5 dust emissions
2	Aleees (Taiwan)	Waste water treatment equipment and maintenance (including all the consumables of the sewage plant and the personnel cost for maintaining the sewage plant)	3.43 million	Maintain the normal operation of the sewage plant to comply with the Environmental Protection Law

5. Labor Relations

(1)Listed below are the various aspects of employee welfare initiatives, continuing education, training, retirement system and their implementation status, as well as labor agreements, and the maintenance measures of various employees' rights and interests:

(i) Employee welfare initiatives

A. Insurance: In addition to statutory labor and health insurance, the Company has group insurance (life insurance, accident insurance, cancer insurance and hospitalization insurance) for employees or dependents at their own expense.

B. Health and safety: The company arranges an employee health check once a year at public expenses, and actively assists in follow-up treatment or observation regarding the test results to ensure the health of employees. To help employees release stress and stretch their muscles, visually-impaired masseurs were hired to provide services to the factory every week. Seminars such as stress management and stress relief meditation are held regularly to promote physical and mental health of employees.

In order to strengthen employees' awareness of fire prevention and disaster prevention and avoid accidents caused by temporary fires or other disasters, a self-defense firefighting team is established and fire drills are regularly conducted.

C. Travelling: The Company Employees Welfare Committee will occasionally organize employee travel in order to build rapport among employees and relieve work pressure.

D. Birthday / wedding / funeral: Each unit will organize birthday celebration activities every month. The Employee Welfare Committee will also provide birthday vouchers, subsidies, compensation money and condolences for wedding, funeral and accidental injuries for employees who have served for more than three months.

E. Maternity subsidy: In view of the impact of Taiwan's low birth rate, the Employee Welfare Committee of the Group provides NTD 3,000 of subsidy for one child to the employees who have served for more than three months or their spouse.

F. Other subsidies: In addition to the abovementioned subsidies, the Employee Welfare Committee of the Group also provides gift vouchers during the Dragon Boat Festival and Mid-Autumn Festival each year to the employees who have served for more than three months. Besides, there are also subsidies for dinner parties for employees.

(ii) Continuing education and training status

In order to improve the quality and work skills of employees, and to enhance the efficiency and quality of work, the Company organizes various employee education and training according to the contents of the annual education and training plan, which is mainly divided into management competency, core competency, and professional competency training in order to nurture outstanding talents, and thereby enhancing operational performance and achieving the goal of sustainable operations. An internal part-time lecturer system is established in the Company to achieve the purposes of experience transfer and sharing.

(iii) Retirement system and its implementation status

The affiliated companies of the Company that belonged to the Republic of China should all adopt a definite allocation system in accordance with the "Labor Pension Act" (hereinafter referred to as the "new pension system"). Their pensions are paid by the company's subsidiaries on a monthly basis . The company and subsidiaries pay 6% of the employee's monthly salary as a pension which is stored in a personal account for labor pensions. Subsidiaries outside the Republic of China will be allocated in accordance with relevant local laws and regulations.

(iv) Labor agreements and maintenance status of various employees' rights and interests

The company has safeguarded the legitimate rights and interests of labor in accordance with relevant labor regulations in the main place of operation. The Company has convened regular labor meetings, and adopted a two-way coordination approach on the labor issues in order to create a harmonious labor relations. In addition, the Company has a well-established document management system, which clearly defined employee rights and obligations and welfare plans in various management measures, and through regular meeting of labor union, the Employee Welfare Committee will adjust the welfare contents in a timely manner according to the reasonable requests of employees to ensure the employees' rights and interests could be maximized.

(2)Explanation for any loss sustained by the Company as a result of labor disputes in recent years (including labor inspection results violating Labor Standards Act, the date of punishment; the date of disposition, No. for the disposition, articles of the regulations in violation, the content of the regulations in violations and the content of the disposition shall be listed) up to the publication of the annual report, and disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate contingency measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect

The Company's labor relations are harmonious, and the Company has always respected the opinions of colleagues. Employees can always reflect their opinions through meeting, labor opinion mailbox, e-mail or E-Portal. As the labor-management communication channels are smooth and unimpeded, hence, there is no major labor disputes have occurred so far.

6. Important contracts

Item	Nature of Contracts	Party	Contract Duration	Key Contents	Restrictive Clauses
1	Patent Sublicense Contract	LiFePO4+C Licensing AG	2011.06.01 until the expiry of the patent rights	Authorized the Company and its related companies to manufacture and produce cathode materials for battery products.	Confidentiality obligations
2	Supplemental Agreement to the Patent Sublicense Contract	LiFePO4+C Licensing AG	2012.08.28 until the expiry of the Patent Sublicense Contract	Under the circumstances where relevant conditions of the agreement are fulfilled, the Company and its related companies may file a lawsuit against infringing parties in its own name.	Confidentiality obligations
3	Patent Sublicense Contract Second Supplemental	LiFePO4+C Licensing AG	2013.07.31 until the expiry of the Patent Sublicense Contract	The plant construction schedule is extended.	Confidentiality obligations

Item	Nature of Contracts	Party	Contract Duration	Key Contents	Restrictive Clauses
	Agreement				
4	Patent Sublicense Contract	Aleees Taiwan	2012.12.25 until the expiry or early termination of the previous Patent Sublicense Contract	Both parties agreed to transfer the patent rights in the originally licensed contract to Aleees (Taiwan) by Aleees (Cayman) according to the terms of the contract.	None
5	Patent License Contract	Hydro-Quebec	2010.05.19 until the expiry of the patent rights	Authorized Aleees (Taiwan) to manufacture and produce anode materials for battery products	Confidentiality obligations
6	Supply Contract	Air Products Co. Ltd.	2011.11.01 to2023.10.31	Long term supply of gas required in the manufacturing process to Aleees (Taiwan).	1.Confidentiality obligations 2.Minimum monthly usage 3. Not permitted to purchase from other manufacturers or self-production for the contractual volume
7	Memorandum of Agreement	Air Products Co. Ltd.	2018.07.01to2019.10.31	(1) Price Adjustment (2)The following amendments are made to the aforementioned contract of item 6 extended the effective date of the contract to 2023.10.31	None
8	Patent Sublicense Contract Fourth Supplemental Agreement	LiFePO4+C Licensing AG	2014.11.19 until the expiry of the Patent Sublicense Contract	The plant construction content is changed	Confidentiality obligations
9	Production Cooperation and Technology Licensing Contract	FDG Kinetic Limited	2016.04.14 to 2030.03.19	FDG Kinetic Limited appointed Advanced Lithium Electrochemistry (Cayman) Co., Limited as the consultant to provide technical licensing and related consulting services for the matters like product production for the subsidiaries of FDG Kinectic Limited in China	Confidentiality obligations
10	Cooperation Framework Agreement	FDG Kinetic Limited, Management Committee of Gui'an New District, Guizhou Province, China	2016.11.10	The Company, FDG Kinetic Limited and Gui'an Committee entered into a cooperation framework agreement, pursuant to which the parties agreed to cooperate in the construction of a cathode material plant.	Confidentiality obligations
11	Medium-term bank loan contract	Taiwan Cooperative Bank	2017.02.17 to 2022.02.17	The land and plant of Aleees (Taiwan) are collateralized for mortgage loans to repay the loans	Typical terms and conditions of bank loans

Item	Nature of Contracts	Party	Contract Duration	Key Contents	Restrictive Clauses
	secured with equipment				
12	Medium-Long term bank loan contract secured with equipment	Taiwan Cooperative Bank	2019.04.110 to 2029.04.10	Loan for plant renovation	Typical terms and conditions of bank loans

VI. Financial Status

1. Condensed balance sheet and statements of comprehensive income for the past five years

(1)Condensed balance sheet and consolidated income statement

(i) Condensed Balance Sheet－International Financial Reporting Standards (IFRS)

Unit: NT$ Thousand

Item \ Year		Financial information for the past five years				
		2015	2016	2017	2018	2019
Current assets		1,150,411	1,186,784	922,627	673,626	610,253
Financial assets measured at fair value through profit or loss—non-current		-	1,011,657	1,027,335	749,725	584,913
Financial assets measured at fair value through other comprehensive income - non-current		-	-	-	103,742	90,127
Financial assets available for sale - non-current		-	616,839	540,213	-	-
Investment using the equity method		52,093	44,462	36,793	28,646	1,395
Property, plant and equipment		1,169,013	758,412	635,842	419,573	488,354
Intangible assets		199,188	160,445	134,527	108,914	83,618
Right-of-use assets						3,359
Other assets		38,409	55,778	19,863	20,785	20,785
Total assets		2,609,114	3,834,377	3,317,500	2,105,011	1,882,804
Current liabilities	Before distribution	445,837	447,709	205,741	558,037	419,053
	After distribution	445,837	447,709	205,741	558,037	Yet to be distributed
Non-Current liabilities		159,349	70,026	80,227	51,536	87,046
Total liabilities	Before distribution	605,186	517,735	285,968	609,573	506,099
	After distribution	605,186	517,735	285,968	609,573	Yet to be distributed
Equity attributable to the owner of the parent Company		2,003,914	3,316,631	3,031,522	1,495,434	1,376,705
Capital stock		1,645,737	2,105,737	2,105,737	2,105,737	2,415,737
Capital reserves		788,220	1,507,437	1,507,437	1,526,762	72,486
Retained earnings	Before distribution	(430,783)	(44,995)	(253,330)	(2,148,790)	(1,115,540)
	After distribution	(430,783)	(44,995)	(253,330)	(2,148,790)	Yet to be distributed
Other Equity		740	(251,548)	(328,322)	11,725	4,022
Non-controlling Interest		14	11	10	4	-
Total equity	Before distribution	2,003,928	3,316,642	3,031,532	1,495,438	1,376,705
	After distribution	2,003,928	3,316,642	3,031,532	1,495,438	Yet to be distributed

(ii) Condensed Consolidated Income Statement－International Financial Reporting Standards (IFRS)

Unit: NT$ Thousand

Item \ Year	Financial information for the past five years				
	2015	2016	2017	2018	2019
Operating Revenues	1,094,651	1,318,280	748,482	150,695	388,079
Gross Operating Profit (Loss)	299,454	556,432	137,290	(188,265)	(27,692)
Operating loss	(388,243)	(19,102)	(178,771)	(622,213)	(279,216)
Non-Operating revenues and expenditures	(42,537)	(25,891)	(20,956)	(487,597)	(188,555)
Net loss before tax	(430,780)	(44,993)	(199,727)	(1,109,810)	(467,771)
Net loss for the current period	(430,780)	(44,993)	(208,336)	(1,107,505)	(467,771)
Other comprehensive income for the current period (net)	1,253	(252,288)	(76,774)	(447,914)	(7,703)
Total comprehensive income for the current period	(429,527)	(297,281)	(285,110)	(1,555,419)	(475,474)
Net profit (loss) attributable to the parent Company	(430,783)	(44,995)	(208,335)	(1,107,499)	(467,771)
Net profit (loss) attributable to the non-controlling interest	3	2	(1)	(6)	-
Total comprehensive income attributable to the owner of the parent Company	(429,530)	(297,283)	(285,109)	(1,555,413)	(475,474)
Total comprehensive income attributable to the non-controlling interest	3	2	(1)	(6)	-
Loss per share	(2.65)	(0.23)	(0.99)	(5.26)	(2.09)

(2) The names of appointed CPA and their audit opinions for the past five years

Year	CPA	Name of accounting firm	Audit opinion
2015	Yu-Kuan Lin, Ya-Hui Cheng	PwC Taiwan	Unqualified opinion
2016	Ya-Hui Cheng, Yen-Na Li	PwC Taiwan	Unqualified opinion
2017	Ya-Hui Cheng, Yen-Na Li	PwC Taiwan	Unqualified opinion
2018	Yu-Kuan Lin, Dian-Yi Li	PwC Taiwan	Unqualified opinion
2019	Yu-Kuan Lin, WEI-HAO Wu	PwC Taiwan	Unqualified opinion

2. Financial Analyses for the Past Five Years

Analysis Item (Note 3) \ Year (Note 1)		Financial Analyses for the Past Five Years				
		2015	2016	2017	2018	2019
Financial Structure %	Debt to asset ratio (%)	23.20	13.50	8.62	28.96	26.88
	Long-term funds to property, plant and equipment ratio (%)	185.00	446.55	489.39	368.70	299.73
Solvency%	Current ratio (%)	258.03	265.08	448.59	120.71	145.63
	Quick ratio (%)	210.66	216.25	346.72	92.18	111.76
	Times interest earned ratio	(31.87)	(8.10)	(63.35)	(283.86)	(63.21)
Operation capacity	Accounts receivable turnover ratio (times)	3.22	7.03	3.81	0.83	2.12
	Average collection days	113	51.92	95.80	439.75	172.16
	Inventory turnover ratio (times)	1.88	3.27	2.92	0.60	1.92
	Accounts payable turnover ratio (times)	7.65	9.98	5.83	2.95	16.11
	Days' sales in inventory	194	112	125.00	608.33	190.10
	Property, plant and equipment turnover ratio (times)	0.88	1.37	1.07	0.29	0.85
	Total assets turnover ratio (times)	0.40	0.41	0.21	0.06	0.19
Profitability	Return on total assets (%)	(15.35)	(1.24)	(5.74)	(40.70)	(23.09)
	Return on equity (%)	(23.30)	(1.69)	(6.56)	(48.93)	(32.57)
	Pre-tax net profit to paid-in capital ratio (%)	(26.18)	(2.14)	(9.48)	(52.70)	(19.36)
	Net profit margin (%)	(39.35)	(3.41)	(27.83)	(734.93)	(120.53)
	Earnings per share (NT)	(2.65)	(0.23)	(0.99)	(5.26)	(2.09)
Cash Flow	Cash flow ratio (%)	45.80	44.84	—	—	—
	Cash flow adequacy ratio (%)	9.77	26.05	32.06	49.16	85.86
	Cash flow reinvestment ratio (%)	7.57	8.85	—	—	—
Leverage	Degree of operating leverage	(1.67)	(46.49)	(2.36)	(0.11)	(0.48)
	Degree of financial leverage	0.97	0.79	0.98	0.99	0.97

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase / decrease is less than 20%)

1. Solvency:
   (1)Current ratio & Quick ratio: This is mainly due to the repayment of short-term bank borrowings in the current period, resulting in a decrease in current liabilities and an increase in the current ratio and quick ratio.
   (2)Times interest earned ratio: Due to the decrease in losses, which resulted in a significant increase in the times interest earned ratio.
2. Operation capacity:
   (1)Accounts receivable turnover ratio and average collection days: In the current period, due to the significant increase in revenue, the accounts receivable turnover ratio increased significantly, which resulted in an decrease in average collection days.
   (2)Inventory turnover ratio and days' sales in inventory: In this period, due to the significant increase in revenue compared to the previous period, the cost of sales increased relatively. In addition to strengthening the control in inventory procurement, the total inventory at the end of the period decreased compared to the previous period, resulting in an increase in the inventory turnover rate and an decrease in average number of sales days.
   (3)Accounts payable turnover ratio: In this period, due to the significant increase in revenue, the cost of sales has been increase, resulting in a significant incline in the turnover rate of accounts payable..
   (4)Property, plant and equipment turnover ratio (times) & Total asset turnover ratio (times): In the current period, due to the significant increase in revenue, the Property, plant and equipment turnover ratio (times) & Total asset turnover ratio (times) increased .
3. Profitability:
   As the losses in the current period decreased significantly as compared to the previous period, which resulted in a significant increase in the profitability related ratio for the current period.
4. Cash flow
   Due to the in losses during the period, the cash flow from operating activities was the number of outflows, and the capital expenditure was reduced due to the decrease in capital expenditure in the past five years.
   which resulted in increase in the cash flow related ratio for the current period.
5. Leverage:
   Mainly due to the significant decrease in net operating loss.
   Degree of financial leverage= operating income / (operating income- interest expenses)

Note 1: The calculation formulas of the analysis item are as follows:

1. Financial structure
   (1) Debt ratio= total debt/total asset.
   (2) Long-term fund to property, plant and equipment ratio = (Total Equity + Non-Current Liabilities)/ Net property, plant and equipment
2. Solvency
   (1)Current ratio= current asset/current liabilities.
   (2)Quick ratio= (current asset - inventory- prepaid expenses)/current liabilities.
   (3)Times interest earned ratio= Earnings before taxes and interest/ interest expenses.
3. Operation capacity
   (1) Receivables (including accounts receivable and notes receivable generated from operating activities) turnover ratio= net sales/average receivables (including accounts receivable and notes receivable generated from operating activities) balance.
   (2) Average collection days= 365/receivables turnover ratio.
   (3) Inventory turnover ratio= Cost of goods sold/ average inventory.
   (4) Payables (including accounts payable and notes payable generated from operating activities) turnover ratio= Cost of goods sold/average payables (including accounts payable and notes payable generated from operating activities) balance.
   (5) Days' sales in inventory= 365/inventory turnover ratio.
   (6) Property, plant and equipment turnover ratio= Net Sales/average net property, plant and equipment.
   (7) Total asset turnover ratio= Net Sales/ average total asset.
4. Profitability
   (1) Return on assets= [Profit or loss after tax + interest expense x (1-effective tax rate)]/average total assets.
   (2) Return on equity= Profit or loss after tax/ average total equity.
   (3) Net profit margin=Profit or loss after tax/ Net sales.
   (4) Earnings per share= (The equity attributable to the owner of the parent Company - preferred stock dividend)/weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio= Net cash flow provided by operating activities/ current liabilities

(2) Cash flow adequacy ratio= Net cash flow provided by operating activities in the past five years/five years sum of (capital expenditures + inventory additions +cash dividend)

(3) Cash flow reinvestment ratio= (Net cash flow provided by operating activities- cash dividends)/(gross property, plant and equipment + long term investment + other non-current assets + working capital)

6. Leverage:

(1) Degree of operating leverage= (net sales- variable operating cost and expenses)/operating income

(2) Degree of financial leverage= operating income / (operating income- interest expenses)

3. Audit Report issued by the Audit Committee Members for the Financial Reports for the most recent year(s)

Please refer to the page 125 of the annual report.

4. Financial statements for the most recent year

Please refer to the page 126-200 of the annual report.

5. A parent Company only financial statements for the most recent year, certified by a CPA

Not applicable.

6. If the Company or its affiliates have experienced financial difficulties in the recent two years and up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation

None.

VII. A Review and Analysis of the Company's Financial Position and Financial Performance, and a Listing of Risks

1. Financial Position

Unit: NT$ thousand; %

Item \ Year	2018	2019	Change in Increase/Decrease	
			Amount	Ratio of change
Current assets	673,626	610,253	(63,373)	(9.41)
Financial assets measured at fair value through profit or loss- non-current	749,725	584,913	(164,812)	(21.98)
Financial assets measured at fair value through other comprehensive income - non-current	103,742	90,127	(13,615)	(13.12)
Financial assets available for sale - non-current	-	-	-	-
Investment using the equity method	28,646	1,395	(27,251)	(95.13)
Property, plant and equipment	419,573	488,354	68,781	16.39
Right-of-use assets	-	3,359	3,359	100.00
Intangible assets	108,914	83,618	(25,296)	(23.23)
Deferred tax assets	13,465	13,465	-	-
Other non-current assets	7,320	7,320	-	-
Total assets	2,105,011	1,882,804	(222,207)	(10.56)
Current liabilities	558,037	419,053	(138,984)	(24.91)
Long-term loan	51,536	87,046	35,510	68.90
Provision - non-current	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other deferred tax liabilities - Others	-	-	-	-
Total liabilities	609,573	506,099	(103,474)	(16.97)
Capital stock	2,105,737	2,415,737	310,000	14.72
Capital reserves	1,526,762	72,486	(1,454,276)	(95.25)
Loss absorbing capacity	(2,148,790)	1,115,540	1,033,250	(48.09)
Other equity	11,725	4,022	(7,703)	(65.70)
Shareholders' equity (attributable to shareholders of the parent Company)	1,495,434	1,376,705	(118,729)	(7.94)
Non-controlling Interest	4	-	(4)	(100.00)
Total Equity	1,495,438	1,376,705	(118,733)	(7.94)

The following are the major changes amounted to NT$10 million and the ratio of change rate is more than 20%:

Explanation on the major changes:

1. Financial assets measured at fair value through profit or loss - non-current: It was mainly due to the decrease in the provision made for valuation losses in the current period.
2. Investment using the equity method: The main reason is the capital reduction and return of shares in Emerald Battery Technologies Co., Ltd., an investee company adopted the equity method, which led to a reduction in investments adopting the equity method.
3. Intangible assets: It was mainly due to the increase in the Amortization Expenses , made Intangible assets for the decrease in the current period.
4. Current liabilities: It was due to the Repay bank loan , made short-term bank borrowings is decreased in the current period.
5. Long-term borrowing: This is mainly due to bank financing to support capital expenditures:, which made long-term bank borrowings for the increase in the current period.
6. Capital reserves: This is mainly due to the compensation to the losses by Capital Surplus-Additional Paid-In Capital, which resulted in a decrease in capital surplus.
7. Loss absorbing capacity: This is mainly due to the compensation to the losses by Capital Surplus-Additional Paid-In Capital and the improvement in enhancing the operating performance in the current period compared to the previous period. The net loss in this period was significantly reduced compared to the previous period, resulting in a significant reduction in the losses to be compensated.

2. Financial Performance

(1)Operating results analysis table

Unit: NT$ thousand; %

Year / Item	2018	2019	Change in Increase/Decrease	
			Amount	Ratio of change
Operating Revenues	150,695	388,079	237,384	157.53
Gross profit	(188,265)	(27,692)	160,573	85.29
Net loss	(622,213)	(279,216)	342,997	55.13
Non-Operating revenues and expenditures	(487,597)	(188,555)	299,042	61.33
Net loss before tax	(1,109,810)	(467,771)	642,039	57.85
Net loss for the current period	(1,107,505)	(467,771)	639,734	57.76
Net loss for the current period (attributable to the shareholders of the parent Company)	(1,107,499)	(467,771)	639,728	57.76

Explanation on the major changes:

1. Operating revenues: The company actively expanding markets in Europe, America, Japan and South Korea, resulting in an increase in operating revenues.
2. Gross profit: Mainly due to the significant increase in operating income in 2019 compared to 2018, which resulted in a decrease in Gross profit loss.
3. Net loss: It were mainly due to the significant decrease in gross profit loss and provision is decrease made for the credit impairment losses, which resulted in a significant decrease in net loss.
4. Net loss before tax and net loss for the current period: It was mainly due to the gross profit loss and provisions are made for assets impairment losses for significant decrease, which resulted in a significant decrease in net loss before tax and net loss for the current period.

(2)The expected sales amount and its basis

In 2018, the company was affected by the change in the experimental direction of subsiding new energy vehicles and the gradual decrease in subsidy policies in China. To release itself from the restrictions of the subsidy policy by China government, the company adjusted its business strategies and directions with its own patent technologies and R&D resources, actively explored the markets in Europe, America, Japan, and South Korea and battle for the entry to the global market for energy storage and the automotive lithium iron batteries in replacement of lead-acid batteries. In 2019, the transformation direction will become clearer and the company will gradually realize stable growth in revenue, making operating income increased in 2019 compared to the same period last year.

Please refer to the explanation of V. Operational Highlights for the relevant market research and analysis and the current status and development of the industry.

(3)The Company's future financial performance and the plan for any possible impact

As the Company's past business is mainly focused in the phosphoric acid battery material market in Mainland China, and recently, it has been affected by the rigorous adjustment of subsidy policy for new energy vehicles in Mainland China, resulting in the breaking of the industrial capital chain, the rapid collapse of the supply chain, and the price reduction of phosphoric acid battery material. As a result, the Company's sales revenue in the region was seriously affected, resulting in a significant increase in operating losses of the Company. For the Company's future operational goals setting, besides referring to the market analysis of the main research institutions (DisplaySearch), the Company also consider the enterprise risk management and sustainable operation, adjusted business strategies and directions of the company with its own patent technologies and R&D resources, actively opened up new markets and established annual delivery targets in accordance with the demands from customers, the implementations of global new energy, energy-saving and carbon reduction policies and the demands from lithium markets by considering the production capacity plans and past business performance. Looking forward, the Company will continue to expand its market share along with the green energy policy. In the aspect of R&D in materials, the company will make efforts towards the development of cathode materials with high cycle life and high energy density to enter new niche markets such as automotive lithium batteries and energy storage system by lithium batteries. Then the Company will integrate the upstream, midstream and downstream partners to jointly create the largest niche by the R&D and sales of the new-generation cathode materials for lithium batteries.

3. Cash Flow

(1) Cash flow analysis for the recent year

Unit: NT$ thousand

Year / Item	2018	2019	Change in Increase/Decrease	
			Amount	Ratio of change
Operating activities	(268,781)	(219,815)	48,966	18.22
Investment activities	(177,601)	(52,838)	124,763	70.25
Financing activities	313,050	236,857	(76,193)	(24.34)

Analysis of changes:

1. Cash flow from operating activities: In the current period, due to the significant increase in revenue and the decrease in losses, the net cash outflow from operating activities decreased.
2. Cash flow from investing activities: It mainly caused by the inflow of sales payment for FDG common shares and the capital reduction in cash of the investee, Emerald Battery Technologies Co., Ltd., led to a decrease in net cash outflow from investment activities.
3. Cash flow from financing activities: In the current period, due to the resolved cash capital increase and Repay bank loan, which resulted in an decrease in net cash inflow from financing activities.

(2)Insufficient liquidity improvement plan: The Company still has sufficient cash and cash equivalents, and there is no liquidity shortage. As the operational scale continues to grow, it should be able to support the relevant cash outflows, and there is no liquidity concerns.

(3)Cash flow analysis and liquidity improvement plan for the next year (2019)

Unit: NT$ thousand

Beginning cash balance (1)	Net cash flow from annual operating activities	Annual cash outflow (Note) (3)	Residual cash (Cash shortage) (1)+(2)-(3)	Cash shortage contingency plan	
				Investment plan	Financing plan
318,502	(196,428)	156,678	(34,604)	—	300,000

1. Analysis of changes in cash flow changes over the next year:
   (1) Net cash outflow from operating activities: It is mainly due to the decrease in expected working capital required for the next year.
   (2) Net cash outflow from investment activities: It is mainly due to the increase in the purchase amount of fixed assets expected in 2020.
   (3) Net cash outflow from financing activities: It is mainly due to the repayment of short-term and long-term borrowings.
2. Cash shortage contingency plan and liquidity analysis: In response to future operational needs, financing or financing borrowings will be used as a remedy to support cash shortfalls.

4. Impact of major capital expenditure on financial operation in the most recent fiscal year

The Company's major capital expenditures for the Company's financial operations have not been materially affected by the Company's acquisition of construction costs and equipment acquisitions due to new business developments.

5. Re-investment policy for the most recent fiscal year, the main reasons for the profits and losses, improvement plans and investment plans for the coming year

(1)Re-investment policy for the most recent fiscal year

The current re-investment policy for the Company is primarily based on the basic business-related investment targets and does not engaged in investment in other industries. The implementation by the relevant executive department is complies with the internal control system of "Investment Cycle" and "Acquisition or Disposal of Assets Procedures", etc. The aforementioned regulations or procedures are discussed and approved by the Audit Committee, the Board of Directors or the Shareholders' Meeting.

(2)The main reasons for the profits and losses or the improvement plans for the most recent fiscal year

Unit: NT$ thousand; %

Re-Investment Business	Share Holding Ratio	2019 Investment Return	Main Reasons for Profit or Loss	Improvement Plan
Advanced Lithium Electrochemistry Co., Ltd.	100.00	(277,213)	In 2019, the company adjusted its business strategies to expand the market sales in the Europe, US, Japan, and South Korea, which led to revenue growth, operating gross loss reduction and significantly loss reduction.	In the future, the company will continue to advance and optimize the quality and performance of the products, provide high-quality products to satisfy all customer demands, actively develop new niche markets outside mainland China and enter the global market of lithium batteries for energy storage and lithium iron batteries in replacement of lead-acid batteries to achieve its profit goals.
Advance Lithium Electrochemistry (HK) Co. Limited	100.00	(1,886)	The re-investment losses in Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd., was recognized.	
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	100.00	(1,048)	In 2019, the company revenue growth, operating gross loss reduction and significantly loss reduction.	
Aleees Eco Ark Co., Ltd.	100.00	1,353	Dissolution and liquidation procedures were carried out in this volume.	The Board of Directors agreed to conduct dissolution and liquidation proceedings at the end of December 2018, and the application for dissolution was approved by the Ministry of Economic Affairs in February 2019.

Unit: NT$ thousand; %

Re-Investment Business	Share Holding Ratio	2019 Investment Return	Main Reasons for Profit or Loss	Improvement Plan
Emerald Battery Technologies Co., Ltd.	24.00	(828)	Losses are presented due to unable to achieve economies of scale.	
Empire Energy Co., Ltd.	25.00	(739)	The application for cancellation of registration was done in November 2019.	

(3)Investment plans for the coming year:

In the future, depending on business development, we plan to build automation equipment and processes to expand the product line, so that the company will have a solid foundation in responding to business adjustments and expanding new product lines to meet customer capacity needs.

6. Risk analysis and evaluation in recent years and up to the publication of the annual report

(1) The impact on the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate in recent year and contingency measures to be taken in the future

Unit: NT$ thousand

Item	2019	Percentage of revenue
Interest revenue	894	0.23
Interest expenses	7,285	1.88
Profit (Loss) on exchange	(12,450)	(3,21)

(i) Interest rate

The interest expenses of the Company are mainly from long-term bank borrowings. The short-term and long-term bank borrowings are used for short-term operating turnover and purchase of machinery equipment and plant modifications. The interest expenses for 2018 and 2019 were NT$3,896,000 and NT$7,285,000 respectively, which accounted for 2.58% and 1.88% of the annual net revenue respectively. It has minimal impact on the Company as the proportion were not high.

Contingency measures

In response to the risk of changes in interest rates, the Company will continue to monitor the trend of future market interest rates and collect information on interest rates of various banks, evaluate existing borrowing rates in a timely manner, and continue to establish good relationships with banks in order to obtain a preferential borrowing rate with good financing and credit records. When financing is necessary, the long-term and short-term bank borrowings will be planned depend on the actual circumstances of capital requirement in order to minimize the risk for the Company's operation caused by fluctuations in interest rates and cost of capital.

(ii) Exchange rate

The Company's manufacturing operations are based in Taiwan, and the transaction of raw material procurement is denominated in USD, while the customers are mainly for the export market, the transaction currency is mostly denominated in US dollars and RMB.

Therefore, fluctuations in exchange rates for the US dollar and RMB is the risks that must be faced by the Company's operating activities. The losses on exchange of the Company in 2018 and 2019 were NT 1,758,000 and NT 12,450,000 respectively, which accounted for 1.17% and 3.21% of net revenue of the current fiscal year, respectively. The overall profit (loss) on exchange does not constitute a risk to the profitability, therefore, it has not caused any major impact to the Company.

The company had to face the exchange rate risks associated to the continuous growth of future revenue and continuous business improvement. In addition, the Cayman Holdings listed in Taiwan may need to distribute dividends in NTD to domestic investors or to raise capital in NTD domestically and then require to exchange them into USD for use, etc., where there will be an exchange rate risk between USD, RMB and the NTD. Possible contingency measures may be adopted by the Finance Department of the Company are as follows:

Contingency measures

A. The foreign currency exchange risk adopts the principle of natural offset. As the Company's main sales revenue and raw material procurement will eventually be offset in USD-denominated settlement, therefore, it will continue to offset the natural hedging effect generated by the accounts receivable/payable to reduce the foreign currency exchange needs. Forward exchange contracts and debts denominated in foreign currencies, etc. are used as required at appropriate time to reduce the impact of changes in foreign exchange on the profit and loss of the Company.

B. The finance unit shall closely monitor information on the changes in exchange rate, and maintain close liaison with the principal bankers in order to understand thoroughly the exchange rate trends at all time, as well as provide the full picture of changes in exchange rate trend to the relevant managers, and timely adjustment can be made immediately.

C. When giving out quotations, business department has considered the impact of exchange rate fluctuations on the sales price and adjusted the quoted prices of the products in consideration of changes in exchange rate to appropriately reflect fluctuations in exchange rates and to ensure the profit of the company's products.

D. The Company has established the “Acquisition or Disposal of Assets Procedures” to regulate the operations engaging in transactions, risk management, supervision and auditing of derivatives to reduce the transaction risk arising from operating exchange rate-related derivatives.

(iii) Inflation

The past profit and loss of the Company has not been significantly affected by inflation. If the cost is increased due to inflation, it will also be correspondingly reflected in the selling price of the product. Also, the manufactured products of the Company and sales region of its terminal products end products will be distributed worldwide in the future.

By controlling the global political and economic changes, the fluctuations in the market prices of raw materials and end products, maintaining a good interaction with suppliers and customers, and promptly adjusting the procurement and sales strategies, cost structure and trading conditions, the impacts of inflation or deflation can be effectively responded, so it would not pose significant impact on the Company.

(2)The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions in recent year and up to the publication of the annual report; the main reason for the profits / losses generated thereby; and contingency measures to be taken in the future

The Company has established the "Acquisition and Disposal of Assets Procedures", "Operational Procedures for Endorsements and Guarantees" and "Operational Procedures for Lending Capital to Others", etc. as the basis for the Company and its subsidiaries to engage in relevant operations. As of the publication date of the annual report, the Company and its subsidiaries have not engaged in any high-risk, highly leveraged investments and high-risk derivatives trading. Based on sound principles and pragmatic management philosophy, the Company and its subsidiaries have not considered the business of engaging in high-risk, highly leveraged investments and high-risk derivatives trading in the future. In addition, there is situations of subsidiaries lending funds to second-tier subsidiaries and the company as well as the company providing endorsements and guarantees for subsidiaries since the subsidiaries or second-tier subsidiaries had demands of business funds. However, the lending of capital and endorsements / guarantees are conducted according to the matters listed in the "Operational Procedures for Lending Capital to Others" and "Operational Procedures for Endorsements and Guarantees". In the future, the Company will comply with the "Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies" promulgated by the competent authorities in Taiwan and the internal control operation rules and regulations of the Company for handling relevant matters.

(3)Research and development work in recent years and future, and further expenditures expected for research and development work

The Company will continue to strive toward the goals of extending battery life and enhancing energy density based on its research results of cathode materials accumulated over the years, thereby, developing new products and actively expanding R&D and sales of battery. The R&D expense of the Company in 2019 was NTD 50,132,000, which accounted for 12.92% of the net operating revenue, indicating that the Company continues to focus on R&D resources, refined R&D and mass production technology to maintain its position in the industry and advantages. The future R&D directions are listed as follow, the Company is expected to invest approximately NTD59,157,000 in response to the future R&D plans and gain market advantage:

(i) The use of advanced powder design and powder post-processing techniques to increase production yields and reduce production costs.

(ii) Actively introduce a new generation of manufacturing process technology and equipment to produce cathode materials for lithium battery with higher purity, lower impurities and better processing performance to meet the customer needs for high-end product applications.

(iii) Continue to develop cathode materials for high-energy density battery, such as invest in the development of cathode materials like lithium manganese iron phosphate, lithium cobalt phosphate and lithium nickel phosphate.

(iv) Actively cooperate with domestic and foreign research units to develop joint development plans. In addition to various collaborations with the lithium laboratories in Taiwan universities, Aleees also collaborates with Industrial Technology Research Institute in a three-phase long-term technical cooperation project. Currently, the project has reached the third phase.

(4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad in recent year and up to the publication of the annual report, and contingency measures to be taken

The current sales market of the Company is mainly focused in Mainland China, Europe, America, Japan and South Korea. Therefore, it is relatively sensitive to the international policies of electric vehicle(including hybrid electric vehicles) and energy storage industry and Taiwan's policy in the promotion of renewable energy and low-carbon vehicles.

The CAFC&NEV credit policy and the promotion on the importance of HEV's credits have become important driving forces to accelerate the development of electric vehicles (including hybrid electric vehicles) and to promote enterprises to significantly increase the enthusiasm of producing new energy vehicles, and allowing technology leaders to gain a foothold in the market, so enterprises will pay more attention to product safety and requirements. With longer-life battery materials and more emphasis on brand and market reputation, the company relies on past product advantages and brand reputation performance. In the future, there are business opportunities in the Chinese market, which will continue to consolidate the development of the original Chinese new energy vehicle market.

In respond to global warming challenges, countries around the world are vigorously developing renewable energy and storing the green energy in all kinds of energy storage system, which can be released and utilized when needed. Currently, the development went towards the direction of using batteries for energy storage. In terms of technology aspect, lithium-ion batteries will continue to become the first-choice technology for market deployment. Thus, with the rise in green energy and the rapid decline in the cost of lithium batteries, energy storage system market has grown unprecedentedly and the energy storage industry has unlimited business opportunities.

To achieve automotive energy saving and control carbon dioxide emissions, all the developing countries must comply to the goal of encountering the ICE vehicle challenges. Long-term reduction of carbon dioxide emissions is the most important driving factor for both the society and the government. From 2015 to 2025, the average emission target is a 40% reduction. According to the 2019 ICCT data, EU has further established a target of 59 grams of carbon dioxide per kilometer in 2030, which is the most stringent among all countries at present. Therefore, all countries have banned the sale of traditional fuel vehicles consecutively. In addition to the development of electric vehicles, hybrid electric vehicles having lower energy consumption compared to traditional fuel vehicles have been introduced. For example, European car manufacturers have used micro-/light-hybrid models with fewer changes to meet the most fundamental emission standards. For most voltage system above 12V, most of them adopted lithium batteries in priority due to its advantages of better instant charge efficiency, shallow cycle life, higher energy density and lower weight as well as gradual reduced cost. Driven by the continuous growth in hybrid electric vehicles above 12V, the overall battery consumption will also increase, and thus, it is expected to have the business opportunities for lithium iron batteries in replacement of lead-acid batteries.

The company will continue to focus on improving battery performance technology in the future, and has actively adjusted its operating strategy and policy in 2019. Therefore, important domestic and international policies and legal changes should not have a significant impact on the company's financial business.

(5) Effect on the Company's financial operations of developments in science and technology as well as industrial change in recent year and up to the publication of the annual report, and contingency measures to be taken

High security and long cycle life of LFP batteries make it the best choice for electric buses, slow speed electric vehicles, hybrid electric vehicles with voltage system above 12V and energy storage system. The aforementioned market demands have received global attention and were being developed actively. Hence, along with the developments in these emerging applications, LFP batteries should be able to have decades of development prospects. Thus, LFP batteries will remain as the mainstream in the market development.

Regarding the R&D directions for the materials, the company assisted customers to enhance the price-performance ratio of their products, develop long-lasting battery technologies with high energy density and high security, and promote the development of electric vehicles(including hybrid electric vehicles) and energy storage applications. With the maturity and expansion of the industry supply chain, the industry practices formed will help extend the cycle life of LFP battery and lower the impact of new technologies. Also, the Company has invested considerable R&D resources and combined with external academia resources to carry out R&D of various new lithium battery materials, hoping to maintain its leadership position in the field of new battery materials to ensure the sustainable operation of enterprises. Therefore, developments in science and technology as well as industrial change should not have a significant impact on the financial operations of the Company.

(6) Effect on the Company's crisis management of changes in the Company's corporate image in recent year and up to the publication of the annual report, and contingency measures to be taken

Based on the operating philosophy of “Human Safe and Eco-friendly”, the Company actively innovates and improves to pursue the most optimum and people-oriented management model. The Company continues to introduce outstanding talents from domestic universities and colleges to work in the Company, deeply embedded the competitiveness of the industry, and 6 standard deviations are used as the basis for the evaluation of the Company’s production management, and ultimately, the results of the operation will be returned to the shareholders and the community. Since the establishment of the Company, we have established a good corporate image of young and innovative, and there is no crisis management of significant changes in the Company's corporate image.

(7) Expected benefits and possible risks associated with any merger and acquisitions in recent year and up to the publication of the annual report, and contingency measures being or to be taken

The Company did not conduct any mergers and acquisitions (M&A) in recent year and up to the publication of the annual report, and there is no plan for M&A. In the event that the Company discovers any potential M&A targets of companies or groups in the future, the Company will adopt a prudent approach in assessment, consider the synergy effects of merger, and consult with relevant professionals, as well as reasonable conditions are formulated timely for M&A decision making in order to protect the overall right and interests of shareholders.

(8) Expected benefits and possible risks associated with any plant expansion in recent year and up to the publication of the annual report, and contingency measures being or to be taken

The Company officially signed a patent sublicense contract with LiFePO4+C Licensing AG on July 4, 2011. The contract originally required the Company to set up a plant for the production of cathode materials for LFP battery in Quebec, Canada, and accomplish the scale of 1,000 tons of annual output within three years of the contract.

However, the Company considered that the demand in the European and American markets were not as good as expected, and it has completed the second supplemental contract of the patent sublicense contract with LiFePO4+C Licensing AG on August 26, 2013. The two parties agreed that the timeframe for plant construction and operating period may be extended for 12 months. In the event that the Company fails to complete the factory establishment according to the contract, LiFePO4 +C Licensing AG is entitled to claim extension fee of US$300,000 from the Company and to terminate the patent sublicense contract.

The Company considered the development potential of electric vehicles and energy storage systems in Europe, the United States and Canada, and it has completed the fourth supplemental contract of the patent sublicense contract with LiFePO4+C Licensing AG on November 19, 2014, stipulating that the Company may choose to establish powder factory, battery factory, battery module factory or electric bus system integration plant. In the event that the Company fails to fulfill the obligations set forth in the contract will adversely affect the patent sublicensing rights, which may have a significant impact on the business and financial of the Company

As of the publication of the annual report, it was originally required to choose to establish cathode material factory, battery cell factory, Pack factory (battery module factory) or electric bus system integration plant in Quebec, Canada before July 4, 2015. As the Company and the licensor of LiFePO4+C Licensing AG unanimously agreed that LFP material market is very competitive. Both parties agreed to negotiate and adjust the plant construction plan in order to meet the demand of the future market environment.

Contingency measures

The Company faithfully compliance with the contractual obligations and simultaneously control the financial risks, the Company will continue to negotiate the plant establishment-related matters. The subsequent direction and progress will be adjusted for the Canadian plant construction case in response to the implementation and changes of national ordinances.

(9) Risks associated with any consolidation of sales or purchasing operations in recent year and up to the publication of the annual report, and contingency measures being or to be taken

(i) Risk of concentration for purchase

The main raw materials used in the production of the cathode materials for LFP battery are lithium compounds and phosphoric acid, which are not highly specific. The market supply sources are not oligopolistic or monopolized by a single manufacturer. As the Company continues to increase the number of certified suppliers, there should be no risk of concentration.

(ii) Risk of concentration for sales

The top 10 customers by product sales amount of the Company accounted for 78.14% and 95.08% of the net sales in 2018 and 2019 respectively, of which customer with the largest sales proportion was 25.53% and 41.14% respectively. The main reason for the concentration is the cathode materials for LFP battery developed by the Company is mainly used in energy storage battery, hybrid electric vehicles and electric buses. Due to the aforementioned product applications of the battery materials, the certification is relatively time-consuming based on safety and stability considerations. The Company has officially mass-produced in November 2008 to date, due to the long time is required for product certification, and coupled with the battery made from cathode materials for LFP battery is still an emerging industry. At present, except for a few battery manufacturers with actual mass production capacity, most manufacturers are still in small shipments and even in the development stages of trial production. Therefore, the sales of the Company are concentrated in some customers mainly due to industry characteristics, long time is required for product certification and maintain a good business relationship with the battery manufacturers.

(10) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor; or shareholder holding greater than 10 percent share in the Company has been transferred or has otherwise changed hands in recent year and up to the publication of the annual report, and contingency measures being or to be taken

In recent year and up to the publication of the annual report, the directors, supervisors; or majority shareholders who hold more than 10% share of the Company had made no significant transfer or replacement of shares.

(11) Effect upon and risk to the Company associated with any change in governance personnel or top management in recent year and up to the publication of the annual report, and contingency measures being or to be taken

There were no changes in the Company's right to operate in recent year and up to the publication of the annual report. The Company has strengthened various corporate governance measures and introduced independent directors to set up an audit committee with a view to enhancing the protection of the overall shareholders' equity. Moreover, the Company's daily operations rely on professional managers. The strong professional manager team has a considerable contribution to the Company's operating results, and should be able to continue receiving the support from shareholders in the future. Therefore, if there is a change in the Company's right to operate, it should not have a major negative impact on the Company's management and operational advantages.

(12) Any litigation or non-litigation shall clearly state the Company and the Company's directors, supervisors, general manager, de facto person in charge, majority shareholders and subordinate companies with a shareholding ratio of more than 10% have been determined or are included in the major litigation, non-litigation or administrative litigation in which the results may have a significant effect on the Company's shareholders' equity and securities price, it should be fully disclosed in detail and include the facts of the dispute, cost of litigation, date of commencement of proceedings, litigants and the current situation regarding handling of litigation as of the publication date of the annual report.

(i) Aleees Eco Ark (Taiwan), a subsidiary of the Company, received the 2016 First Instance for Major Common Litigation No. 147 on July 18, 2016 and an additional indictment on April 6, 2017 (referred hereafter as First Instance for Major Common Litigation No. 147) from Taiwan Hsinchu District Court, and the 2018 First Instance for Major Common Litigation No. 216 on October 31, 2018 (referred hereafter as First Instance for Major Common Litigation No. 216) from Taiwan Hsinchu District Court. According to the above-mentioned First Instance for Major Common Litigation No. 147 and No. 216, the plaintiff HsinChu Transportation Co., Ltd. requested Aleees Eco Ark (Taiwan) to pay $34,946 and $51,030, respectively as the driving services fee, with interest of 5% per annum is calculated to the date of payback. For the First Instance for Major Common Litigation No. 147, Taiwan HsinChu District Court judged that the defendant Aleees Eco Ark (Taiwan) should pay the plaintiff HsinChu Transportation Co., Ltd. on September 11,2018. The Company has evaluated that the incurred driving services fee is not entirely attributable to Aleees Eco Ark (Taiwan), as it also involved the land use issue for battery charging/swapping stations, hence the judgment of the first instance is obviously wrong due to wrong identifying usage. The Company has filed an appeal with the Civil Court of Taiwan High Court (Case No.: Taiwan High Court 2018 Major Appeal No. 805), referred hereafter as "Major Appeal No. 805". On June 27, 2019, the company received the verdict of rejecting the appeal and assessed that there were still errors when identifying usage and there existed uninvestigated evidence during the second trial. Hence, Aleees (Taiwan) appealed for the third trial on July 16, 2019. As of the publication date of the annual report, although it is not possible to judge its possible outcome, the Company has estimated the amount of possible loss after a prudent assessment, and it has been credited. For the First Instance for Major Common Litigation No.216 which was originally scheduled for oral arguments on January 24, 2019, however, the issue of this case is same as the Appeal Case No. 805, which the incurred driving services fee is not entirely attributable to Aleees Eco Ark (Taiwan), the Court decided to stop the proceedings on January 22, 2019 in order to prevent judgment discrepancy, hence, it is unable to estimate the effect on the Company as of the publication date of the annual report.

The competent authority has confirmed that the land for battery swapping stations is illegally used by Aleees Eco Ark (Taiwan), that is, the land for battery charging/ swapping stations is transferred from Department of Transportation, Hsinchu City Government to HsinChu Transportation Co., Ltd., and then it is handed over to Aleees Eco Ark (Taiwan) for battery charging/ swapping stations establishment. However, now due to land use problem, Aleees Eco Ark (Taiwan) unable to provide battery charging/ swapping services, and it is mandatory to remove the ground objects as soon as possible and restore the original state of the land, which has resulted in loss of Aleees Eco Ark (Taiwan). In response to the alleged illegal land use, Aleees Eco Ark (Taiwan) has filed a national compensation litigation against the Hsinchu City Government to Taiwan Hsinchu District Court on July 6, 2017 to request amount of compensation of $10,000, and retain rights to monetary compensation for the remaining amount. The case has been accepted by Taiwan Hsinchu District Court (Case No.: 2017 National Compensation for Major Litigation No. 2), the Court decided to stop the proceedings on October 24, 2018 in order to prevent judgment discrepancy with Major Appeal No. 805.Hence, it is unable to estimate the effect on the Group as of the publication date of the annual report.

(ii) The second-tier subsidiary of the company, Aleees SH, received a verdict from the China International Economic and Trade Arbitration Commission on October 17, 2019, ruling that Tianjin Zhongju Energy Technology Co., Ltd. must pay RMB 3,296,000 to the second-tier subsidiary.

(iii)The second-tier subsidiary of the company, Aleees SH, received a verdict from the China International Economic and Trade Arbitration Commission on October 17, 2019, ruling that Jilin Zhongju Energy Technology Co., Ltd. must pay RMB 1,904,000 to the second-tier subsidiary.

(iv)None of the Company's directors, supervisors, general manager, de facto person in charge, majority shareholders and subordinate companies with a shareholding ratio of more than 10% have been determined or are included in the major litigation, non-litigation or administrative litigation in which the results may have a significant effect on the Company's shareholders' equity and securities price.

(13) Other important risks in recent year and up to the publication of the annual report, and contingency measures being or to be taken

(i) Patent infringement and litigation risk

The cathode materials for LFP battery were officially published by the battery laboratory of University of Texas in 1996 and officially commercialized since 2004. However, due to the continuous litigation on cathode materials for LFP battery, which has resulted in the internationally renowned battery factory has not actively invested in large-scale development of LFP battery. The European and American electric vehicles manufacturers also adopted a conservative approach towards the use of LFP battery. Many electric vehicle manufacturers stated that if the patent dispute could not be effectively resolved, the market of cathode materials for LFP battery could not be expanded rapidly.

<u>Contingency measures</u>

Since its establishment, the Company has actively developed its own patents and has progressively acquired a number of patents for manufacturing processes and materials. There is no patent infringement since its mass production to date, however, the Company understands that if it is unable eliminates the patent concerns of customers, and reduces the risk of litigation, the industry of cathode materials for LFP battery could not be developed rapidly. Therefore, the Company officially signed a patent sublicense contract with Quebec Water Conservancy Corporation, Montreal University, French National Centre for Scientific Research (CNRS) and LiFePO4+C Licensing AG established by Süd-Chemie, Germany on July 4, 2011. In addition to reducing the risk of litigation and expanding the European and American markets through patent licensing, the Company also facilitates the development of next-generation technology.

(ii) Market competition risk

The market position of the Company and the relationships with its main customers in the past do not necessarily assure continued growth in shipments and profitability in the future.The Company's R&D of high-energy density products continue to improve product performance, as well as continue to enhance the price-performance ratio of product and customer satisfaction. It is believed that the Company's competitors are also working towards the same goal, the market competition and fluctuation will always exist. In addition, cathode materials for LFP batteries have lower energy density comparing to materials for lithium ternary batteries, hence, it still have to face the competition with the materials for lithium ternary battery.

Contingency measures

Cathode materials for lithium battery are the most critical material in battery, and have a critical impact on battery performance and unit cost of battery. According to the development trend of other cathode materials in the past, as for the long term, there is generally a phenomenon in which the big are getting bigger, the strong are getting stronger. The current annual shipment of cathode materials for LFP battery of the Company has exceeded several 10000 tons, but this does not mean that the Company will stay in the same position for a long time, and can maintain or expand market share.

Broadly speaking, all battery used to store electricity are called energy storage battery. Currently on the market the energy storage battery used to drive vehicles are termed as power battery.

The main markets for lithium ternary battery (lithium nickel cobalt manganese battery) are power battery and portable electronic products, while the main markets for LFP battery are power battery and energy storage systems. The main reason for the slow development of the power battery is the battery manufacturers and vehicle manufacturers required a long period of safety verification.

The patent issue of for cathode materials for LFP battery was not solved until July 2011. The LFP battery is primarily supplied for Japanese and Korean battery factories which used in hybrid vehicles, and had not invest in the development of LFP battery modules technology at an early stage, instead, lithium manganese battery and lithium ternary battery which have developed for longer time are used.

LFP battery has exclusive features of high security, excellent circulation performances and rapid charging/discharging, making it suitable for applications in energy storage system and hybrid electric vehicles with voltage system above 12V, and it has been considered as a major product to replace lead-acid batter.

In addition to actively developing new cathode materials for LFP battery with better performance, the Company continues to improve manufacturing processes and reduce costs. The Company's battery laboratory manages to provide countermeasures to help customers introduce new materials into mass production. For specific customers and specific applications, the Company also provides customized services. Only by assisting customers to improve their competitiveness is the best strategy for the Company to win in the market.

(iii) Risk of loss of R&D personnel

Since the establishment of the Company, with the spirit of the R&D team's unremitting efforts, it has acquired a number of manufacturing processes and materials patents for cathode materials for LFP battery, and there are still many patents pending for application or in the review process. If there is a significant change in the R&D personnel, it would cause operating risk.

Contingency measure

The Company is committed to improving the internal working environment, establishing employees' centripetal force towards the Company, and retaining talents through appropriate reward systems to reduce personnel turnover. In addition, all research projects must be conducted by at least two R&D personnel, and the R&D process is documented and archived, and the meeting is held regularly with the supervisor to prevent the R&D project come to a standstill due to R&D personnel changes. Therefore, the R&D personnel change should not has a major impact on the Company's operations.

(iv) Protection of shareholders' equity

The Company is registered in the British Cayman Islands and its principal places of business are Republic of China. Therefore, the changes in the overall economic and political environment of the place of registration and the place of business as well as fluctuations in foreign exchange will affect the operation of the Company. There are many different regulations in the Company Act of British Cayman Islands and Company Act of the Republic of China. Although the Company has amended the Articles of Association according to the "Checklist for the Protection of Shareholders' Equity" as stipulated by the Taipei Exchange. However, there are still many differences for the Act governing the operation of the Company for both territories. Investors still need to understand and consult experts on the risks associated with the investment.

7. Other important matters

Risk assessment and analysis on information security and countermeasures thereof:

The company referenced the COSO structure, measured the elements, such as the controlled environment, risk assessment, controlled activities, information, communication and supervision, established a business management system for enterprise and included the function of risk management and internal supervision in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies". The risk management system for information security is stated hereafter:

(一) Management System for Information Security

The company shall establish internal control procedures for computer cycle, information system and information security in accordance with relevant laws and regulations and the business demands of the company for all employees to comply with.

(二) Management Solution for Information Security

As a result of the aforementioned procedures, the company confirmed the adverse impact level on its business due to information security risk and has adopted corresponding management measures.

Management solutions for information security were planned after assessing and considering the information security risks:

1.Transfer information system services to cloud machine room (cloud machine room complies with ISO 27001)
2. Establish network firewall
3. Manage and control emails
4. Set up Antivirus software
5. Control the security of files and equipment

The management of the company implemented internal control and managed risk supervision based on the procedures for business management system according to the scope of its tasks.

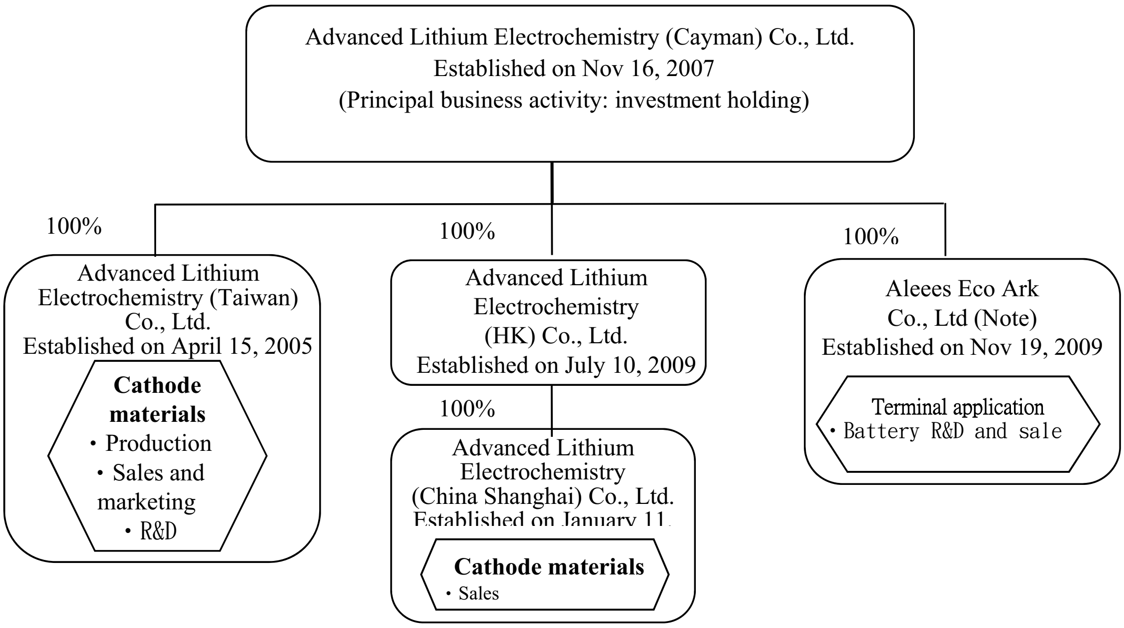
(三) Management and Review for Information Security Risk

The company has listed inspection and control procedures for information security as annual audit project. The audit unit should audit at least once a year. Also, the company should conduct self-inspection procedures in accordance with the internal control system each year, and summarize the implementation performance for internal control to the committee and the board and they will review, confirm and issue a statement of internal control system based on the results of the assessment.

VIII. Special Disclosure

1. Company organization

(1) Organizational chart of affiliate companies



(2)Basic information of affiliate companies

As of December 31, 2019 Unit: thousand

Name of affiliate Company	Date of incorporation	Address	Paid-in Capital	Principal business activity or production item
Advanced Lithium Electrochemistry Co., Ltd.	2005.4.15	No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan	NTD 1,373,471	Production, R&D and sales and marketing of cathode materials for LFP battery.
Advanced Lithium Electrochemistry (HK) Co., Ltd.	2009.7.10	Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong	USD 14,770	Investment holding, reinvestment in Aleees SH.
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	2010.1.11	1st, Building 53, No.1089, Qinzhou North Road, Xuhui District, Shanghai, China	USD 11,000	(1) Sales and marketing of cathode materials for LFP battery (2) Equipped with of battery laboratory to provide customers with technical support service.
Aleees Eco Ark Co., Ltd. (Note)	2009.11.19	No.72, Youlian St., Bade City, Taoyuan County, Taiwan	NTD 528,000	R&D and sales and marketing of battery.

Note: It has been dissolved by the resolution of the twentieth meeting of the seventh session of the Board of Directors of the Company and is currently undergoing liquidation.

(3)Shareholders presumed to have control and subordinate relationship with the same information: None.

(4)The overall relationship between business enterprises covered by the industry. Those who are related to each other's business operations should explain the situation of their division of work

(i) The overall relationship of the business covers the business includes: production, R&D and sales and marketing of cathode materials for LFP battery, re-investment and international trade, etc.

(ii) Distribution of work situation with affiliate companies

A. The Company is an investment holding Company which responsible for business development strategies.

B. Aleees (Taiwan) primarily engaged in the production, R&D and sales and marketing of cathode materials for LFP battery, and Aleees SH acts as a sales and marketing point for Mainland China market.

(5)Information of directors, supervisors and general managers of affiliate companies

Name of affiliate Company	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Advanced Lithium Electrochemistry Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Sheng-Shih Chang	—	—
Advanced Lithium Electrochemistry (HK) Co., Ltd	Director	Sheng-Shih Chang	—	—
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Sheng-Shih Chang	—	—
Aleees Eco Ark Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Sheng-Shih Chang	—	—

(6)Operation status of the affiliate companies

As of December 31, 2019 Unit: thousand

Name of affiliate Company	Paid-in capital	Total assets	Total liabilities	Net worth	Current operating revenues	Current profit(loss)	Current income (After tax)	Earnings per share(NTD)(After tax)
Advanced Lithium Electrochemistry (Taiwan) Co., Ltd.	NTD 1,373,471	NTD 1,080,322	NTD 287,323	NTD 792,999	NTD 329,281	NTD (265,199)	NTD (283,586)	NTD (2.58)
Advanced Lithium Electrochemistry (HK) Co., Ltd.	USD 14,770	NTD (88,656)	NTD -	NTD (88,656)	NTD -	NTD (93)	NTD (1,886)	Not applicable
Advanced Lithium Electrochemistry (China ShangHai) Co.,Ltd.	USD 11,000	RMB 41,822	RMB 83,679	RMB (41,857)	RMB 31,325	RMB (3,328)	RMB (243)	Note 1
Aleees Eco Ark (Taiwan)Co., Ltd. (Note 2)	NTD 528,000	NTD 36,774	NTD 40,525	NTD (3,751)	NTD -	NTD (11,212)	NTD 1,353	NTD 0.03

Note 1: Limited liability Company, therefore there is no shares.

Note 2:. It has been dissolved by the resolution of the twentieth meeting of the seventh session of the Board of Directors of the Company and is currently undergoing liquidation.

(7) Consolidated financial statements of affiliate companies: Same as the Consolidated Financial Statements of parent-subsidiary companies, please refer to page 126-201.

2. Transaction about the Company's private placement of securities in the recent fiscal year and up to the date of publication of the annual report

Information of private placement of securities

<table>
<tr><td>Item</td><td colspan="5">First private placement in 2016
Date of issuance: November 21, 2016</td></tr>
<tr><td>Date and amount approved by shareholders' meeting</td><td colspan="5">The resolution of issuance of 46,000,000 common shares was adopted by the shareholders' meeting on June 27, 2016</td></tr>
<tr><td>Basis and rationality of price setting</td><td colspan="5">Basis of price setting
1. The reference price of this private placement of common shares, (1) no lower than the mean closing price of ordinary shares for either the previous business day, the previous three business days or the previous five business days before the price setting date deduct the stock dividends on ex-right basis and cash dividends, plus the share price after capital reduction and ex-rights; or (2) the mean closing price of ordinary shares during the past thirty business days before the price setting date deduct the stock dividends on ex-right basis and cash dividends, plus the share price after capital reduction and ex-rights, the price is determined based on the benchmarks calculation of (1) and (2), whichever is higher.
2. Basis of price setting: The issued common share price for the capital increased by cash through private placement with the price per share is not less than 70% of the aforementioned reference price. However, the actual subscription price should be within the range of the final pricing authorized by the shareholders' meeting and the Board of Directors.
3. Rationality of price setting: The price setting of this private placement of common shares is subject to the provisions of the current laws and regulations, therefore the price setting should be reasonable. It is not excluded that the price per share for the issued common share price for the capital increased by cash through private placement may be lower than the nominal amount of the shares due to market factors. However, the setting of the private placement price is determined in accordance with the current laws and regulations, hence the basis of the price setting is reasonable. The impact on shareholders' equity is the accumulated loss arising from the difference between actual private placement price and nominal amount. The accumulated loss amount will be compensated with capital reductions, earnings and capital reserves, depending on the operation situation of the Company in the future.</td></tr>
<tr><td>Selection of subscribers （Note 2）</td><td colspan="5">The subscribers selected for the new shares should meet the conditions prescribed by Article 43-6 of the Securities Exchange Act and the Letter No. Taiwan-Finance-Securities-(I) - 0910003455 issued by the Financial Supervisory Commission on June 13, 2002.</td></tr>
<tr><td>Reasons of private placement</td><td colspan="5">In view of future development and enhancement of the Company's competitiveness, we seek to establish a cooperative relationship with the Company or group that has synergy with the Company's group business or competitiveness, and make it a strategic investor of the Company's group. Therefore, it is proposed to increase capital by cash by issuing common shares through private placement, and introduce these strategic investors become the shareholders of the Company.</td></tr>
<tr><td>Deadline for payment</td><td colspan="5">August 24, 2016</td></tr>
<tr><td rowspan="2">Information of subscriber</td><td>Subscriber of private placement (Note 3)</td><td>Qualifying conditions</td><td>Subscription quantity</td><td>Relationship with Aleees</td><td>Situation of participation in Aleees' operations</td></tr>
<tr><td>FDG Kinetic Investment Limited</td><td>A judicial person or fund that meets the conditions set by the competent authority - A judicial person or fund with the "total assets exceeded NT$ 50 million according to the most recent financial statements audited by CPAs" or a person with the "trust property exceeded NT$ 50 million according to the trust deed under the Trust Enterprise Act".</td><td>46,000,000 common shares</td><td>None</td><td>None</td></tr>
<tr><td>Actual subscription price (Note 5)</td><td colspan="5">Common shares of NT$35 per share</td></tr>
<tr><td>Actual subscription price and reference price difference (Note 5)</td><td colspan="5">The reference price is NT$35.24, which different from the actual subscription price by 0.69%.</td></tr>
<tr><td>Impact of private placement on shareholders' rights (eg, increase in cumulative losses)</td><td colspan="5">The injection of the Company's working capital and shareholders' equity have a positive impact on the Company's financial and shareholders' equity.</td></tr>
</table>

The use of private funds and the progress of the implementation of the plan	The private placement funds will be used to subscribe for the common shares and convertible corporate bonds of FDG Electric Vehicles Limited, in view of the future development of FDG Electric Vehicles Limited in the Chinese market, it is expected to expanse the business scale of the Company’s group and establish long-term cooperation with customers to improve the profitability of the Company and enhance the overall shareholders' equity, which has a positive impact on the Company's financial and shareholders' equity. At present, the plan has been fully implemented.
Benefits of private placement	Expanding the business scale of the Company and establishing long-term cooperative relationships with customers. In addition to immediately reducing the Company's debt ratio and increasing the Company's net worth per share, it is expected to improve the Company's profitability, enhance overall shareholders' equity, and have a positive impact on the Company's financial and shareholders' equity.

Note 1: The number of columns depends on the actual number of adjustments, different private placements should be listed separately.
Note 2: If specific subscribers have been identified during the process of private placement, the name or name of such subscribers and the relationship with the Company should be listed.
Note 3: The number of columns depends on the actual number of adjustments.
Note 4: Fill in the first paragraph, the second paragraph or the third paragraph of Article 43-6 of the Securities Exchange Act.
Note 5: The actual subscription price refers to the subscription price set when the actual private placement of common shares is issued.

3. Holding or disposal of shares in the Company by the Company's subsidiaries in the recent fiscal year and up to the date of publication of the annual report

None.

4. Other matters necessary to be supplemented with explanation:

During the initial applications for TPEx listing, the Company has previously undertaken the following matters and the current implementation status is as follows:

(1)Undertaken is given to the Company that to introduce the following new matters in the “Acquisition or Disposal of Assets Procedures”, and if the regulation is revised thereafter, it shall be published on MOPS under disclosure of material news, and a written notification shall be provided to the Taipei Exchange for future reference.

(i) The Company may not give up the capital increase for Aleees (Taiwan) Co., Ltd., Aleees (HK) Co., Ltd., ALEEES ECO ARK (CAYMAN) CO., LTD., Emerald Battery Technologies Co., Ltd. and Empire Energy Co., Ltd. in the future fiscal years; Aleees (HK) Co., Ltd. may not give up the capital increase for Aleees (SH) Co., Ltd. in the future fiscal years; ALEEES ECO ARK(CAYMAN) CO., LTD. may not give up the capital increase for ALEEES ECO ARK(TAIWAN) CO., LTD. in the future fiscal years.

(ii) In the future, if the Company is required to give up the capital increase or dispose the shares of the aforementioned companies due to the strategic alliance considerations or other consents of the “Taipei Exchange”, it must be approved by the Company’s Board of Directors. If the regulation is revised thereafter, it shall be published on MOPS under disclosure of material news, and a written notification shall be provided to the “Taipei Exchange” for future reference.

(2)Current implementation status

(i) The revision of the Acquisition or Disposal of Assets Procedures to introduce the aforementioned new matters was approved at the 2014 Company’s Annual General Meeting.

(ii) A special resolution that the Company will sign an equity sale and purchase agreement with the FDG Electric Vehicles Limited listed in Hong Kong was passed by the Board of Directors on April 14, 2016 due to the strategic alliance transaction, which the 100% issued shares of ALEEES ECO ARK (CAYMAN) CO., LTD. will be transferred to the FDG Electric Vehicles Limited.

(iii) A special resolution that the Company to forfeit the subscription rights to shares upon cash capital increase of Empire Energy Co., Ltd. in 2016 was passed by the Board of Directors on

December 1, 2016, and consent from the Taipei Exchange was granted for future reference.

(iv) A special resolution that the Company to transfer 950,000 shares of Empire Energy Co., Ltd. was passed by the Board of Directors on January 20, 2017, and consent from the Taipei Exchange was granted for future reference.

(v) A special resolution that the Company to dissolve Aleees Eco Ark (Taiwan) Co., Ltd 2016 was passed by the Board of Directors on December 28, 2018, and consent from the Taipei Exchange was granted for future reference.

(vi) On February 26, 2019, the board of directors of the company passed the special resolution to dissolve the re-investment company, Emerald Battery Technologies Co., Ltd., which was approved and kept for reference by the Taipei Exchange.

(vii) On May 2, 2019, the board of directors of the company passed a special resolution to increase the assessment on disposal or dissolve the reinvestment company, Emerald Battery Technologies Co., Ltd., , which was approved and kept for reference by the Taipei Exchange.

(viii) On December 24, 2019, Cayman Aleees sent a letter Tzu No. AC191224001 to the center for applying the approval to cancel the following regulation in the commitments for listed companies, which was approved and kept reference by Taipei Exchange: the company promised not to give up the right to increase capital or dispose the shares of Aleees Eco Ark (Taiwan) in future years.

5. Explanation of any material differences from the rules of the ROC in relation to the protection of shareholders' equity.

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
1. The shareholders' meeting shall be held within the territory of the Republic of China. If the shareholders' meeting is convened outside the Republic of China, the Taipei Exchange shall be notified for approval within two days after the resolution of the Board of Directors or the shareholders obtain the permission from the competent authority. 2. Shareholders holding 3% or more of the total number of issued shares for more than a year may request the Board of Directors to convene an extraordinary shareholders' meeting (EGM), and the requisition must state in writing the matters to be discussed at the EGM and the reason therefor. If the Board of Directors fails to give notice for convening an EGM within 15 days after the filing of the request, the proposing shareholder may, after obtaining an approval from the competent authority, convene an EGM on their own.	With regards to the part on the convening of EGM by shareholders themselves, it does not subject to the approval from the local competent authority of Cayman Islands according to the Company Act of Cayman Islands. Therefore, Article 47 of the Company's Articles of Association has not stipulated the requirement to obtain approval from the competent authority prior to convene an EGM by shareholders themselves. In addition, if the shareholders convene a shareholder's meeting outside the Republic of China, as the EGM convened by the shareholders themselves does not does not subject to the approval from the local competent authority of Cayman Islands, therefore, Article 47 of the Company's Articles of Association only stipulates "the proposing shareholder shall convene the shareholders' meeting in the same manner (as close as possible) as the shareholders' meeting convened by the Board of Directors." That is, in accordance with Article 46 of the Company's Articles of Association ("After the shares are listed on Taipei Exchange, if the Board of Directors decide to convene shareholders' meeting outside the Republic of China, the Taipei Exchange shall be notified for approval within two days after the resolution of the Board of Directors.") advance approval shall be granted from the Taipei Exchange, instead of the "Taipei Exchange shall be notified for approval within two days after the shareholders obtain the permission from the competent authority" as required by the checklist for the protection of shareholders' equity.
When the Company convenes a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means; however, if the shareholders' meeting is convened outside the Republic of	With regards to the part of the shareholder is allowed to exercise voting rights by correspondence or electronic means, according to the explanation of the lawyer from the Cayman Islands pertaining to the part "A shareholder exercising voting

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
China, it may allow the shareholders to exercise voting rights by both method of exercise, which are correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting	rights by correspondence or electronic means will be deemed to have attended the meeting in person", however, it does not deemed to have attended the meeting in person according to the Act of the Cayman Islands. It is recommended that it shall be deemed as the chairperson of the shareholders' meeting being authorized to vote on behalf, but the authorization of the chairperson of the shareholders' meeting shall not be subjected to a 3% limit. As such, Article 62 of the Company's Articles of Association stipulates that "when a shareholder exercising voting rights by correspondence or electronic means in accordance with the preceding provisions, it shall be deemed to the chairperson of the shareholders' meeting is authorized to vote on behalf according to the instructions as set out in the correspondence or electronic means served by the shareholder", instead of the "a shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person" as required by the checklist for the protection of shareholders' equity. And in Article 72 of the Company's Articles of Association stipulates that the voting rights of the chairperson of the shareholders' meeting are not subject to a limit of 3% of the total voting rights of the issued shares.
The following resolutions concerning the material equity of shareholders, a resolution adopted at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at the shareholders' meeting whose shares have been issued in public is less than the preceding percentage of the total shareholdings required, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares: 1. Enter into, amend, or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with others; transfer the whole or any essential part of its business or assets; or accept the transfer of another's whole business or assets, which has great bearing on the business operation of the Company 2. Modification or Alteration of the Articles of Association 3. A resolution shall be adopted at an EGM for any modification or alteration in the Articles of Association may prejudice the shareholders' equity of preferred share 4. Issuance of the surplus profit distributable as dividends and bonuses in whole or in part distributed in the form of new shares 5. Resolution of dissolution, merger and split-up 6. Issuance of Restricted Stock Awards (RSA)	1. Regarding the method of resolution of the shareholders' meeting, in addition to the ordinary resolutions and supermajority resolutions under the laws of the ROC, Article 1 of the Company's Articles of Association also has a "Special Resolution" defined under the Company Act of the Cayman Islands, that is, "under the provisions of the Company Act, in accordance with Article 60 of the Company Act, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares, which the votes cast by such shareholder as being entitled so to do, vote in person or, by proxy (where proxies are allowed) present at the shareholders' meeting (the notice of the meeting stated that the proposal to be adopted by a special resolution.)". 2. According to the provisions of the Company Act of the Cayman Islands, the following matters shall be adopted through special resolution: (1) Modification or alteration of the Articles of Association According to the laws of the Cayman Islands, modification or alteration of the Articles of Association shall be adopted through special resolution in accordance with the Company Act of the Cayman Islands, therefore, Article 68 of the Company's Articles of Association has amended the threshold of Memorandum and Article of Association, instead of changing to the supermajority resolutions under the laws of the ROC as required by the checklist for the protection of shareholders' equity. In addition, in accordance with Article 17 of the Company's Articles of Association, "If any modification or change in the Articles of Association will prejudice the preferential rights of any class of shares, the relevant amendments or changes shall be adopted through special resolution, and shall be adopted through special resolution at the shareholders' meeting held separately by the shareholders of such shares being prejudiced". (2) Dissolution

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
	According to the laws of the Cayman Islands, the Company may be voluntarily wound-up and dissolved by a resolution in the shareholders' meeting when the Company is unable to pay its debt; however, if the Company may be voluntarily wound-up and dissolved due to the reasons other than the above, it shall be adopted through a special resolution in accordance with the Company Act of the Cayman Islands. Therefore, the resolution threshold of Article 70 of the Company's Articles of Association for liquidation and dissolution has not changed to the supermajority resolutions under the laws of the ROC as required by the checklist for the protection of shareholders' equity. （3）Merger As the Company Act of the Cayman Islands has mandatory provisions for way of voting of mergers as defined in the Company Act of the Cayman Islands, Article 69 (e) of the Company's Articles of Association stipulates that a merger shall be adopted through a supermajority resolution, however, in order to conform to the definition of "merger" of the Company Act of the Cayman Islands, a merger shall be adopted through a special resolution in the shareholders' meeting. The difference between the aforementioned matter and the checklist for the protection of shareholders' equity lies in it shall be adopted by supermajority resolution in the material matters on protection of shareholders' equity, while it is subject to supermajority resolution and special resolution respectively in the Company's Articles of Association. As these differences are due to the laws of the Cayman Islands, and the Company's Articles of Association has clearly listed and defined the supermajority resolution and special resolution in the material matters on protection of shareholders' equity, hence, it should have limited impact on shareholders' equity.
1. Appointments of supervisors of the Company shall be elected by the shareholders' meeting, at least one of the supervisors must be domiciled in the ROC. 2. The term of office of a supervisor shall not exceed three years. However, he may be eligible for re-election. 3. In case all supervisors of a Company are discharged, the Board of Directors shall, within 60 days, convene an EGM to elect new supervisors. 4. Supervisors shall supervise the execution of business operations of the Company, and may at any time or from time to time investigate the business and financial conditions of the Company, inspect, transcribe or make copies of the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon. 5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the Board of Directors, and shall make a report of their findings and opinions at the meeting of shareholders. 6. In performing the examination duties, the supervisors may appoint, on behalf of the Company, a practicing lawyer and a certified public accountant to conduct the examination. 7. Supervisors may attend the meeting of the Board of	There is no equivalent concept of supervisors in the laws of the Cayman Islands, and the Company has an audit committee. Therefore, the Company's Articles of Association has no relevant regulations on supervisors as required by the checklist for the protection of shareholders' equity.

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
Directors to their opinions. In case the Board of Directors or any director commits any act, in carrying out the business operations of the Company, in a manner in violation of the laws, regulations, the Articles of Association or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the Board of Directors or the director, as the case may be, to cease such act. 8. Supervisor may each exercise the supervision power individually. 9. A supervisor shall not be concurrently a director, a managerial personnel or other staff/employee of the Company.	
1. Shareholders who have been continuously holding 3% or more of the total number of the outstanding shares of the Company over one years may request in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company, and the Taiwan Taipei District Court shall be the court of jurisdiction for the first instance. 2. In case the supervisors fails to institute an action within 30 days after having received the request made by the shareholders, then the shareholders filing such request may institute the action for the Company, and the Taiwan Taipei District Court shall be the court of jurisdiction for the first instance.	As there is no equivalent concept of supervisors in the laws of the Cayman Islands. Therefore, Article 94-1 of the Company's Articles of Association stipulates that "Within the scope permitted by the laws of the Cayman Islands, shareholders who have been continuously holding 3% or more of the total number of the outstanding shares of the Company over one years may institute the action for the Company, and the Taiwan Taipei District Court shall be the court of jurisdiction for the first instance", instead of "requesting in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company, in case the supervisors fails to institute an action within 30 days after having received the request made by the shareholders, then the shareholders filing such request may institute the action for the Company" as required by the checklist for the protection of shareholders' equity. However, according to the opinion of the lawyer from the Cayman Islands, the Company Act of Cayman does not allow minority shareholders to institute derivative action procedure against directors in the Cayman Court. In addition, the Company's Articles of Association is not a contract between the shareholders and the directors, but the agreement between the shareholders and the Company, therefore, even if the minority shareholders are allowed to institute derivative action against directors, the lawyer from the Cayman Islands considers the said contents to have no binding on directors. However, under the common law, all shareholders (including minority shareholders) have the right to institute derivative actions (including institute action against directors) regardless of their shareholding ratio or shareholding period. Once the shareholders have filed a lawsuit, the Cayman Court shall have full discretion to decide whether to continue the legal proceedings by the shareholders. In other words, even if the Company's Articles of Association (or shareholders with the required shareholding ratio or shareholding period) may institute the action for the Company, however, ultimately it depends on the Cayman Court to decide whether to continue the legal proceedings by the shareholders. According to relevant judgments made by the Cayman Court, when the Cayman Court reviews whether to approve the continuation of derivative action, the applicable criterion are whether the Cayman Court believes and accepts the request of the plaintiff's request on behalf of the Company is ostensibly

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
	substantial, the claimed illegal acts committed by the individual who are able to control the Company, and the controllers can prevent the Company from litigating it. The Cayman Court shall judge based on the facts of the case (although the court may refer to the provisions of the Company's Articles of Association, but this is not a decisive factor).
1. The directors of the Company shall faithfully conduct corporate affairs and perform the duty of care of a good administrator, and if the directors violated this provision, shall be liable for the damages to be sustained by the Company there-from. In case a director does anything for himself or on behalf of another person in violation of the provisions, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the Company. 2. If the director of the Company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, the director shall be liable, jointly and severally, for the damage to such other person. 3. In performing within the scope of duties, the managerial personnel and supervisors of the Company shall be liable for the damages same as the directors of the Company.	Article 110-1 of the Company's Articles of Association has been amended in accordance with the material matters on protection of shareholders' equity, however the part of supervisor has not established. However, according to the opinion of the lawyer from the Cayman Islands, the responsibilities of the director for the Company under the laws of Cayman can be divided into the responsibilities under the common law (i.e. competence, care and diligence) and duty of loyalty. However, the directors are legally obligated under the provisions of various laws and, in certain circumstances, the directors also have obligations to third parties (such as creditors).If the Company is unable to pay off, the directors shall consider the interests of the creditors when performing their duties. As the Company's Articles of Association is an agreement between shareholders and the Company, the directors are not parties of the Company's Articles of Association. Therefore, all assertions against the director for compensation of damages for the violation of obligations shall be defined in the service agreement. Under the laws of the Cayman, in general, the managerial personnel or supervisor will not assume the same responsibilities as the director of the Company to the Company or shareholders. However, if the managerial personnel or supervisor is authorized to act on behalf of the executive, it will have the same obligations as the directors of the Company. For the avoidance of doubt, companies in Cayman generally define the responsibilities and obligations of the managerial personnel or supervisor to the Company and shareholders in the service agreement. Similarly, as the Company's Articles of Association is an agreement between the shareholders and the Company, the managerial personnel and supervisor are not parties of the Company's Articles of Association. Therefore, all assertions against the managerial personnel and supervisor for compensation of damages for the violation of obligations shall be defined in the service agreement. In addition, regarding the provisions of the directors' interests are deemed as earnings of the Company, however, the lawyer from the Cayman Islands considers such provisions are uncertain and too general, and has doubts if it is executable. For example, whether the violation of obligations of the director is left to the Court for final decision and how to define the benefit (and the period of receiving the benefit).The lawyer from the Cayman considers this clause does not limit the liability of the directors. The directors are still subject to various statutory responsibilities, common law responsibilities and duty of loyalty under the laws of Cayman.

6. Any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities

None.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Statement of Internal Control System

Date: February 26, 2020

Based on the findings of a self-assessment, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. states the following with regard to its internal control system during the year 2019:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system and have already established it. Its purposes are to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), and reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations").The criteria adopted by the Regulations identify five key components of managerial internal control: i. Control environment, ii. Risk assessment, iii. Control activities, iv. Information and communication, and v. Monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report for the year 2019 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was passed by the board of directors in their meeting held on February 26, 2020, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Chairman cum General Manager: Sheng-Shih Chang Signature

Inspection Report of Audit Committee

The Board of Directors handed over the Company's business reports, financial statements and proposals of deficit compensation 2019. The financial statements were entrusted by Yu-Kuan Lin and WEI-HAO Wu, certified by PricewaterhouseCoopers Taiwan, and issued an audit report.

The above-mentioned business report, financial statements and proposals of deficit compensation have been checked by the audit committee, and it is considered that there is no disagreement. The report of Article 14, paragraph 4, subparagraph 3 of the Securities Exchange Act are as mentioned above, please review it.

To

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

2020 Shareholders' Meeting

Audit Committee Convener: Wei-Min Shen

Feb 26, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000198

To the Board of Directors and Shareholders of Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and 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 in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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 of the current period are stated as follows:

Valuation of financial assets at fair value through profit or loss

Description

Refer to Note 4(7) for accounting policies on financial assets at fair value through profit or loss and Note 6(2) for details of accounts.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. invested in convertible bond investments amounting to NT$584,913 thousand without active market, which was recognized as 'Financial assets at fair value through profit or loss, mandatorily measured at fair value', wherein the valuation procedure involved management's and an external valuation expert's subjective judgement on valuation method and parameters. As the parameters used in the valuation model involved a material impact on the fair value, we identified the valuation of financial assets at fair value through profit or loss as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained the appraisal report from the external valuation expert who was commissioned by the management, and assessed the reasonableness of the valuation method;
B. Examined the reasonableness of each financial information and valuation parameter used to measure valuation objective in the appraisal report of external expert.

Impairment valuation of property, plant, equipment and intangible assets

Description

Refer to Note 4(19) for accounting policy on impairment of property, plant and equipment as well as intangible assets, and Notes 6(7) and (9) for details of accounts. The recoverable amounts of property, plant and equipment and intangible assets of the Group are measured based on fair value less costs of disposal, which is used to determine whether there is any impairment. The estimation of the aforementioned measurement of fair value is subject to the professional judgment of management and involves numerous assumptions and material unobservable inputs. Any changes in judgments and estimates may affect the ultimate result of accounting estimates and may have a material impact on the financial statements. Thus, we have included the key assumptions in estimating the recoverable amounts used in the impairment valuation of property, plant and equipment and intangible assets as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained the appraisal report from the external valuation expert who was commissioned by the management to determine whether the measurement method the management used is commonly adopted in the industry and considered appropriate;

B. Examined whether the significant unobservable input had reflected the assumption that would be used for similar assets, and assessed the reasonableness of the assumption used.

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 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 judgement 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.

Lin, Yu-Kuan   Wu, Wei-Hao

For and on behalf of PricewaterhouseCoopers, Taiwan
February 26, 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.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	2019	2018
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 318,502	$ 349,928
1136	Current financial assets at amortised cost, net	8	39,925	19,527
1150	Notes receivable, net	6(4) and 8	76,737	29,147
1170	Accounts receivable, net	6(4) and 8	24,913	8,838
1180	Accounts receivable - related parties	6(4) and 7	-	11,012
1200	Other receivables	6(3)	3,175	92,435
1210	Other receivables - related parties	7	-	2,067
1220	Current income tax assets		121	182
130X	Inventory	6(5)	95,539	98,393
1410	Prepayments		46,245	60,654
1470	Other current assets	6(20)	5,096	1,443
11XX	**Total current assets**		610,253	673,626
	Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	6(2)	584,913	749,725
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	90,127	103,742
1550	Investments accounted for under equity method	6(6)	1,395	28,646
1600	Property, plant and equipment	6(7), 7 and 8	488,354	419,573
1755	Right-of-use assets	6(8)	3,359	-
1780	Intangible assets	6(9)	83,618	108,914
1840	Deferred income tax assets	6(26)	13,465	13,465
1900	Other non-current assets		7,320	7,320
15XX	**Total non-current assets**		1,272,551	1,431,385
1XXX	**Total assets**		$ 1,882,804	$ 2,105,011

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	2019	2018
	Current liabilities			
2100	Short-term borrowings	6(11)	$ 73,964	$ 246,462
2130	Current contract liabilities	6(20) and 7	358	3,758
2150	Notes payable		21,055	-
2170	Accounts payable		14,492	6,589
2200	Other payables	6(12)	147,489	144,429
2220	Other payables - related parties	7	86,100	89,440
2250	Provisions for liabilities - current		34,818	34,946
2280	Current lease liabilities	6(8)	3,359	-
2320	Long-term liabilities, current portion	6(13)	29,930	23,068
2365	Current refund liabilities	6(20)	5,783	1,132
2399	Other current liabilities		1,705	8,213
21XX	**Total current liabilities**		419,053	558,037
	Non-current liabilities			
2540	Long-term borrowings	6(13)	87,046	51,536
25XX	**Total non-current liabilities**		87,046	51,536
2XXX	**Total liabilities**		506,099	609,573
	Equity attributable to owners of parent			
	Share capital	6(16)		
3110	Share capital - common stock		2,415,737	2,105,737
	Capital surplus	6(17)		
3200	Capital surplus		72,486	1,526,762
	Retained earnings	6(18)		
3350	Accumulated deficit		(1,115,540)	(2,148,790)
	Other equity interest	6(19)		
3400	Other equity interest		4,022	11,725
31XX	**Equity attributable to owners of the parent**		1,376,705	1,495,434
36XX	**Non-controlling interest**		-	4
3XXX	**Total equity**		1,376,705	1,495,438
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant events after the balance sheet date	11		
3X2X	**Total liabilities and equity**		$ 1,882,804	$ 2,105,011

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except loss per share)

	Items	Notes	2019	2018
4000	**Sales revenue**	6(20) and 7	$ 388,079	$ 150,695
5000	**Operating costs**	6(5)(24)(25)	(415,771)	(338,960)
5950	**Net operating margin**		(27,692)	(188,265)
	Operating expenses	6(24)(25) and 7		
6100	Selling expenses		(97,849)	(83,978)
6200	General and administrative expenses		(91,741)	(167,381)
6300	Research and development expenses		(50,132)	(50,197)
6450	Expected credit impairment loss	12(2)	(11,802)	(132,392)
6000	**Total operating expenses**		(251,524)	(433,948)
6900	**Operating loss**		(279,216)	(622,213)
	Non-operating income and expenses			
7010	Other income	6(21) and 7	17,933	15,188
7020	Other gains and losses	6(22)	(197,636)	(490,907)
7050	Finance costs	6(23)	(7,285)	(3,896)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(1,567)	(7,982)
7000	**Total non-operating income and expenses**		(188,555)	(487,597)
7900	**Loss before income tax**		(467,771)	(1,109,810)
7950	Income tax benefit	6(26)	-	2,305
8200	**Loss for the year**		($ 467,771)	($ 1,107,505)
	Other comprehensive income	6(19)		
	Components of other comprehensive income that will not be reclassified to profit or loss			
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	($ 13,615)	($ 453,280)
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		7,596	5,531
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(6)	(1,684)	(165)
8300	**Total other comprehensive loss for the year**		($ 7,703)	($ 447,914)
8500	**Total comprehensive loss for the year**		($ 475,474)	($ 1,555,419)
	Loss attributable to:			
8610	Owners of the parent		($ 467,771)	($ 1,107,499)
8620	Non-controlling interest		-	(6)
	Total		($ 467,771)	($ 1,107,505)
	Comprehensive loss attributable to:			
8710	Owners of the parent		($ 475,474)	($ 1,555,413)
8720	Non-controlling interest		-	(6)
	Total		($ 475,474)	($ 1,555,419)
	Loss per share	6(27)		
9750	**Basic loss per share**		($ 2.09)	($ 5.26)

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent											
			Capital Reserves					Other equity interest					
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Employee stock warrants	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
2018													
Balance at January 1, 2018		$ 2,105,737	$ 1,501,021	$ 2,006	$ -	$ 4,410	($ 253,330)	$ 12,330	$ -	($ 340,652)	$ 3,031,522	$ 10	$ 3,031,532
Effect of retrospective application and retrospective restatement		-	-	-	-	-	-	-	(340,652)	340,652	-	-	-
Balance at January 1, 2018 after adjustments		2,105,737	1,501,021	2,006	-	4,410	(253,330)	12,330	(340,652)	-	3,031,522	10	3,031,532
Loss for the year		-	-	-	-	-	(1,107,499)	-	-	-	(1,107,499)	(6)	(1,107,505)
Other comprehensive (loss) income	6(19)	-	-	-	-	-	-	5,366	(453,280)	-	(447,914)	-	(447,914)
Total comprehensive (loss) income		-	-	-	-	-	(1,107,499)	5,366	(453,280)	-	(1,555,413)	(6)	(1,555,419)
Share-based payments	6(15)	-	-	-	19,325	-	-	-	-	-	19,325	-	19,325
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	-	(787,961)	-	787,961	-	-	-	-
Balance at December 31, 2018		$ 2,105,737	$ 1,501,021	$ 2,006	$ 19,325	$ 4,410	($ 2,148,790)	$ 17,696	($ 5,971)	$ -	$ 1,495,434	$ 4	$ 1,495,438
2019													
Balance at January 1, 2019		$ 2,105,737	$ 1,501,021	$ 2,006	$ 19,325	$ 4,410	($ 2,148,790)	$ 17,696	($ 5,971)	$ -	$ 1,495,434	$ 4	$ 1,495,438
Loss for the year		-	-	-	-	-	(467,771)	-	-	-	(467,771)	-	(467,771)
Other comprehensive (loss) income	6(19)	-	-	-	-	-	-	5,912	(13,615)	-	(7,703)	-	(7,703)
Total comprehensive (loss) income		-	-	-	-	-	(467,771)	5,912	(13,615)	-	(475,474)	-	(475,474)
Issuance of shares	6(16)	310,000	62,000	-	-	-	-	-	-	-	372,000	-	372,000
Capital surplus used to offset accumulated deficit		-	(1,501,021)	-	-	-	1,501,021	-	-	-	-	-	-
Share-based payments	6(15)	-	3,736	-	(19,325)	334	-	-	-	-	(15,255)	-	(15,255)
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(4)	(4)
Balance at December 31, 2019		$ 2,415,737	$ 65,736	$ 2,006	$ -	$ 4,744	($ 1,115,540)	$ 23,608	($ 19,586)	$ -	$ 1,376,705	$ -	$ 1,376,705

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 467,771)	($ 1,109,810)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	11,802	132,392
Depreciation (including right of use assets)	6(24)	66,891	107,034
Amortisation	6(24)	25,777	25,613
Net loss (profit) on financial assets at fair value through profit or loss	6(22)	164,812	277,610
Interest expense	6(23)	7,285	3,896
Interest income	6(21)	(894)	(799)
Share of loss of associates and joint ventures accounted for under equity method	6(6)	1,567	7,982
(Gain) loss on disposal of property, plant and equipment	6(22)	13,297	(42)
Impairment loss recognised in profit or loss, property, plant and equipment	6(22)	-	176,533
Loss on disposal of investments	6(22)	169	-
Compensation losses	6(22)	-	34,946
Share-based payments	6(15)	(15,255)	19,325
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(47,590)	34,140
Accounts receivable		(13,307)	(6,939)
Accounts receivable-related parties		7,363	19,379
Other receivables		(3,644)	403
Other receivables-related parties		(8,854)	(4,127)
Inventories		2,854	31,563
Prepayments		14,409	18,653
Other current assets		(3,653)	426
Changes in operating liabilities			
Contract liabilities		(3,400)	(9,703)
Notes payable		21,055	(3,984)
Accounts payable		7,903	(63,518)
Other payables		7,907	59,046
Provisions		(128)	(8,114)
Refund liabilites		4,651	-
Other current liabilities		(6,507)	298
Cash outflow generated from operations		(213,261)	(257,797)
Interest received		894	799
Interest paid		(7,448)	(3,607)
Income taxes paid		-	(8,176)
Net cash flows used in operating activities		(219,815)	(268,781)

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ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		($ 20,398)	($ 10,763)
Acquisition of non-current financial assets at fair value through other comprehensive income		-	(109,713)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income		92,904	-
Proceeds from capital reduction of investments accounted for using equity method	6(6)	24,000	-
Acquisition of property, plant and equipment	6(29)	(148,943)	(57,054)
Proceeds from disposal of property, plant and equipment		249	43
Acquisition of intangible assets	6(9)	(650)	-
Increase in refundable deposits		-	(114)
Net cash flows used in investing activities		(52,838)	(177,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		647,894	294,206
Decrease in short-term borrowings		(820,392)	(47,744)
Increase in long-term borrowings		68,070	-
Decrease in long-term borrowings		(25,699)	(22,664)
Increase in other payables to related parties		-	89,440
Decrease in guarantee deposits received		-	(188)
Payment of lease liabilities		(5,012)	-
Proceeds from issuance of shares	6(13)	372,000	-
Changes in non-controlling interests		(4)	-
Net cash flows from financing activities		236,857	313,050
Effect of changes in foreign currency exchange		4,370	6,002
Net decrease in cash and cash equivalents		(31,426)	(127,330)
Cash and cash equivalents at beginning of year		349,928	477,258
Cash and cash equivalents at end of year		$ 318,502	$ 349,928

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. (the "Company")

The Company was established in Cayman Islands on November 16, 2007. As of December 31, 2019, the number of shares authorised amounted to 300,000,000 shares with a par value of $10 (in dollars) per share, and the paid-in capital was $2,415,737.

The Company and its subsidiaries (collectively referred herein as the "Group") are mainly engaged in the research, manufacture and sale of materials for Lithium Iron Phosphate Nano Co-crystalline Olivine (LFP-NCO) and key materials of Olivine-type structure lithium battery.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 26, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by $8,317, and increased ‘lease liability’ by $8,317.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $300 was recognised in the 4th quarter of 2019.

(d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.95%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 8,764
Less: Short-term leases	(300)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	8,464
Incremental borrowing interest rate at the date of initial application	1.95%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 8,317

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2022

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define 'settlement' as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basic for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Remark
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	100	99.99	Note1
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd	Manufacturing and installation of electricity generation, transmission and distribution machinery, and manufacturing and distribution of batteries, cars and peripherals	100	100	Note 2
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd	Investment holdings	100	100	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Research and development, trading	100	100	

Note 1: The Company repurchased residual shares from non-controlling interest shareholders. The registration was completed on December 6, 2019.

Note 2: The Board of Directors during its meeting on December 28, 2018 resolved that the date of dissolution of the subsidiary, Aleees Eco Ark Co., Ltd., was on December 31, 2018 and the liquidation will start on January 8, 2019.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; and the Group has not retained control of the financial asset.

(12) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard costs. Standard costs take into consideration of normal production capacity and differences arise in the period are amortised into cost of sales. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group’s share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3～25 years
Machinery and equipment	3～8 years
Testing equipment	6～10 years
Office equipment	3～4 years
Others	2～8 years

(16) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leases (lessee)

Applicable for 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Intangible assets

Intangible assets, mainly license fees and computer software costs, are amortised on a straight-line basis over their estimated useful lives of 3 ~ 12 years.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at cash amount of original invoice.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Provisions

Provisions (including warranties and sales returns and discounts, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the Company's Taiwan subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(27) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders.

Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. The Group manufactures and sells Battery powder. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The product is often sold with volume discounts based on aggregate sales over a 6-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales returns, discounts and allowances. Accumulated experience is used to estimate and provide for the sales returns, discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales returns, discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the credit term for sales transaction is consistent with market practice.

C. The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Financial assets - fair value measurement of convertible bonds without active market

In adopting IFRS 9, the Group's investment in convertible bonds without active market was entirely recognised as 'financial assets mandatorily measured at fair value through profit or loss'. The assessment process involves the management and external valuer's subjective judgement with respect to valuation as well as the parameters used. Hence, significant changes may occur.

As of December 31, 2019, the carrying amount of financial assets at fair value through profit or loss was $584,913.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

When assessing the impairment, the Group determines valuation technique and assumptions of a specific group of assets based on how assets are utilised and industrial characteristics. Fair value measurement depends on estimates based on the management's subjective judgement as well as multiple assumptions and significant unobservable inputs. The final result of accounting estimates may vary as a result of any changes in these judgements and estimates.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Demand deposits and Checking accounts	$ 273,504	$ 296,916
Time deposits	44,998	53,012
	$ 318,502	$ 349,928

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. Cash and cash equivalents pledged to others as collateral were classified as current financial assets at amortised cost, net. The information is provided in Note 8.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2019	December 31, 2018
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	$ 1,126,688	$ 1,126,688
Valuation adjustment	(541,775)	(376,963)
	$ 584,913	$ 749,725

A. On August 25, 2016, the Company invested in five-year unlisted convertible bonds with zero coupon rate issued by FDG Electric Vehicles Limited. The principal of the bond amounted to HK$275,000,000 as maturity with conversion price of HK$0.5. Within 183 days after one year from the completion date of purchase (including the first and the last days), either disposal of such convertible bonds or trading of converted shares are restricted according to the purchase agreement.

B. The share consolidation implemented by FDG Electric Vehicles Limited was effective on September 5, 2019, thus, the conversion price of the Company's convertible bonds was increased from HK$0.5 to HK$10.

C. For the years ended December 31, 2019 and 2018, the net gain (loss) recognised for financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss were ($164,812) and ($277,610), respectively.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

E. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments	$ 109,713	$ 109,713
Unlisted stocks	109,713	109,713
Valuation adjustment	(19,586)	(5,971)
	$ 90,127	$ 103,742

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $90,127 and $103,742 as at December 31, 2019 and 2018, respectively.

B. The Group sold $92,904 of stock investments of FDG Electric Vehicles Limited at fair value and resulted in cumulative loss on disposal amounting to $787,961 which was reclassified to accumulated deficit during the year ended December 31, 2018.

C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31, 2019	Years ended December 31, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	($ 13,615)	($ 453,280)
Cumulative losses reclassified to accumulated deficit due to derecognition	$ -	$ 787,961

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents financial assets at fair value through other comprehensive income held by the Group was $90,127 and $103,742, respectively.

E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable – third parties	$ 76,737	$ 29,147
Accounts receivable – third parties	$ 29,878	$ 22,187
Accounts receivable – related parties	100,345	107,798
	130,313	129,985
Less: Allowance for bad debts	(105,400)	(110,135)
	$ 24,913	$ 19,850

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 10,083	$ 76,737	$ 8,295	$ 29,147
Up to 30 days	-	-	-	-
31 to 90 days	-	-	147	-
91 to 180 days	-	-	-	-
Over 180 days	120,230	-	121,543	-
	$ 130,313	$ 76,737	$ 129,985	$ 29,147

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $205,712.

C. For the years ended December 31, 2019 and 2018, interest income recognised in profit or loss were both $0.

D. Details of the Group's notes and accounts receivable pledged to others as collateral are provided in Note 8.

E. As of December 31, 2019 and 2018, the Group had outstanding discounted notes receivable amounting to $76,737 and $29,147, respectively. The Group has payment obligation when the drawers of the notes refuse to pay for the notes at maturity. However, in general, the Group does not expect that the drawers of the notes would refuse to pay for the notes at maturity. The liabilities arising on discounted notes receivable were presented as bank borrowings and other payables.

F. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes receivable and accounts receivable held by the Group was book value.

G. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	December 31, 2019		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	$ 18,721	($ 1,969)	$ 16,752
Work in process	5,013	(446)	4,567
Semi-finished goods	39,261	(17,083)	22,178
Finished goods	72,260	(20,218)	52,042
	$ 135,255	($ 39,716)	$ 95,539

	December 31, 2018		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	$ 81,852	($ 43,898)	$ 37,954
Work in process	8,807	(3,130)	5,677
Semi-finished goods	46,087	(26,957)	19,130
Finished goods	79,680	(46,076)	33,604
Merchandise	2,028	-	2,028
	$ 218,454	($ 120,061)	$ 98,393

Expenses and losses incurred on inventories for the year:

	Years ended December 31,	
	2019	2018
Cost of inventories sold	$ 339,322	$ 118,828
(Gain from price recovery of inventory) loss on inventory obsolescence	(79,989)	74,664
Loss on scrapping inventory	31,810	-
Unallocated fixed overhead cost	124,628	145,468
	$ 415,771	$ 338,960

For the year ended December 31, 2019, the gain on reversal resulted from the clearance of inventories that had been recognised as obsolescence.

(6) Investments accounted for using equity method

	2019	2018
At January 1	$ 28,646	$ 36,793
Proceeds from capital reduction of investments accounted for using equity method	(24,000)	-
Share of profit or loss of investments accounted for using the equity method	(1,567)	(7,982)
Changes in other equity items (Note 6(19))	(1,684)	(165)
At December 31	$ 1,395	$ 28,646

	December 31,	
	2019	2018
Associates:		
Emerald Battery Technologies Co., Ltd.	$ 1,395	$ 27,926
Shanghai Licang New Energy Technology Co., Ltd.	-	720
	$ 1,395	$ 28,646

A. Basic information

		Interest held			
	Location	December 31, 2019	December 31, 2018	Relationship	Measurement method
Emerald Batter Technologies Co., Ltd.	Taiwan	24%	24%	Strategic alliance	Equity method
Shanghai Licang New Energy Technology Co., Ltd.	Shanghai	-	25%	Strategic investment	Equity method

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to $1,395 and $28,646, respectively.

	Years ended December 31,	
	2019	2018
Net loss for the year from continuing operations	($ 6,111)	($ 33,280)
Other comprehensive loss, net of tax	(7,019)	(684)
Total comprehensive loss for the year	($ 13,130)	($ 33,964)

C. The Company's investee accounted for using equity method, Shanghai Licang New Energy Technology Co., Ltd., has been dissolved and liquidated as resolved by the Board of Directors on February 26, 2019. The liquidation was completed on November 14, 2019.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	Others	Total
At January 1, 2019									
Cost	$ 147,910	$ 144,819	$ 585,741	$ 106,383	$ 27,733	$ 297,133	$ 32,770	$ 153,081	$ 1,495,570
Accumulated depreciation and impairment	-	(56,156)	(489,412)	(90,504)	(27,676)	(296,545)	-	(115,704)	(1,075,997)
	$ 147,910	$ 88,663	$ 96,329	$ 15,879	$ 57	$ 588	$ 32,770	$ 37,377	$ 419,573
2019									
Opening net book amount as at January 1	$ 147,910	$ 88,663	$ 96,329	$ 15,879	$ 57	$ 588	$ 32,770	$ 37,377	$ 419,573
Additions	-	17,854	8,440	7,671	-	-	41,057	69,237	144,259
Disposals	-	(2,292)	(3,294)	(7,668)	(8)	-	-	(284)	(13,546)
Reclassifications	-	18,749	13,765	11,052	-	-	(58,917)	15,351	-
Depreciation charge	-	(5,740)	(34,911)	(4,736)	(36)	(364)	-	(16,145)	(61,932)
Closing net book amount as at December 31	$ 147,910	$ 117,234	$ 80,329	$ 22,198	$ 13	$ 224	$ 14,910	$ 105,536	$ 488,354
At December 31, 2019									
Cost	$ 147,910	$ 178,391	$ 592,482	$ 95,286	$ 22,852	$ 297,133	$ 14,910	$ 234,323	$ 1,583,287
Accumulated depreciation and impairment	-	(61,157)	(512,153)	(73,088)	(22,839)	(296,909)	-	(128,787)	(1,094,933)
	$ 147,910	$ 117,234	$ 80,329	$ 22,198	$ 13	$ 224	$ 14,910	$ 105,536	$ 488,354

	Land	Buildings and structures	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	Others	Total
At January 1, 2018									
Cost	$ 147,910	$ 123,845	$ 583,687	$ 106,198	$ 27,851	$ 297,133	$ 7,930	$ 135,503	$ 1,430,057
Accumulated depreciation and impairment	-	(51,945)	(438,657)	(83,649)	(27,651)	(94,624)	-	(97,689)	(794,215)
	$ 147,910	$ 71,900	$ 145,030	$ 22,549	$ 200	$ 202,509	$ 7,930	$ 37,814	$ 635,842
2018									
Opening net book amount as at January 1	$ 147,910	$ 71,900	$ 145,030	$ 22,549	$ 200	$ 202,509	$ 7,930	$ 37,814	$ 635,842
Additions	-	20,973	2,307	1,275	-	-	32,770	17,904	75,229
Disposals	-	-	-	-	(1)	-	-	-	(1)
Reclassifications	-	-	-	-	-	-	(7,930)	-	(7,930)
Impairment loss	-	-	(127)	(80)	-	(173,918)	-	(2,408)	(176,533)
Depreciation charge	-	(4,210)	(50,881)	(7,865)	(142)	(28,003)	-	(15,933)	(107,034)
Closing net book amount as at December 31	$ 147,910	$ 88,663	$ 96,329	$ 15,879	$ 57	$ 588	$ 32,770	$ 37,377	$ 419,573
At December 31, 2018									
Cost	$ 147,910	$ 144,819	$ 585,741	$ 106,383	$ 27,733	$ 297,133	$ 32,770	$ 153,081	$ 1,495,570
Accumulated depreciation and impairment	-	(56,156)	(489,412)	(90,504)	(27,676)	(296,545)	-	(115,704)	(1,075,997)
	$ 147,910	$ 88,663	$ 96,329	$ 15,879	$ 57	$ 588	$ 32,770	$ 37,377	$ 419,573

A. No interest was capitalised to property, plant and equipment for the years ended December 31, 2019 and 2018.

B. The Group's buildings and structures include buildings and improvements, piping and system construction which are depreciated over 25 years and 6 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 3,359	$ 4,959

C. For the year ended December 31, 2019, the additions to right-of-use assets was $0.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 53
Expense on short-term lease contracts	300

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was $5,312.

(9) Intangible assets

	License fees	Computer software	Total
At January 1, 2019			
Cost	$ 302,314	$ 21,393	$ 323,707
Accumulated amortisation	(193,581)	(21,212)	(214,793)
	$ 108,733	$ 181	$ 108,914
2019			
Opening net book amount as at January 1	$ 108,733	$ 181	$ 108,914
Additions	-	650	650
Disposals	-	(169)	(169)
Amortisation charge	(25,584)	(193)	(25,777)
Closing net book amount as at December 31	$ 83,149	$ 469	$ 83,618
At December 31, 2019			
Cost	$ 302,314	$ 21,758	$ 324,072
Accumulated amortisation	(219,165)	(21,289)	(240,454)
	$ 83,149	$ 469	$ 83,618

	License fees	Computer software	Total
At January 1, 2018			
Cost	$ 302,314	$ 21,393	$ 323,707
Accumulated amortisation	(167,996)	(21,184)	(189,180)
	$ 134,318	$ 209	$ 134,527
2018			
Opening net book amount as at January 1	$ 134,318	$ 209	$ 134,527
Amortisation charge	(25,585)	(28)	(25,613)
Closing net book amount as at December 31	$ 108,733	$ 181	$ 108,914
At December 31, 2018			
Cost	$ 302,314	$ 21,393	$ 323,707
Accumulated amortisation	(193,581)	(21,212)	(214,793)
	$ 108,733	$ 181	$ 108,914

	Years ended December 31,	
	2019	2018
Operating costs	$ 181	$ -
Selling expenses	25,584	25,585
Administrative expenses	12	28
	$ 25,777	$ 25,613

A. The Group signed a license contract for reauthorisation with LiFeP04+C Licensing AG on July 4, 2011. Under the contract, the Group may not authorise license to others except for affiliates. Authorisation period is from September 1, 2011 to July 9, 2023. Under the contract, the Group needs to pay (1) first fixed royalty of US$10,000 thousand which is recognised as 'intangible assets – licence fee' and is amortised over approximately 12 years; (2) royalty before the contract date, which was paid on July 14, 2011 and was recognised as expense for the year ended December 31, 2011; (3) royalty after the contract date, which is paid in accordance with the percentage of sales of powder during the authorization period. The Group recognised royalty as expenses amounting to $64,965 and $37,156 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, unpaid royalty was $33,589 and $29,337, respectively.

B. The Group signed a second revised license contract on August 26, 2013. The schedule for plant construction is extended for 12 months, which means the completion date for plant construction in Canada is extended from July 4, 2014 to July 4, 2015.

C. The Group signed a third revised license contract on September 25, 2014. Except for revision of the amount of capital investment, full-time employee and total investment, the original plan of building a cathode materials plant with annual production of 1,000 tons in Quebec, Canada has been changed to building a plant for cathode materials, battery cell, battery module or integrated system of trolley bus at the choice of the Company or subsidiaries.

D. The Group and LiFeP04+C Licensing AG reached an agreement whereby both parties agreed to negotiate and adjust the building construction plan to meet the future market demand and environment.

(10) Impairment of non-financial assets

A. Year ended December 31, 2019: None.

B. The details of impairment loss for the year ended December 31, 2018 are as follows:

	Year ended December 31, 2018	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss - leasehold improvements	$ 173,918	$ -
Impairment loss - machinery and equipment, etc.	2,615	-
	$ 176,533	$ -

C. The impairment loss reported by operating segments is as follows:

	Year ended December 31, 2018	
	Recognised in profit or loss	Recognised in other comprehensive income
Electric vehicles	$ 176,533	$ -

D. For the years ended December 31, 2019 and 2018, the leased plant left unused resulted in an impairment in the Group’s leasehold improvements and other equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of $176,533 accordingly.

(11) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 73,964	1.8%~3.8%	Cash in banks, notes receivable and property, plant and equipment

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 246,462	1.8%~6.55%	Cash in banks, accounts receivable and property, plant and equipment

As of December 31, 2019 and 2018, interest expense arising from short-term borrowings that were recognised in profit or loss amounted to $3,600 and $1,647, respectively.

(12) Other payables

	December 31,			
	2019		2018	
Royalty payable	$	33,589	$	29,337
Wages and salaries payable		32,643		17,120
Payable on machinery and equipment		17,927		22,611
Rent payable		4,929		8,875
Others		58,401		66,486
	$	147,489	$	144,429

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019	
Taiwan Cooperative Bank secured borrowings	Feb. 17, 2017 ~ Feb. 17, 2022, interest and principal payable monthly	1.85%~1.95%	Property, plant and equipment	$	51,536
〃	Apr. 10, 2019 ~ Apr. 10, 2029, interest and principal payable monthly	2.00%~2.15%	〃		65,440
					116,976
Less: Current portion				(	29,930)
				$	87,046

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018	
Taiwan Cooperative Bank secured borrowings	Feb. 17, 2017 ~ Feb. 17, 2022, interest and principal payable monthly	1.85%~1.95%	Property, plant and equipment	$	74,604
Less: Current portion				(	23,068)
				$	51,536

(14) Pensions

A. Effective July 1, 2005, Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Company’s Mainland China subsidiary, Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on 21% of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were $4,726 and $3,755, respectively.

(15) Share-based payment

A. For the years ended December 31, 2019 and 2018, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Employee stock options	2018.03.02	10,500	10 years	Achieve performance goals Vested 50% (2 years' service) Vested 100 % (3 years'service)
Cash capital increase reserved for employee to preemption	2019.07.24	914	NA	Vested immediately

Part of the share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

	2019		2018	
	No. of options (thousand shares)	Weighted-average exercise price (in dollars)	No. of options (thousand shares)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	10,270	$ 30.0	-	$ -
Options granted	-	-	10,500	30.0
Options expired	(10,270)	28.9	(230)	30.0
Options outstanding at December 31	-	-	10,270	30.0
Options exercisable at December 31	-		-	

C. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant weighted average information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per share (in dollars)
Employee stock options	2018.3.2	$ 27.5	$ 30	56.48%	6.25 years	-	0.79%	$14.0437
Cash capital increase reserved for employee to preemption	2019.7.24	16.45	12	31.83%	0.05years	-	0.59%	4.4535

Note: Volatility is calculated by using the Company's historical stock trading data (daily) with a period from the date the Company listed on Taipei Exchange to stock options grant date.

D. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2019	2018
Equity-settled	($ 15,255)	$ 19,325

E. On July 31, 2019, the Board of Directors during its meeting resolved to increase its capital. The exercise price of employee stock options issued on March 2, 2018 was adjusted from $30 (in dollars) to $28.9 (in dollars) following the terms of employee stock options. No incremental fair value was made from this adjustment.

(16) Share capital

A. As of December 31, 2019, the Company's authorised capital was $3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was $2,415,737 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows (in shares):

	2019	2018
Options outstanding at January 1	210,573,654	210,573,654
Cash capital increase	31,000,000	-
Options outstanding at December 31	241,573,654	210,573,654

C. As resolved by the shareholders during their meeting on June 27, 2016, the Company planned to privately issue 46,000 thousand shares with par value of $10. On August 23, 2016, the Board of Directors approved the price of private placement at $35. The rights and obligations afforded by the ordinary shares in the private placement are the same with issued shares except that the shares in the private placement are not allowed to be traded freely within three years after delivery pursuant to Article 43-8 of Securities and Exchange Act.

D. The Board of Directors during its meeting on May 2, 2019 adopted a resolution to increase its capital by issuing 31,000 thousand new shares with a par value of $10 per share. On July 18, 2019, the Board of Directors resolved to set the issue price at $12 per share. The capital increase was completed in September 2019.

(17) Capital surplus

The Board of Directors exercises its authority accordingly when appropriating net income, for which provision is appropriated to be paid for contingencies and commitments, dividends, operations, investments or other purposes.

(18) Retained earnings (accumulated deficit)

A. Under the Company' s Articles of Incorporation, the Company shall appropriate net income in accordance with the appropriation plan proposed by the Board of Directors and approved at the stockholders' meeting. The Board of Directors shall propose the appropriation of net income in conformity with the following:

(a) Pay all taxes;

(b) The current year's earnings are to offset prior years' operating losses;

(c) 10% of the remaining amount shall be set aside as legal reserve, until the legal reserve equals the total capital stock balance;

(d) Set aside as special reserve in accordance with regulations governing listed companies or requests of the competent authority;

(e) After setting aside in accordance with (a) through (c) stated above, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

The Board of Directors should determine the percentage for directors', supervisors' and employees' bonus when appropriating net income. However, stockholders can recommend the percentage during resolution. Any remaining profit is for dividend appropriation. The Company is at the early stage of industrial development, and enterprise life cycle is at the growing stage. In order to respond to future operating expansion plans, along with maintaining dividend balance and stockholders' return, the dividend policy is to appropriate through cash or new share issuance or through both or as bonus. The Board of Directors is authorized to determine actual appropriation percentage in accordance with the Company's Articles of Incorporation and regulations governing public listed companies, and takes into consideration the financials, business and operations. However, dividend appropriation should not be less than 10% of the remaining profit and cash dividends should not be less than 10% of the total dividends.

B. The Company incurred operating losses for the year ended December 31, 2019, and thus had no earnings for distribution.

C. For details of employees' compensation and directors' remuneration, please refer to Note 6(25).

(19) Other equity items

	2019		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	($ 5,971)	$ 17,696	$ 11,725
Valuation adjustment	(13,615)	-	(13,615)
Foreign currency translation adjustment			
- Group	-	7,596	7,596
- Associates	-	(1,684)	(1,684)
At December 31	($ 19,586)	$ 23,608	$ 4,022

	2018			
	Unrealised gains (losses) on valuation	Available-for-sale investment	Currency translation	Total
At January 1	$ -	($ 340,652)	$ 12,330	($ 328,322)
Effect of retrospective application and retrospective restatement	(340,652)	340,652	-	-
Balance at January 1, 2018 after adjustments	(340,652)	-	12,330	(328,322)
Valuation adjustment	(453,280)	-	-	(453,280)
Revaluation transferred to retained earnings – gross	787,961	-	-	787,961
Foreign currency translation adjustment				
- Group	-	-	5,531	5,531
- Associates	-	-	(165)	(165)
At December 31	($ 5,971)	$ -	$ 17,696	$ 11,725

(20) Operating revenue

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2019	Battery powder				
	China	South Korea	Other Asia Countries	Others	Total
Revenue from contracts with external customers	$ 196,153	$ 157,672	$ 22,133	$ 12,121	$ 388,079

Year ended December 31, 2018	Battery powder				
	China	South Korea	Other Asia Countries	Others	Total
Revenue from contracts with external customers	$ 138,951	$ 570	$ 6,661	$ 4,513	$ 150,695

A. Contract liabilities

(a)The Group has recognised the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018
Contract liabilities-product sales contract	$ 358	$ 3,758

(b)Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Years ended December 31,	
	2019	2018
Product sales contract	$ 3,381	$ 6,792

B. When products are sold with a right of return, the entity will recognise revenue in the amount of consideration to which the entity expects to be entitled. The expected sales discounts and returns are not recognised in revenue. The entity recognises a refund liability and an asset representing its right to recover the products from the customer:

	December 31, 2019	December 31, 2018
Current asset recognised as right to recover products from customers (shown as 'Other current assets')	$ 4,870	$ 871
Current refund liabilities	(5,783)	(1,132)
	($ 913)	($ 261)

(21) Other income

	Years ended December 31, 2019	Years ended December 31, 2018
Interest income:		
Interest income from bank deposits	$ 894	$ 799
Rental income	9,520	27
Other income, others	7,519	14,362
	$ 17,933	$ 15,188

(22) Other gains and losses

	Years ended December 31, 2019	Years ended December 31, 2018
Losses on financial assets at fair value through profit or loss	($ 164,812)	($ 277,610)
(Losses) gains on disposals of property, plant and equipment	(13,297)	42
Foreign exchange losses	(12,450)	(1,758)
Loss on disposal of intangible asset	(169)	-
Impairment losses recognised in profit or loss, property, plant and equipment	-	(176,533)
Compensation losses	-	(34,946)
Other gains and losses	(6,908)	(102)
	($ 197,636)	($ 490,907)

(23) Finance costs

	Years ended December 31, 2019	Years ended December 31, 2018
Interest expense	$ 7,285	$ 3,896

(24) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	$ 146,838	$ 137,448
Depreciation charges on property, plant and equipment	61,932	107,034
Depreciation charges on right-of-use asset	4,959	-
Amortisation charges on intangible assets	25,777	25,613
	$ 239,506	$ 270,095

(25) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	$ 142,205	$ 103,058
Share-based payments	(15,255)	19,325
Labour and health insurance fees	9,705	7,945
Pension costs	4,726	3,755
Other personnel expenses	5,457	3,365
	$ 146,838	$ 137,448

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1% to 10% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. The Company had accumulated deficit for the years ended December 31, 2019 and 2018, thus, the Company did not recognise employees' compensation and directors' and supervisors' remuneration.

C. Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ -	$ -
Prior year income tax overestimation	-	(285)
Total current tax:	$ -	($ 285)
Deferred tax:		
Origination and reversal of temporary differences	$ -	$ -
Impact of change in tax rate	-	(2,020)
Total deferred tax:	$ -	($ 2,020)
Income tax expense (benefit)	$ -	($ 2,305)

(b)The income tax charge/ (credit) relating to components of other comprehensive income is as follows: None.

(c) The income tax charged/ (credited) to equity during the year is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	($ 56,718)	($ 165,816)
Items disallowed by tax regulation	1,128	30,010
Taxable loss not recognised as deferred tax assets	55,510	49,814
Temporary differences not recognised as deferred tax assets	80	85,992
Prior year income tax overestimation	-	(285)
Effect from changes in tax regulation	-	(2,020)
Income tax expense (benefit)	$ -	($ 2,305)

C. Amounts of deferred tax assets and liabilities as a result of temporary differences and taxable loss are as follows:

	2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Taxable loss	$ 13,465	$ -	$ -	$ -	$ 13,465
Deferred tax liabilities:					
Temporary differences					
- Unrealised exchange gain	$ -	$ -	$ -	$ -	$ -
	$ 13,465	$ -	$ -	$ -	$ 13,465

	2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Taxable loss	$ 12,183	$ 1,282	$ -	$ -	$ 13,465
Deferred tax liabilities:					
Temporary differences					
- Unrealised exchange gain	($ 738)	$ 738	$ -	$ -	$ -
	$ 11,445	$ 2,020	$ -	$ -	$ 13,465

D. Expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows:

Year ended December 31, 2019				
Year incurred	Amount filed / Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 269,195	$ 51,980	$ -	2022
2013	291,799	183,521	163,838	2023
2014	366,800	366,800	366,800	2024
2015	418,448	418,448	418,448	2025
2016	162,344	162,344	162,344	2026
2017	162,179	162,179	162,179	2027
2018	269,026	269,026	269,026	2028
2019	286,604	286,604	286,604	2029
	$ 2,226,395	$ 1,900,902	$ 1,829,239	

Year ended December 31, 2018				
Year incurred	Amount filed / Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 269,195	$ 58,506	$ 10,866	2022
2013	291,799	291,799	272,116	2023
2014	366,800	366,800	366,800	2024
2015	418,448	418,448	418,448	2025
2016	162,344	162,344	162,344	2026
2017	167,672	167,672	167,672	2027
2018	301,975	301,975	301,975	2028
	$ 1,978,233	$ 1,767,544	$ 1,700,221	

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 83,534	$ 83,454

F. The liFePO4 lithium battery of the Group's subsidiary, Advanced Lithium Electrochemistry, Co., Ltd., is eligible for the incentives stipulated under the Regulations to Encourage Manufacturers and Technical Service Providers in Emerging Significant Strategic Industries for five years (the privilege expires in December 2022).

G. Advanced Lithium Electrochemistry Co., Ltd.'s and Aleees Eco Ark Co., Ltd.'s income tax returns through 2017 and 2018 have been assessed and approved by the Tax Authority, respectively.

(27) Losses per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 467,771)	223,653	($ 2.09)

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 1,107,499)	210,574	($ 5.26)

(28) Operating lease

Applicable for 2018

The Group leases offices and factories under operating leases, the lease period is 5 to 10 years, and the rent fee is $34,133 in 2018. In addition, the total minimum lease payments due to non-cancellable contracts are as follows:

	December 31, 2018
Less than one year	$ 5,012
1~5 years	3,452
Over 5 years	-
	$ 8,464

(29) Supplement cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 144,259	$ 75,229
Add: Opening balance of payable on equipment	22,611	4,910
Less: Ending balance of payable on equipment	(17,927)	(22,611)
Opening balance of prepayment on equipment	-	(474)
Cash paid during the year	$ 148,943	$ 57,054

B. Investing activities with no cash flow effects:

	Years ended December 31,	
	2019	2018
Investment proceeds receivable	$ -	$ 92,904

(30) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)
At January 1, 2019	$ 246,462	$ 74,604
Changes in cash flow from financing activities	(172,498)	42,372
At December 31, 2019	$ 73,964	$ 116,976

	Short-term borrowings	Long-term borrowings (including current portion)
At January 1, 2018	$ -	$ 97,268
Changes in cash flow from financing activities	246,462	(22,664)
At December 31, 2018	$ 246,462	$ 74,604

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party: None.

(2) Names of related parties and relationship:

Names of related parties	Relationship with the Group
FDG Electric Vehicles Limited	Significant influence over the group
FDG Kinetic Limited	Significant influence over the group
FDG Investment Holdings Limited	Other related party
FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.	Other related party
Tianjin Sinopoly New Energy Technology Co., Ltd.	Other related party
Jillin Sinopoly New Energy Technology Co., Ltd.	Other related party
Aleees Eco Ark (Cayman) Co., Ltd.	Other related party
Aleees Eco Ark (Ningbo) Ltd.	Other related party
Advanced Lithium Electrochemistry (Guizhou) Limited	Other related party (Note 1)
Shanghai Sinopoly Jiahua Battery Technology Co., Ltd.	Other related party
Shanghai Licang New Energy Technology Co., Ltd.	Associate (Note 2)
Emerald Battery Technologies Co., Ltd.	Associate

Note 1: In March 2018, the Group acquired 9% of equity shares of Advanced Lithium Electrochemistry (Guizhou) Limited which became one of the related parties of the Group from then on.

Note 2: This company had been liquidated in November 2019.

(3) Significant related party transactions and balances:

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales of goods:		
- Other related parties		
Jillin Sinopoly New Energy Technology Co., Ltd.	$ -	$ 31,957
Others	15	2,834
- Associates	-	1,238
	$ 15	$ 36,029

The selling price for the sales of goods to related parties is based on regular prices. The credit terms were determined in accordance with mutual agreements. The prices and credit terms for technical service provision is based on agreement and there is no other comparable counterparty.

B. Receivables from related parties:

	December 31,	
	2019	2018
Accounts receivable:		
- Other related parties		
FDG Investment Holdings Limited	$ 78,053	$ 84,548
Tianjin Sinopoly New Energy Technology Co., Ltd.	14,188	14,738
Others	8,194	8,512
	100,435	107,798
Less: Allowance for bad debts		
FDG Investment Holdings Limited	(78,053)	(84,548)
Tianjin Sinopoly New Energy Technology Co., Ltd.	(14,188)	(11,746)
Others	(8,194)	(492)
	(100,435)	(96,786)
	$ -	$ 11,012

	December 31, 2019	December 31, 2018
Other receivables:		
- Other related parties		
FDG Investment Holdings Limited	$ 41,657	$ 32,803
Aleees Eco Ark (Ningbo) Ltd.	10,641	10,641
	52,298	43,444
Less: Allowance for bad debts		
FDG Investment Holdings Limited	(41,657)	(30,736)
Aleees Eco Ark (Ningbo) Ltd.	(10,641)	(10,641)
	(52,298)	(41,377)
	$ -	$ 2,067

C. Contract liabilities / advance receipts

	December 31, 2019	December 31, 2018
Prepayments to related parties:		
- Other related party	$ -	$ 79
- Associate	-	2
	$ -	$ 81

D. Property transitions

	Years ended December 31, 2019	Years ended December 31, 2018
Acquisition of property, plant and equipment		
-other related party	$ 3,164	$ -

E. Other transactions

	Years ended December 31, 2019	Years ended December 31, 2018
Service expenses and other expenses:		
Shanghai Licang New Energy Technology Co., Ltd.	$ -	$ 11,233
Other related party	337	-
	$ 337	$ 11,233

	Years ended December 31, 2019	Years ended December 31, 2018
Other income		
- Other related party		
FDG Investment Holdings Limited	$ 9,450	$ 3,000

F. Loans to /from related parties

Loans from related parties (shown as ‘Other payables’)

	December 31,	
	2019	2018
- Other related party		
Advanced Lithium Electrochemistry		
(Guizhou) Limited	$ 86,100	$ 89,440

The borrowing period for the loan from Advanced Lithium Electrochemistry (Guizhou) Limited will end on June 30. 2020. No interest was incurred on the loan for the years ended December 31, 2019 and 2018.

G. In 2017, the Group formally entered into a cooperative investment agreement with the Management Committee of Guizhou Guian New Area (through its wholly owned affiliate, Development Investment Co., Ltd., hereinafter referred to as ‘Guian New Area’) and FDG Investment Limited (through its wholly owned affiliate, FDG Kinetic (Guian) Holdings Limited. The joint venture company was established with a registered capital of RMB 250 million. FDG Investment Limited, Guian New Area, and the Company, holds 51%, 40% and 9% of equity share, respectively. As of February 26, 2020, only FDG Investment Limited has not completed its capital infusion. The Group plans to initiate a negotiation on another co-investment deal with Guian New Area with respect to new battery material production.

(4) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 7,681	$ 11,051
Share-based payments	(7,062)	7,730
	$ 619	$ 18,781

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

	Book value		
	December 31,		
Pledged asset	2019	2018	Purpose
Bank deposits (shown as ‘Current financial assets at amortised cost, net’)	$ 39,925	$ 19,527	Short- term borrowings, letters of credit, trust and pledge at customs
Notes receivable	76,737	29,147	Short-term borrowings and discounted notes receivable
Accounts receivable	-	8,295	Short-term borrowings
Property, plant and equipment	265,144	236,574	Short-term and long-term borrowings
	$ 381,806	$ 293,543	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

On July 18, 2016, the Group's subsidiary, Aleees Eco Ark Co., Ltd. (hereafter referred as "Aleees") received a notice of civil charge issued by Hsinchu District Court No. 105-Zon-Su-Zi-147 and on April 6, 2017, received continued indictment (hereafter referred as "Zon-Su-Zi-147"). In addition to that, a bill of indictment issued by Hsinchu District Court No. 107-Zon-Su-Zi-216 (hereafter referred as "Zon-Su-Zi-216") was received by Aleees on October 31, 2018. The civil charges Zon-Su-Zi-147 and Zon-Su-Zi-216 were filed by Hsin Chu Bus Co., Ltd. claiming for compensation of the driver's fee totaling $34,946 and $51,030, respectively, plus interest at 5% per annum till the debt is repaid. In its verdict on Zon-Su-Zi-147, the Hsinchu District Court stated that the accused, Aleees, shall compensate the complainant, Hsin Chu Bus Co., Ltd., for the driver's fee. In the Group's opinion, Aleees is not entirely accountable for the driver's fee, which involved the issue regarding land utilisation for recharging. As the Group believes that there was misinterpretation of the facts during the first trial, the Group has filed an appeal with the Taiwan High Court (No. 107-Zon-Su-Zi-805 (hereafter referred as "Zon-Su-Zi-805")), which had been denied by the Taiwan High Court on June 27, 2019. As of the reporting date, the ultimate outcome of the case cannot presently be determined. However, the Group has recognised the amount of possible losses after evaluation. The oral argument procedure for Zon-Su-Zi-216 was originally set on January 24, 2019 but the argument for the case is the same as that for Zon-Su-Zi-805, Aleees is not entirely accountable for the driver's fee. In order to avoid the differences in the judgments between two cases, the court decided to cease the appeal procedures for Zon-Su-Zi-216 on January 22, 2019. As of the reporting date, the effect to the Group can not be estimated.

The land utilisation for recharging was recognised as illegal use by the government authority and Aleees believes it cannot provide recharge service due to the problem of land use right. The problem was caused by Hsinchu City Government handing over the land to Hsin Chu Bus Co., Ltd. which then commissioned Aleees to provide recharge service. However, Aleees was mandatorily asked to demolish any structures built on the land and recover the land, causing damages to Aleees. Thus, on July 6, 2017, Aleees filed for state compensation with the Hsinchu District Court against Hsinchu City Government, seeking for $10,000 as compensation, and retained the right of claim for the remaining amount. The case is under trial with the Hsinchu District Court (No.106- Zon-Guo--Zi-2) and in order to avoid the differences in the judgments between the case and the abovementioned Zon-Su-Zi-805, the court decided to cease the appeal procedures for Zon-Su-Zi-2. As of the reporting date, the ultimate outcome of the case cannot presently be determined.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31,	
	2019	2018
Property, plant and equipment	$ 6,240	$ 78,876

B. License reauthorization contract:

(a) The Group has signed a license reauthorisation contract with LiFePO4+C Licensing AG on July 4, 2011. The contract requires the Group to construct a plant and produce cathode materials for Lithium iron phosphate (LiFePO4) with annual production of 1,000 tons in Quebec, Canada during the extended 3 years as stated in the contract (before July 4, 2014).

(b) The Group assessed that the needs in American and European markets were lower than its expectation, thus, the Group and LiFePO4+C Licensing AG completed an amendment for the license reauthorisation contract on August 26, 2013. The amendment extends the construction of the plant and completing requirement for operation for 12 months, which is, to build a cathode materials plant with a minimum of annual production of 1,000 tons in Quebec, Canada as of July 4, 2015. If the Group fails to build the plant on schedule, LiFePO4+C Licensing AG has the right to claim an extension fee of US$300,000 and to terminate the license reauthorisation contract.

(c) The Group assessed the potential for growth in electric cars and energy storage system in Europe, U.S. and Canada. Thus, the Group and LiFePO4+C Licensing AG completed an amendment for the license reauthorisation contract on November 19, 2014. The amendment states that the Group can choose to build a powder plant, battery plant, battery module plant or electric bus system integration plant in Quebec, Canada, that the capital expenditure is at least US$6 million as of July 4, 2015, and that the average annual full-time employment is at least 10 employees as of July 4, 2018. If the Group fails to meet its obligations as stated in the amendment and thus influences rights of the license contract, there may be a significant impact on the Group’s operations and financials.

(d) As of December 31, 2019, the Group originally needed to build a cathode materials plant, battery plant, pack plant (battery module plant) or electric bus system integration plant by July 4, 2015; however, the Group and license authoriser, LiFePO4+C Licensing AG, both agreed that the current LFP material market is still in a competitive period. Both parties also agreed to negotiate and adjust the building construction plan to meet the future market demand and environment.

10. <u>SIGNIFICANT DISASTER LOSS</u>

None.

11. <u>SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE</u>

On February 26, 2020, the Board of Directors resolved the following:

A. To improve financial structure and offset accumulated deficit, the Company plans to reduce its capital in the amount of $1,115,540 and retire common shares amounting to 111,554 thousand shares.

B. Aiming to bolster competitiveness, the Company plans to raise cash capital for future business development, indirect investment and operating needs by issuing up to 15 million private ordinary shares.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio that are not to exceed 40% for the need of long-term stable capital resource, taking into account that the Group is within an emerging industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2019 and 2018 were as follows:

	December 31,	
	2019	2018
Total borrowings	$ 190,940	$ 321,066
Less: Cash and cash equivalents	(318,502)	(349,928)
Net debt	(127,562)	(28,862)
Total equity	1,376,705	1,495,434
Total capital	$ 1,249,143	$ 1,466,572
Debt to capital ratio	-	-

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 584,913	$ 749,725
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	90,127	103,742
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	318,502	349,928
Current financial assets at amortised cost, net	39,925	19,527
Notes receivable	76,737	29,147
Accounts receivable (including related parties)	24,913	19,850
Other receivables (including related parties)	3,175	94,502
Guarantee deposits paid (shown as 'Other current assets')	7,320	7,320
	$ 1,145,612	$ 1,373,741

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 73,964	$ 246,462
Notes payable	21,055	-
Accounts payable	14,492	6,589
Other accounts payable	233,589	233,869
Long-term borrowings (including current portion)	116,976	74,604
	$ 460,076	$ 561,524
Lease liabilities	$ 3,359	-

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group evaluates abovementioned risks periodically in order to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group expected that currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 3,645	29.98	$ 109,277
HKD : NTD	7,273	3.849	27,994
RMB : NTD	44,344	4.305	190,901
Non-monedary items			
HKD : NTD	$ 275,000	3.849	$ 1,058,475
RMB : NTD	22,500	4.305	96,863
Financial liabilities			
Monetary items			
USD : NTD	$ 1,235	29.98	$ 37,025
Non-monetary items			
RMB : NTD	$ 41,854	4.305	$ 180,181

	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 4,553	30.72	$ 139,868
HKD : NTD	28,159	3.921	110,411
RMB : NTD	62,325	4.472	278,717
Non-monedary items			
HKD : NTD	$ 275,000	3.921	$ 1,078,275
RMB : NTD	22,500	4.472	100,620
Financial liabilities			
Monetary items			
USD : NTD	$ 1,168	30.72	$ 35,881
Non-monetary items			
RMB : NTD	$ 58,061	4.472	$ 259,648

v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to $(12,450) and $(1,758), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2019		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income (loss)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 1,093	$ -
HKD : NTD	1%	280	-
RMB : NTD	1%	1,909	-
Non-monetary items			
HKD : NTD	1%	$ 10,585	$ -
RMB : NTD	1%	-	969
Financial liabilities			
Monetary items			
USD : NTD	1%	($ 370)	$ -
Non-monetary items			
RMB : NTD	1%	$ -	($ 1,802)

	Year ended December 31, 2018				
	Degree of variation	Effect on profit (loss)		Effect on other comprehensive income (loss)	
(Foreign currency : functional currency)					
Financial assets					
Monetary items					
USD : NTD	1%	$	1,399	$	-
HKD : NTD	1%		1,104		-
RMB : NTD	1%		2,787		-
Non-monetary items					
HKD : NTD	1%	$	10,783	$	-
RMB : NTD	1%		-		1,006
Financial liabilities					
Monetary items					
USD : NTD	1%	($	359)	$	-
Non-monetary items					
RMB : NTD	1%	$	-	($	2,596)

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as financial assets at fair value through other comprehensive income measured at fair value or at fair value through profit or loss.

ii. The Group's investments in equity securities is comprised of foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would change due to gains/losses on equity securities classified as at fair value through profit or loss, please refer to Note 12(3)H. Other components of investment would have increased/decreased by $901 and $1,037, respectively, as a result of other comprehensive income classified as investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings are at floating rates. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were denominated in NTD.

ii. At December 31, 2019 and 2018, if interest rates on NTD denominated borrowings had been 0.25% higher with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have been $477 and $782 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, including outstanding receivables and contractual cash flows of debt instruments at fair value through profit or loss. For bank and financial institutions, only institutions with good credit quality are accepted.

ii. The Group adopts the assumption under IFRS 9 that if the contract payments were past due over 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iii. In line with credit risk management procedure, the default occurs when the contract payments are not expected to be recovered and are reclassified to overdue receivables.

iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with product types. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

	Individual disclosure	Not past due	Up to 60 days past due	61-120 days past due	121-180 days past due	181-360 days past due	Over 360 days	Total
Expected loss rate	100%	0%	0%	0-1%	0-10%	0-51%	100%	
Total book value								
- Accounts receivable	$ 3,220	$ 10,083	$ -	$ -	$ -	$ 16,078	$ 100,932	$ 130,313
- Other receivables	$ 7,040	$ -	$ -	$ -	$ -	$ -	$ 49,848	$ 56,888
Loss allowance	$ 10,260	$ -	$ -	$ -	$ -	$ 1,248	$ 150,780	$ 162,288

	Individual disclosure	Not past due	Up to 60 days past due	61-120 days past due	121-180 days past due	181-360 days past due	Over 360 days	Total
Expected loss rate	100%	0%	0%	0-2%	0-14%	0-46%	100%	
Total book value								
- Accounts receivable	$ 8,478	$ 8,295	$ -	$ 147	$ -	$ 12,204	$ 100,861	$ 129,985
- Other receivables	$ -	$ 1	$ -	$ -	$ -	$ 3,265	$ 44,768	$ 48,034
Loss allowance	$ 8,478	$ -	$ -	$ -	$ -	$ 1,995	$ 145,629	$ 156,102

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019		
	Accounts receivable	Other receivables	Total
At January 1	$ 110,135	$ 45,967	$ 156,102
Provision for impairment	881	10,921	11,802
Writte-offs	(5,616)	-	(5,616)
At December 31	$ 105,400	$ 56,888	$ 162,288

	2018		
	Accounts receivable	Other receivables	Total
At January 1	$ 8,478	$ 15,232	$ 23,710
Adjustments under new standards	-	-	-
Provision for impairment	101,657	30,735	132,392
At December 31	$ 110,135	$ 45,967	$ 156,102

For provisioned loss in 2019 and 2018, the impairment losses arising from customers' contracts and other receivables are $11,802 and $132,392, respectively.

viii. The amount recognised under the financial assets at amortised cost are mainly restricted deposits. Such financial institutions are with high credit quality, so it expects that the probability of counterparty default is remote.

(c) Liquidity risk

i. Cash flow forecasting is performed and aggregated by Group treasury. Group treasury monitors rolling forecasts of the operating entities' liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii. The Group has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	$ 436,769	$ 263,538
Expiring more than one year	31,930	-
	$ 468,699	$ 263,538

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities	Within 1 year	Over 1 year	2 ~ 5 years	Over 5 years
December 31, 2019				
Short-term borrowings	$ 73,964	$ -	$ -	$ -
Notes payable	21,055	-	-	-
Accounts payable	14,492	-	-	-
Other payables	147,489	-	-	-
Other payables to related parties	86,100	-	-	-
Long-term borrowings (including current portion)	32,051	32,090	27,287	33,552
Lease liability	3,359	-	-	-

Non-derivative financial liabilities	Within 1 year	Over 1 year	2 ~ 5 years	Over 5 years
December 31, 2018				
Short-term borrowings	$ 246,462	$ -	$ -	$ -
Accounts payable	6,589	-	-	-
Other payables	144,429	-	-	-
Other payables to related parties	89,440	-	-	-
Long-term borrowings (including current portion)	23,506	23,946	31,174	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in convertible bonds and equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, restricted cash (shown as 'Other current asset and other non-current asset), short-term borrowings, notes payable, accounts payable, other payables and long-term liabilities (including current portion) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2019 and 2018 is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Convertible bonds	$ -	$ -	$ 584,913	$ 584,913
Financial assets at fair value through other comprensive income				
Equity securities	-	-	90,127	90,127
	$ -	$ -	$ 675,040	$ 675,040

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Convertible bonds	$ -	$ -	$ 749,725	$ 749,725
Financial assets at fair value through other comprensive income				
Equity securities	-	-	103,742	103,742
	$ -	$ -	$ 853,467	$ 853,467

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

(b) For high-complexity financial instruments, the fair value is measured by the appraiser assigned by the Group using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market and involve subjective judgement by the management and appraiser. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(8)H.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 3.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	
	Non-derivative instrument	Hybird instrument
At January 1	$ 103,742	$ 749,725
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	-	(164,812)
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(13,615)	-
At December 31	$ 90,127	$ 584,913

	2018	
	Non-derivative instrument	Hybird instrument
At January 1	$ -	$ 1,027,335
Acquired in the period	109,713	-
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	-	(277,610)
Gain or loss recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(5,971)	-
At December 31	$ 103,742	$ 749,725

G. The valuation for convertible bonds whose fair value is categorised as Level 3 is conducted by the appraiser assigned by the Group.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	90,127	Net asset value	N/A	N/A	N/A
Hybrid instrument:						
Convertible bonds	$	584,913	Asset value	N/A	N/A	N/A

		Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	103,742	Net asset value	N/A	N/A	N/A
Hybrid instrument:						
Convertible bonds	$	749,725	Binary tree model	Discount rate	14.70%	The lower the discount rate, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

December 31, 2019: There was no effect from changes in the valuation parameter.

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Hybrid instrument	Discount rate	±1%	$ 1,617	($ 1,510)	$ -	$ -

13. SUPPLEMENTARY DISCLOSURES

The disclosures on investee companies were based on financial statements audited by independent accountants and the following transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only. The related information on investee companies were translated using the average rates of USD: NTD = 1: 29.98 and USD: NTD = 1:30.91 for the year ended December 31, 2019 and as of December 31, 2019, respectively.

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports audited by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group manages through product types. Each significant product type needs a different technique and market strategy, thus, is individually disclosed in management information.

(2) Measurement of segment information

A. The accounting policies, judgements, assumptions and estimates of the operating segments are in agreement with the significant accounting policies summarised in Notes 4 and 5.

B. The Group's assets are shared and liabilities are managed and dispatched under unified policies; thus, under operating management, assets and liabilities are not allocated to each operating segment, financial income and expenses, profit or loss relating to investment and profit or loss on disposal of assets are not distributed to each operating segment, nor used for performance measurement, but are consolidated under 'other segments'.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2019:

	Materials	Electric vehicles	Others	Eliminations	Total
Inter-segment revenue - external customers	$ 388,079	$ -	$ -	$ -	$ 388,079
Total segment income (loss)	($ 236,737)	($ 11,212)	($ 31,267)	$ -	($ 279,216)

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

	Materials	Electric vehicles	Others	Eliminations	Total
Depreciation expense increased	$ 4,959	$ -	$ -	$ -	$ 4,959
Segment assets increased	$ 3,359	$ -	$ -	$ -	$ 3,359
Segment liabilities increased	$ 3,359	$ -	$ -	$ -	$ 3,359

Year ended December 31, 2018:

	Materials	Electric vehicles	Others	Eliminations	Total
Inter-segment revenue - external customers	$ 150,695	$ -	$ -	$ -	$ 150,695
Total segment income (loss)	($ 424,486)	($ 177,435)	($ 20,292)	$ -	($ 622,213)

(4) Reconciliation for segment income (loss) : None.

(5) Information on products and services

Revenue from external customers is mainly from sales of Lithium Iron Phosphate Nano Co-Crystalline Olivine (LEP-NCO) and key materials of Olivine-type structure lithium battery.

Details of revenue balance are as follows:

	Years ended December 31,	
	2019	2018
Battery powder	$ 388,079	$ 150,695

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 196,153	$ 251	$ 138,951	$ 10,443
South Korea	157,672	-	570	-
Japan	21,142	-	3,686	-
Italy	9,328	-	-	-
Taiwan	991	491,932	2,975	409,311
United Kingdom	-	83,148	-	108,733
Others	2,793	-	4,513	-
	$ 388,079	$ 575,331	$ 150,695	$ 528,487

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Segment	Revenue	Segment
E	$ 159,668	Battery powder	$ -	Battery powder
D	56,147	Battery powder	8,369	Battery powder
A	23,996	Battery powder	38,465	Battery powder
B	-	Battery powder	34,791	Battery powder

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Other receivables - related parties	Y	$ 310,000	$ 190,000	$ 113,131	-	Short-term financing	$ -	Working capital financing	$ -	None	$ -	$ 317,200	$ 317,200	
2	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Other receivables - related parties	Y	90,000	90,000	-	-	Short-term financing	-	Working capital financing	-	None	-	317,200	317,200	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: The column of "Nature of loan" shall fill in "Business transaction" or "Short-term financing".

Note 3: (1)For the Company’s loans to investees companies accounted for using equity method, the ceiling of the total lending is 40% of the parent company’s net assets while the ceiling of individual lending is 40% of the parent company’s net assets;

(2)For loans of the subsidiary - Advanced Lithium Electrochemistry Co., Ltd. To affiliates, the ceiling of the total leanding is 40% of the lending company's net assets while the ceiling of individual lending is 40% of the lending company's net assets.

Note 4: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down (Note 4)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(2)	1,376,705	628,000	628,000	628,000	-	45.62%	1,376,705	Y	N	N	
1	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	(2)	1,376,705	92,060	-	-	-	-	1,376,705	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Unless agreed by stockholders, the ceiling of the Company's guarantee to other companies and individual entity is 50% of the Company's net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling the celing of the Company and its subsidiaries' guarantee to other companies and individual entity is 50% of the Company's net assets based on the latest financial statements audited or reviewed by independent accountants. The Company may provide endorsements and guarantees to the entities that are directly or indirectly owned by the Company for more than 90% ownership as logn as the total amount is not higher than 10% of the Company's net worth. For the entities that are 100% directly or indirectly owned by the Company are not subject to the 10% net woth limit.

Note 4: The amount drawn down is the actual credit line endorsees / guarantees obtained from banks.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	FDG Electric Vehicles Limited convertible bonds	Investment company that has significant influence on the Group	Non-current financial assets at fair value through profit or loss, mandatorily measured at fair value	27.5 (Note)	$ 584,913	-	$ 584,913	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Alees (Gui Zhou) Co, Ltd. capital contribution	Other related parties	Non-current financial assets at fair value through other comprehensive income	-	90,127	9%	90,127	

Note：HKD 10 million per unit.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty (Note 1)	Relationship with the investor (Note 1)	Balance as at January 1, 2019		Addition		Disposal (Note 2)				Balance as at December 31, 2019	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount (Note 3)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Investments accounted for under equity method	-	-	94,246,125	$ 647,284	43,200,996	$ 432,010	99,996	$ -	$ 1,000	$ -	137,347,125	$ 792,999

Note 1:Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 2: It refers to the capital reduction of the Company’s subsidiary, Advanced Lithium Electrochemistry Co., Ltd.

Note 3: The amount includes the investment income (loss), the cumulative translation adjustment and the adjustment of sidestream transactions between subsidiaries.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Subsidiary	$ 113,131	-	$ 113,131	-	$ 113,131	$ -
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Subsidiary	72,333	0.38	48,052	-	15,033	-

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Other receivables	$ 113,131	Note 5	6%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Accounts receivable	72,333	Collection term is 120 days from the first day of the month following the month of sales.	4%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Sales	80,221	Collection term is 120 days from the first day of the month following the month of sales.	21%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	2	Operating expenses	25,584	Executed according to license and authorization contrac	7%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories;

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No further disclosure of counterparty transactions, and disclosure standard of significant transactions is above $20 million.

Note 5: It refers to loans between affiliates.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including uinvestees in Mainland China)

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Taiwan	Research, manufacturing and sale of LFP-NCO and key materials of olivine-type structure lithium battery	$ 1,925,514	$ 1,494,504	137,347,125	100	$ 792,999	($ 283,586)	($ 277,213)	Subsidiary (Note 1)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of batteries,cars and peripherals	1,675,000	1,675,000	52,800,000	100	(3,751)	1,353	1,353	Subsidiary (Note 2)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investments	456,378	376,295	14,770,000	100	(88,656)	(1,886)	(1,886)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Emerald Battery Technologies Co., Ltd.	Taiwan	Manufacturing and distribution of battery and its peripherals	36,000	60,000	3,600,000	24	1,395	(3,451)	(828)	Equity method

Note 1: Unrealised gain on sidestream intercompany transaction was included.

Note 2: The Board of Directors during its meeting on December 28, 2018 resolved the dissolution of the subsidiary, Aleees Eco Ark Co., Ltd., and the date of dissolution was on December 31, 2018. It is under the liquidation.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	$344,668	Note 1	$ -	$ -	$ -	$ -	($ 1,048)	100	($ 1,048)	($ 180,181)	$ -	
Shanghai Licang New Energy Technology Co., Ltd.	Design of battery and trading	4,506	Note 1	-	-	-	-	(2,660)	25	(739)	-	-	Note 3

Company name (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	$ -	$ -	$ -
Shanghai Licang New Energy Technology Co., Ltd.	-	-	-

Note 1: The investment in the investee companies are remitted by the parent company-Advanced Lithium Electrochemistry (Cayman) Co., Ltd. through investing in an existing company in the third area -Advanced Lithum Electrochemistry (HK) Co., Limited,which then invested in the investee in Mainland China.Thus, the investment amounts are not applicable for disclosure.

Note 2: Information based on financial statements audited by the parent company’s independent accountants.

Note 3: Shanghai Licang New Energy Technology Co., Ltd. had been liquidated in November 2019.