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Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Annual Report 2013

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Company Website: http://www.aleees.com
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THIS IS A TRANSLATION OF THE 2013 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: Sheng-Shih Chang Chairman cum CEO Email: ir@alechem.com
Deputy Spokesperson: Ching-Chen Wu Finance Manager,
Finance Dept., Advanced Lithium Electrochemistry Co., Ltd. Email: ir@alechem.com
Deputy Spokesperson: Jamie Lee, Manager, Investor Relations Department,
Finance Division, Advanced Lithium Electrochemistry Co., Ltd. Email: ir@alechem.com
Contact Tel: 886-3-3689520
Name of Domestic Litigation/Non-Litigation Agent: Email:ir@alechem.com
Spokesperson: Sheng-Shih Chang Chairman cum CEO
Contact Tel: 886-3-3689520

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, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan
Website: http://www.aleees.com	Tel: (886) 3-368-9520

(ii) Subsidiary

Advanced Lithium Electrochemistry Co., Ltd.	Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan
Website: http://www.aleees.com	Tel: (886)3-368-9520
ALEEES ECO ARK (Cayman) CO., LTD.	Address: 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands
Website: http://www.aleees.com	Tel: (886) 3-368-9520
Aleees Eco Ark Co., Ltd.	Address: No.72, Youlian St., Bade City, Taoyuan County, Taiwan
Website: http://www.aleees.com	Tel: (886) 3-368-9520
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) 3-368-9520
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	Address: 1st, Building 53, No.1089, Qinzhou North Road, Xuhui District, Shanghai, China
Website: http://www.aleees.com	Tel: (86) 21-6420-1418

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

Name: The Capital Group, Brokerage Dept.	Address: B2, No. 97, Dunhua S. Rd., Daan District, Taipei City
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, Ya-Hui Cheng	
Name of Accounting Firm: PwC Taiwan	Address: 5F, No. 2, Hsinchu Science Park, Industrial E. 3rd Rd., Hsinchu City
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 Company board of directors:

As of Apr 25, 2014

Title	Name	Nationality	Academic Qualifications/Experience
Chairman	Sheng-Shih Chang	Taiwanese	Juris Doctorate, 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 Manager, Pacific Technology Inc.
Director	Tian-Lai Wang	Taiwanese	Department of Mechanical Drawing, Jui-Fang Industrial High School Chairman, Fair Electronics Co., Ltd. Chairman, Waffer Technologies Corp. Director, Raytrend Technology Co., Ltd.
Director	Chung-Shih Pien	Taiwanese	EMBA, National Taiwan University Representative, QVT Asia Pacific Ltd. VP, SinoPac Management Consulting Co., Ltd. VP, FIH Regent Group
Director	Chung-Ho Tai	Taiwanese	MBA, Tamkang University Founder, Acer Group
Director	Chang Chuen Investment Co., Ltd Representative: Chi-Chuen Chen	Taiwanese	MBA, National Taiwan University Asst. Supervisor, Yongfeng Paper Co. Ltd. Supervisor, Ruentex Development Co. Ltd. VP, Kwang Hua Securities
Director	Yi Tai Fund Co. Representative: Cheng-Wei Ma	Taiwanese	Masters in Finance, National Chung Cheng University Finance Jr. Manager, Ruentex Development Co., Ltd. Asst. Project Manager, Ruentex Cement Co., Ltd.
Independent Director	Wei-Min Sheng	Taiwanese	Doctorate, 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 Independent Director of Feature Integration Technology Inc.
Independent Director	Ming-Teh Wang	Taiwanese	PhD. in Building Management, Department of Civil Engineering, MIT Vice President of Chung Hua University and dean of the College of Architecture and Design of Chung Hua University President of the Dispute Resolution Board of the Arbitration Association of the R.O.C President of the Taiwan Construction Law Association
Independent Director	Chien-Yuan Lin	Taiwanese	PhD. Transport Engineering, Washington University Deputy Mayor of the Taipei City Government, Commissioner of the Department of Finance of the Taipei City Government Asst. Professor of the Department of Transportation Technology and Management of National Taiwan University Research Engineer of KLD Construction Corp

Table of Content

I. Shareholders' Report

2013 has been an arduous year for the global industry of cathode materials for lithium ferrous phosphate (LFP) batteries. The new energy policy in Mainland China has been uncertain and the market has entered into a situation competing against elimination. Our Company has been relentless in our efforts to push forward our business in electric buses, however due to both unfavorable factors as mentioned earlier, our consolidated revenue of NTD577,069,000 has declined by 11.7% as compared to 2012.

On the aspect of business operations, 2013 has been a rather important year for the Company, not only have we been awarded the "National Sustainable Development Award" by the Taiwan government, we are also officially listed on GTSM on Dec 19. Such honor comes with greater responsibility. Looking forward to the year ahead, the Company will continue to advocate corporate social responsibility and create a sustainable operating environment that is friendly in responding to employees, suppliers, shareholders, government, NGOs and needs required by members of the community. We strive to accomplish a more favorable operating environment, enhance our operational efficiency and create corporate value.

<u>Overview of the Business Plan</u>

Our Company has always upheld continuous innovation, pushing forward hybrid power and other green energy as our due responsibility. As green energy policies continue to evolve, from the long cycle life of development for cathode materials to its application on batteries, energy storage systems, integrating resources carrying systems to build an intelligent battery swap station and rental system, our means of handy customer services will successfully integrate downstream, midstream and upstream partners. Through grasping both ends of the supply chain, we will create a new operation model.

<u>Financial Income and Expenses and Profitability Analysis</u>

The 2013 consolidated revenue of the Company is NTD577,069,000, declining by 11.7% as compared to 2012. Our profitability is presented as follows:

			Unit: K NTD
	Item	2013	2012
Financial Income and Expenses	Operating revenues	577,069	653,251
	Gross Operating Profit	30,248	212,399
	Net Operating Profit	(405,330)	(186,976)
Profitability	Gross Profit %	5%	33%
	Net Profit %	-70%	-29%

Note: Prepared according to IFRS.

<u>Status on R&D</u>

(i) Lithium ferrous phosphate battery (LFP) and cathode materials

1. Continue to improve and enhance the functionality of existing products.
2. Introduce updated nano-powder design and post processing technology of nano-powder to fulfill all types of customization requirements for our customers.
3. Introduce the latest type of spray drying granulation technology to elevate our processing functionality for customers and enabling the functionality of cathode materials to be even more refined.
4. Develop high voltage olivine-structured cathode materials to effectively increase its energy density.

5. Actively seek out various research institutes to start out on joint development projects, thereby developing newer type of battery management system and electrolyte additives to improve the lifecycle of batteries.

(ii) Electric bus, battery rental and battery charging/swap station businesses

1. Engage in the development and safety tests of 10.5 ton electric trucks and 10.5 ton garbage trucks.
2. Engage in large scale development and safety tests of low-floor vehicles with electric wheel-hub systems.

Future growth strategy of the Company

(i) Cathode materials for LFP batteries

1. Introduce new type of materials to penetrate the market.
2. Open up new markets and customers.
3. Focus actively on developing targeted application market.
4. Build up a patent protection umbrella and accelerate market promotion.

(ii) Electric bus, battery rental and battery charging/swap station businesses

1. Reinforce the design and technological capabilities of Company products to maintain the competitive advantage of the Company in automotive integrated technologies.
2. Provide customers with complete solution.
3. Prioritize on marketing in the short term to build awareness and reliability of our brand name.
4. Actively engage in the development of the electric bus market in Mainland China.

Finally, I want to thank all shareholders, customers and employees for your goodwill and support. Let us together work hand in hand to create a better and successful future.

Chairman Sheng-Shih Chang

II. Company Profile

1. Introduction of Company and Group

(i) Date of Establishment and Introduction of Group

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. was an investment holding Company established on Nov 16, 2007. The organization structure of the Group is separated into two divisions according to their business operations. One of which is the production, R&D and sales & marketing of cathode materials for LFP batteries; the other division is the manufacture, R&D and sales & marketing of electric buses as well as battery rental and battery charging/swap station businesses, which all falls under the emerging industry of new energy technologies.

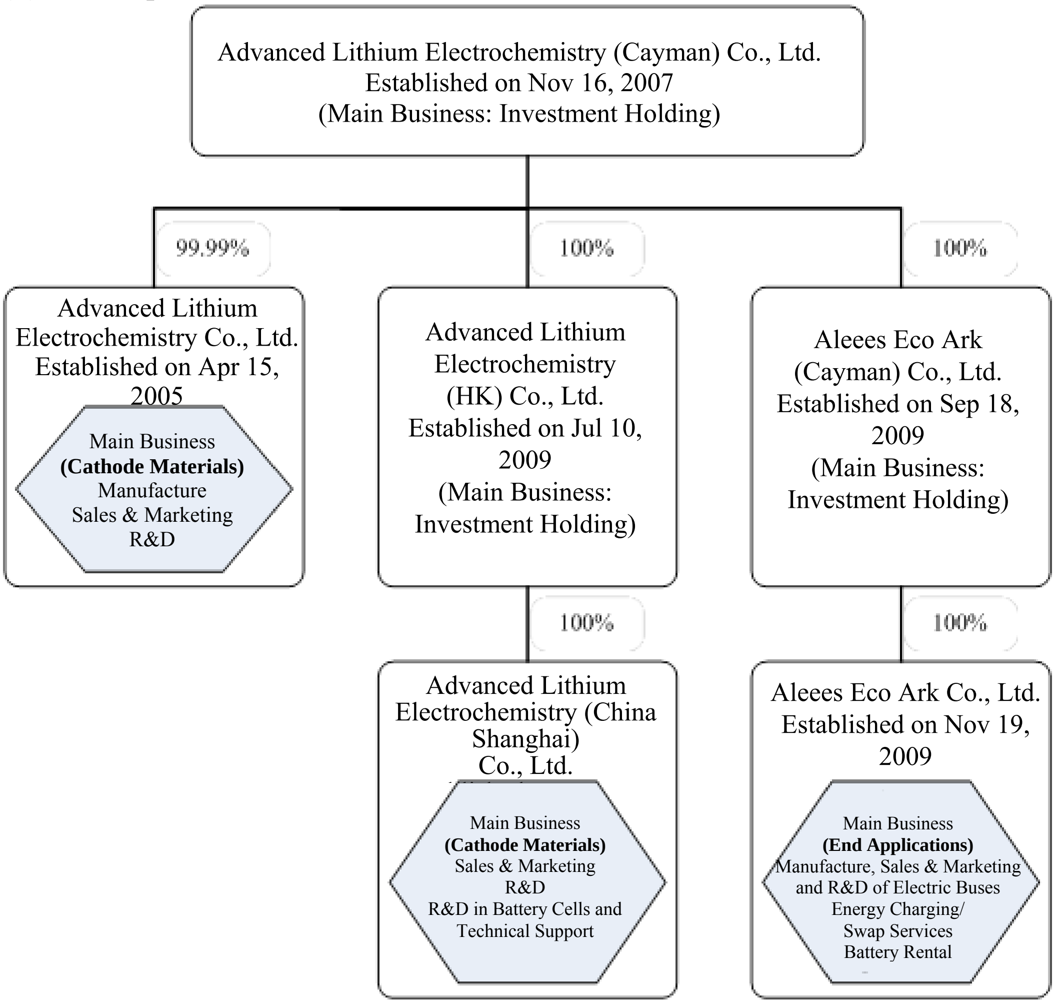
The Group started out with its foothold in Aleees Taiwan which was established on Apr 15, 2005. Since its establishment, we have been relentlessly developing olivine-structured cathode materials which are a critical driving force in the positioning of lithium-ion batteries, and setting our development focus on the key technology roadmap of extending battery lifespan and improving energy density. With our main business domain being the end product application of electric cars and energy storage businesses, through our self-developed LFP NanoCocrystalline Olivine (LFP-NCO) patent, and 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 polices on energy savings to reduce carbon emission. All types of subsidies have been put forward to incentivize low carbon emission and environmental friendly an, green energy industries. As the multitude of policies is being put forward, the green energy and electric car industry have started to become a massive growth potential. With our extensive R&D and production experience accumulated over the years, and our understanding and confidence towards lithium battery modules, we have thus set up Aleees Eco Ark (Taiwan) on Nov 19, 2009, focusing our efforts on the R&D, manufacture and sales & marketing of electric buses as well as battery rental and battery charging/swap station businesses.

Our Group has been deploying 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 base, and capitalize on the end application domain – electric bus and battery charging/swap businesses for the direction of our upstream and downstream integrated growth. The following is a description of the operational functions of the organizations in our respective major subsidiaries:

(1) Cathode Powders Business		
Company Name	Established Location	Operational Function
Aleees (Taiwan)	Taiwan	Production, R&D and sales & marketing of cathode materials for LFP batteries.
Aleees (HK)	Hong Kong	Investment holding, reinvestment in Aleees SH.
Aleees SH	Mainland China	(1) Sales and marketing of cathode materials for LFP batteries (2) Establishment of battery laboratory, provides customers with technical support.

(2) Electric Bus and Battery Services cum Battery Charging/Swap Businesses		
Aleees Eco Ark (Cayman)	Cayman Islands	Investment holding, reinvestment in Aleees Eco Ark (Taiwan).
Aleees Eco Ark (Taiwan)	Taiwan	(1) Manufacture, R&D and sales & marketing of electric buses (2) Battery rental and battery charging/swap businesses

(ii) Group Structure



(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 City, Taiwan — Tel: (886) 3-368-9520

2. Main Operating Location

Advanced Lithium Electrochemistry Co., Ltd.
Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan — Tel: (886) 3-368-9520

Aleees Eco Ark Co., Ltd.
Address: No.72, Youlian St., Bade City, Taoyuan County, Taiwan — Tel: (886) 3-368-9520

Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd. Address: 1st, Building 53, No.1089, Qinzhou North Road, Xuhui District, Shanghai, China	Tel: (86) 21-6420-1418

3. Investment Holding Subsidiaries

ALEEES ECO ARK (Cayman) Co., Ltd. Address: 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	Tel: (886) 3-368-9520
Advanced Lithium Electrochemistry (HK) Co., Ltd. Address: Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong	Tel: (886) 3-368-9520

(iv) Company Chronicle of Events

Date	Major Events
April 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 deployment in 8 countries and 4 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 study of base materials with NSRRC Taiwan.
Jul 2008	Advanced Lithium Electrochemistry (ShangHai) Co., Ltd. was established
Nov 2008	Aleees Taiwan formally starts 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 Goodenough patent and Carbon-coating patent.
Aug 2011	Aleees Taiwan passed through the TTQS training quality evaluation conducted by 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 the invitation from Boston in the U.S., to give a keynote speech in the 220th ECS Meeting
Dec 2011	Aleees Eco Ark (Taiwan) received 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 through the OHSAS18001:2007 certification (Occupational Safety and Hygiene Management System).
Mar 2012	Aleees Taiwan passed through the TS16949:2009 certification (Automotive Supplier Quality Management System)

Date	Major Events
Jun 2012	Aleees Eco Ark (Taiwan) signed the electric bus procurement agreement with Hsin Chu Bus Co.
Aug 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Chungli 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 low carbon emission actions taken.
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 through 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 Group held the “Arts and Fun Fest with You” event to give back to the local low income residents with donation of household resources and care for the underprivileged. We led our employee to experience volunteer work and take the lead to advocate our remarkable corporate culture.
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with CHTC Bonluck Bus Co., Ltd.
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with Yuyao City People’s Government in Zhejiang Province.
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 Group set up the Bade Research Center
Apr 2014	In response to the global 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.

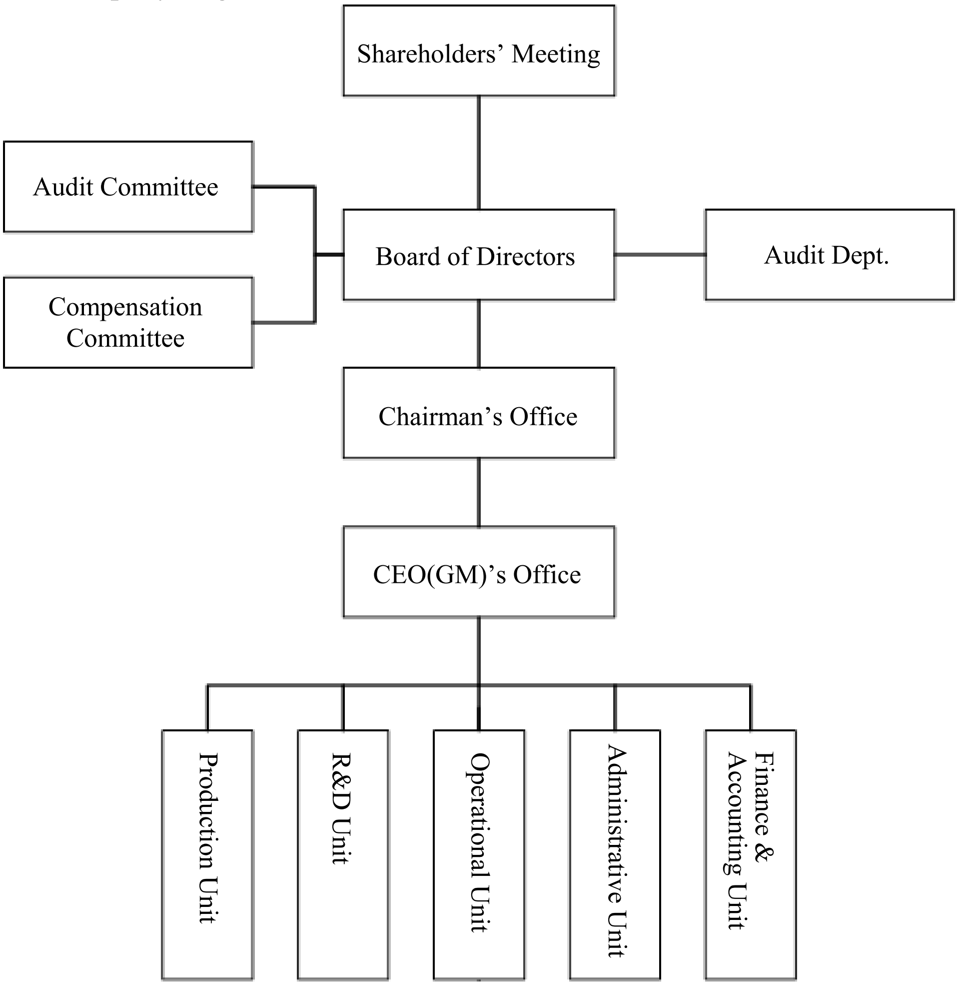
2. Risk Matters

Please refer to the current year annual report from page 109 to page 119.

III. Corporate Governance Report

1. Management System

(i) Company Organization Chart: As of Dec 31, 2013



(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 planning and implementation of the 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 competitors. Determine the business direction and long/short term goals of the Company, and achieve cost savings, continuous expansion of R&D resources and

<table>
<tr><th colspan="2">Department Name</th><th>Work Scope</th></tr>
<tr><td colspan="2"></td><td>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.</td></tr>
<tr><td rowspan="2">Production Units</td><td>Aleees Taiwan</td><td>• Take charge of production for 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 formulate and implement the product QA system.
• Implement the product quality targets/benchmarks of the Company according to nature of organizational functions.
• Implement and execute performance management of sampling evaluation through activities of quality audit 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 be oriented toward customer services in the handling of customer complaints and product returns regarding quality issues.</td></tr>
<tr><td>Aleees Eco Ark (Taiwan)</td><td>• Take charge of the formulation and execution with regards to the production and production planning of electric buses.
• Establish quality engineering; continue to apply quality manufacturing processes to attain reasonable cost control to satisfy internal and external requirements.</td></tr>
<tr><td rowspan="3">R&D Units</td><td>Aleees Taiwan</td><td>• Development of the Company’s improvement methods for all materials and manufacturing processes of batteries and power source management system module.
• Take charge of the set up, quality improvement of manufacturing process development and enhancement of reliability test certification for new product development and manufacturing processes.</td></tr>
<tr><td>Aleees SH</td><td>• Customer pre-sales and after-sales technical services.
• Functional testing of all batteries and formula research.
• Testing and development of batteries and battery modules.</td></tr>
<tr><td>Aleees Eco Ark (Taiwan)</td><td>• Take charge of the development of electric buses and new product design improvements.
• Take charge of data collection and management tasks during the R&D process of electric buses and the acknowledgement of test and test components during the different stages of R&D.
• Take charge of the design, planning, R&D and construction of the battery system and battery swap station.</td></tr>
</table>

Department Name		Work Scope
Operational Units	Aleees Taiwan	• Take charge of the sales & marketing of all products and supplier management. Manage the development of all products, deployment of product lines and relevant management. Gathering of data and development in new markets. • Manage and arrangement of all raw materials and materials required for production and cargo shipment matters. • Take 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. • Gather and collate market data and have a good grasp of global dynamics. • Overall planning of the Company's marketing and market development activities.
	Aleees SH	• Take charge of the sales & marketing of all products and supplier management. Gathering of data and development in new markets. • Manage and arrange cargo shipment matters from Taiwan to Mainland China and end customers. • Take 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.
Administrative Units		• Manage general administration, human resource management, educational training, vendor management and supporting operations, asset management and the implementation and filing of DCC. • Take charge of procurement for instruments and equipment, raw materials, semi-finished goods, products, consumables, spare parts, tracking of engineering works, 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 plan 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. • Take 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. • Provide support to relevant affairs with regards to the

Department Name	Work Scope
	electric bus demonstration activities, battery swap stations and battery management.
Finance and Accounting Units	• Take 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. • Take 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

(i) Name of Directors, shareholdings, academic qualifications and experience (The Company has not appointed any supervisors but has set up an audit committee)

As of Apr 25, 2014

Title	Name	Date of on Board (yy/mm/dd)	Term	Date of on Board for the First Time (yy/mm/dd)	Shareholding When on Board		Shareholding for the Time Being		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		
					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	Relation
Chairman cum CEO	Sheng-Shih Chang	2011/06/27	3	2009/02/10	1,001,250	2.91%	2,903,661	2.04%	–	–	–	–	• Juris Doctorate, National Taiwan Normal University • Juris Master, National Taiwan Normal University • Asst. Professor, China University of Science and Technology •Tamura Corporation Shanghai Branch -Legal Representative • ,General Manager of Neso Technology Limited in Greater China, Pou Chen Group • Manager, Pacific Technology Inc.	Note 1	–	–	–
Director	Tian-Lai Wang	2011/06/27	3	2007/11/16	2,129,760	6.20%	12,007,993	8.45%	–	–	–	–	• Department of Mechanical Drawing, Jui-Fang • Industrial High School • Chairman, Fair Electronics Co., Ltd. • Chairman, Waffer Techonology Corp. •Director, Raytrend Technology Co., Ltd.	Note 2	–	–	–
Director	Chung-Shih Pien	2011/06/27	3	2007/11/16	60,000	0.17%	197,464	0.14%	–	–	–	–	• EMBA, National Taiwan University • BS in Chemical Engineering, National Taiwan University • Representative, QVT Asia Pacific Ltd. • VP, SinoPac Management Consulting Co., Ltd. • VP, FIH Regent Group • LK Tong Group - Director of Planning Office • ProMD Biotech Co., Ltd. - President •Shing Yen Construction Development Co., Ltd, -Vice President	Note 3	–	–	–
Director	Chung-Ho Tai	2011/06/27	3	2011/06/27	224,223	0.65%	672,665	0.47%	709,627	0.50%	–	–	• MBA, Tamkang University • Founder, Acer Inc.	Note 4	–	–	–
Director	Chang Chuen Investment Co., Ltd.	2011/10/31	Same appointment tenure as this term	2011/10/31	6,803,615	6.60%	11,724,111	8.25%	–	–	–	–	–	Note 5	–	–	–
	Appointed representative: Chih-Chuan Chen				112,390	0.11%	139,663	0.10%	–	–	–	–	Academic Qualifications/Experience of Representative Chih-Chuan Chen •MBA, Graduate Institute of Commerce, National Taiwan University • BS in Chemical Engineering, National Taiwan University •Yuen Foong Paper Co., Ltd. -Vice Director •Ruentex Development Co., Ltd. -Supervisor •Guan Hua Securities Co., Ltd.-Vice President	Note 6	–	–	–
Director	Yi Tai Fund Co.	2011/10/31	Same appointment tenure as this term	2011/10/31	4,806,469	4.66%	5,972,898	4.20%	–	–	–	–	–	Note 7	–	–	–
	Appointed representative: Cheng-Wei Ma				–	–	–	–	–	–	–	–	Academic Qualifications/Experience of Representative Cheng-Wei Ma •Master, Graduate Institute of Finance, National Chung Cheng University •Ruentex Development Co., Ltd. –Financial Junior Manager	Note 8	–	–	–

Title	Name	Date of on Board (yy/mm/dd)	Term	Date of on Board for the First Time (yy/mm/dd)	Shareholding When on Board		Shareholding for the Time Being		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		
					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	Relation
													•Ruentex Cement Co., LTD.- Project Assistant Manager				
Independent Director	Wei-Min Sheng	2011/6/27	3	2011/6/27	0	0	0	0	–	–	–	–	• Ph.D. in Accounting, Purdue University • MS in Accounting, Northwestern University • MBA Finance, Indiana University • BBA in accounting, National Chengchi 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 •Dean and Associate Professor, Dept. of Accounting, Tunghai University	Note 9			
Independent Director	Ming-Teh Wang	2011/6/27	3	2011/6/27	0	0	0	0	–	–	–	–	• PhD. in Building Management, Department of Civil Engineering, MIT •Master in Geotechnical engineering, Dept. of Civil Engineering, Rensselaer Polytechnic Institute •Master in Transportation Engineering, Dept. of Civil Engineering, National Taiwan University • Vice President of Chung Hua University and dean of the College of Architecture and Design of Chung Hua University • President of the Dispute Resolution Board of the Arbitration Association of the R.O.C •2nd Chairman of Taiwan Construction Law Association •Commissioner of Urban Planning Commission, Taipei County • President of the Taiwan Construction Law Association •Director of Chinese Institute of Civil and Hydraulic Engineering cum Chief Commissioner of International Relationship Committee •Review Member of Council for Economic Planning and Development, Executive Yuan	Note 10	–	–	–
Independent Director	Chien-Yuan Lin	2012/6/19	Same appointment tenure as this term	2012/6/19	0	0	0	0	–	–	–	–	• PhD. Transport Engineering, Washington University •Master in Urban Planning, National Taiwan University •BA in Land Economics, National Chengchi University • Deputy Mayor of the Taipei City Government • Commissioner of the Department of Finance of the Taipei City Government • Asst. Professor of the Department of Transportation Technology and Management of National Taiwan University •Associate Professor, Dept. of Transportation Engineering and Management, National Chiao Tung University • Research Engineer of KLD Construction Corp •Technician, Division of Housing and Economic Development, Council for Economic Planning and Development, Executive Yuan	Note 11			

Note 1： Concurrent Positions in this Company and other companies: Chairman of Aleees (Taiwan), Chairman of Aleees SH, Director of Aleees Eco Ark(Taiwan), Director of Aleees (HK), Director of Aleees Eco Ark (Cayman), Legal Representative Director of Empire Energy Co., Ltd., Legal Representative Director of Emerald Battery Technologies Co., Ltd., for a total of 7 companies.

Note 2： Concurrent Positions in this Company and other companies: Supervisor of Aleees SH, Director of Aleees (Taiwan), Director of Aleees Eco Ark (Taiwan), Chairman of Emerald Battery Technologies Co., Ltd., Director of Amazing Microelectronic Corp., Chairman of VeriSonix Corporation, Chairman of Celiotec Inc., Director of Taiwan Electrets Electronics Corporation, for a total of 8 companies.

Note 3： Concurrent Positions in this Company and other companies: Supervisor of Aleees (Taiwan), Supervisor of Aleees Eco Ark (Taiwan), Director of Hong Kong Gulf Energy Company Limited, Director of Helix Micro Inc. of USA, Director of iDesyn Semiconductor Corporation, Director of Airoha Technology Corp., Director of Sinonar Corp., Director of Linkwin Technology Co., Ltd., Chairman of Hao Yu Management Consulting Corp., Director of Anhui Biochem United Pharmaceutical Co., Ltd., Director of Wuxi Zhongke Guanyuan Biotech Material Co., Ltd., Director of China Material Technology Corp. (Cayman), for a total of 12 companies.

Note 4： Concurrent Positions in this Company and other companies: Chairman: Investor Capital Inc., Richtek Technology Corporation, DIGITIMES Inc.；Legal Representative Chairman: Jasper Display Corporation, Hsu Tzu Eletronic Co., Ltd.; Director: Aleees (Taiwan), Aleees Eco Ark (Taiwan), Wafer Works Corporation, Fullerton Technology Co., Ltd., Chief Telecom Inc., AIESEC Taiwan, Capella Microsystems（Taiwan）Inc., D-Link Corporation, Rafael Microelectronics, Inc.；Legal Representative Director：Wafer Works Optronics Corp., Evest Corporation, MuChip Co., Ltd., Claridy Solutions, Inc., InComm Technologies Co., Ltd. ；Independent Director：Logah Technology Corp., Waffer Technology Corp. ；Supervisor：Ares International Corp., for a total of 22 companies.

Note 5： Concurrent Positions in this Company and other companies: Chairman of Yin Chia Investment Co., Ltd., Chairman of Ruentex Textile Plant Co., Ltd., Director of Ruen Chen Investment Holding Ltd., Chairman of TaiMed Biologics Inc., for a total of 4 companies.

Note 6： Concurrent Positions in this Company and other companies: Director：Yin Xun-Ruo Educational Foundation, Shu Tien Medical Group; Supervisor：Keng Cheng Manpower Assignment Co., Ltd., Sunny Friend Environmental Technology Co., Ltd.; Legal Representative Chairman：TaiMed Biologics Inc., Taifu Biotech Co., Ltd.; Legal Representative Director：Kuan Po Industrial Co., Ltd., Brainstorm Digital Communications Inc., Mithra Biotechnology Inc., Mass Solutions Technology Co. Ltd., Oneness Innovation Investment Co., Ltd., Trend Laser Technology Co., Ltd., Global Mobile Corp., Ruentex Biotech Co., Ltd., Ruentex Engineering & Construction Co., Ltd., Diamond BioFund Inc., Ruenhuei Biotech Corp. Inc., Hao Ke Investment Holding Co., Ltd.; Legal Representative Supervisor: Rt-Mart International Ltd., Ruentex Industries Ltd., Ruen Chen Investment Holding Ltd., Reunfu New Life Co., Ltd., Ruentex Security Co., Ltd., Rui Neng Creation Leisure Co., Ltd., Cotton Field Organic Co., Ltd.; for a total of 26 companies.

Note 7： Concurrent Positions in this Company and other companies: Director and Supervisor of Brainstorm Digital Communications Inc., Director of Diamond BioFund Inc., Supervisor of Hui Hong Investment Co., Ltd., Director of Sunny Friend Environmental Technology Co., Ltd., Supervisor of Cotton Field Organic Co., Ltd., for a total of 5 companies.

Note 8： Concurrent Positions in this Company and other companies: Financial Director of Hui Hong Investment Co., Ltd.; Legal Representative Supervisor: Brainstorm Digital Communications Inc., Mithra Biotechnology Inc., Mass Solutions Technology Co. Ltd., Ruentex Development Co., Ltd. ;Supervisor: Ruentex Biotech Co., Ltd.; for a total of 6 companies.

Note 9： Concurrent Positions in this Company and other companies: Independent Director of Skymedi Corporation, Independent Director of EPISTAR Corporation, Professor of Department of Public Finance and Taxation of National Taichung University of Science and Technology, for a total of 3 companies.

Note 10： Concurrent Positions in this Company and other companies: Independent Director of Continental Holdings Corp, Chairman of Taiwan BIM Technology Ltd., President of Construction Management Association of the Republic of China, President of the Taiwan Construction Law Association, Vice Director of Research Center of Law and Industrial Development of Dept. of Civil Engineering of National Taiwan University, Adjunct Associate Professor of Dept. of Civil Engineering of National Taiwan University, for a total of 6 companies.

Note 11： Concurrent Positions in this Company and other companies: Professor of Dept. of Building and Planning of National Taiwan University, Legal Representative Director of EasyCard Investment Holding Corporation, Legal Representative Director of EasyCard Corporation, Government Share Director of Taiwan Power Company, Independent Director of Ruentex Engineering & Construction Co., Ltd., Independent Director of Mos Burger, for a total of 6 companies.

1. Main shareholders of corporate shareholders

Date of data: April 25, 2014

Name of Corporate Shareholder	Main Shareholder of Corporate Shareholder	Shareholding Rate(%)
Chang Chuen Investment Co., Ltd.	Hui Hong Investment Co., Ltd.	48.00%
	Ruentex Textile Plant Co., Ltd.	33.00%
	Ruentex Development Co., Ltd.	19.00%
Yi Tai Fund Co.	Ren Ying Industrial Co., Ltd.	85.1%
	Ruentex Development Co., Ltd.	14.9%

2. Main shareholders being ones of a corporate

Date of data: April 25, 2014

Name of Corporate Shareholder	Main Shareholder of Corporate Shareholder	Shareholding Rate(%)
Hui Hong Investment Co., Ltd.	Ruentex Textile Plant Co., Ltd.	63.53%
	Ruentex Development Co., Ltd.	19.93%
	Yi Tai Fund Co.	16.54%
Ruentex Textile Plant Co., Ltd.	Ruentex Development Co., Ltd.	19.55%
	Ren Ying Industrial Co., Ltd.	19.14%
	Chang Chuen Investment Co., Ltd.	18.44%
	Hui Hong Investment Co., Ltd.	17.96%
	Samuel Yin	13.70%
	Chi-Fan Wang	6.55%
	Yin Xun-Ruo Educational Foundation	4.40%
	Chung-En Yin	0.26%
Ruentex Development Co., Ltd.	Samuel Yin	99.997%
	Chi-Fan Wang	0.003%
Ren Ying Industrial Co., Ltd.	Samuel Yin	92.86%
	Chi-Fan Wang	7.14%

3. Information of Directors and Supervisors Date of data: Apr 25, 2014

Terms / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Information(Note)										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	
Sheng-Shih Chang			✓				✓		✓	✓	✓	✓	✓	0
Tian-Lai Wang			✓	✓			✓	✓	✓		✓	✓	✓	0
Chung-Shih Pien			✓	✓		✓	✓		✓	✓	✓	✓	✓	0
Chung-Ho Tai			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	2
Chang Chuen Investment Co., Ltd. Appointed representative：Chih-Chuan Chen			✓	✓			✓		✓	✓	✓	✓		0
Yi Tai Fund Co. Appointed representative：Cheng-Wei Ma			✓	✓			✓		✓	✓	✓	✓		0
Ming-Teh Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei-Min Sheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chien-Yuan Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note : Please mark “V” in the column of the following terms which the concerned director/supervisor meets during the two years before being elected or during its term of office.

(1) Not an employee of the Company or 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 in which the company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not a natural person shareholder who holds shares, together with those held by the person’s spouse, minority or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as 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.

(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 holds shares ranked as top 5 in shareholding.

(6) Not a director, supervisor, manager, or shareholder holding 5 percent or more of the shares, of a specific company or institution that has a financial or business relationship with the Company.

(7) Not as a professional individual nor an owner, partner, director, supervisor, officer or one’ spouse of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its related companies. However, members of the compensation committee setting up or performing its duty under Article 7 Exercising of Authority based on the stock market or place of business of the securities broker where the company is traded, are excluded.

(8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.

(9) Not been a person or any conditions defined in Article 30 of the Company Law.

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

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

As of April 25, 2014

Title	Name	Date of 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		
			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	Sheng-Shih Chang	2007/11/16	2,903,661	2.04%	–	–	–	–	• 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 • Manager, Pacific Technology Inc.	• Aleees (Taiwan)-Chairman •Aleees SH- Chairman •Aleees Eco Ark (Taiwan)- Chairman • Empire Energy-Representative of Corporate Director • Emerald Battery Technologies -Representative of Corporate Director	–	–	–
Business Manager of the Operational Unit of this Company	Chih-Wei Yang	2011/04/01	1,371,911 (Note 2)	0.97%	–	–	–	–	•Tatung University- Department of Materials Engineering (Master) • Fortune Electronics Technology-Engineer • Mecom Industries -Engineer	•Aleees SH-Vice President (Note 3)	–	–	–
General Manager, Aleees Eco Ark (Taiwan)	Ching-Wen Wu	2011/03/01	504,002 (Note 2)	0.35%	–	–	–	–	•National Taiwan University of Science and Technology - Department of Industrial Management • G-TECH Optoelectronics -Salesman • Jifu Technology- Salesman • Hercules Machinery -Production Engineer	–	–	–	–
Manager of Audit Dept. of this Company	Ya-Ling Chuang	2012/10/04	13,000	0.01%	–	–	–	–	•Department of Accounting, Fu Jen Catholic University •Audix Corp.-Audit Staff • Loyalty Founder Enterprise-Accounting Officer • LEE Computer Co., Ltd -Accounting Specialist	–	–	–	–
Manager, Finance & Accounting Dept. of this Company	Hsing-Fang Tsai	2009/12/01	234,000 (Note 2)	0.16%	–	–	–	–	•Department of Accounting, Soochow University • Waffer Technology –Manager of Audit Office •Sung Pu Technology-Assistant Manager of Finance & Accounting Dept. • Cosmos Steel Sheet Co., Ltd. - Assistant Manager of Finance & Accounting Dept.	• Director of Financial Affairs Division , Aleees (Taiwan)	–	–	–
General Manager, Aleees (Taiwan)	Hsi-Chi Cheng	2014/01/01	121,227 (Note 2)	0.09%	–	–	–	–	•Master, Department of Mechanical Engineering, National Cheng Kung University •Coretronic Corp.-Suzhou, Vice President •Jenn Feng Industrial Co., Ltd.- Shanghai, Vice President •Yageo Corporation -Vice President •Sampo Corporation-Vice President	• General Manager, Aleees SH (Note 4)	–	–	–

Title	Name	Date of 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		
			Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate			Title	Name	Rela-tion
Director, Maket Division, Aleees Eco Ark (Taiwan)	Hsiu-Hsui Su	2014/01/01	474,002 (Note 2)	0.33%	–	–	–	–	• UNISA MBA •Samya Technology-Chief of Business Division • City-Net Technology -Business Manager •Chih Po Technology-Sales Assistant Manager	–	–	–	–
Director, R&D Dept., Aleees (Taiwan)	Han-Wei Hsieh	2012/05/01	485,002 (Note 2)	0.34%	52,998 (Note 2)	0.04%	–	–	•Master, Department of Environmental Science and Engineering, National Pingtung University of Science and Technology •Hsin Jui Tsun International Corp.-Chemical engineer •China Activated Carbon Industries Ltd.-Director of R&D Dept. •Aleees (Taiwan)-Chief of QA Dept. •Aleees (Taiwan)-Engineer of R&D Dept.	–	–	–	–
Director, R&D Dept., Aleees Eco Ark (Taiwan)	Hsun-Sheng Li	2012/07/01	44,998 (Note 2)	0.03%	–	–	–	–	•Dept. of Mechanical Engineering (5-year program college), Ta Hwa University of Science and Technology •Hui Ching Motor Industry Co., Ltd.- Deputy Section Manager •Feng Rong Iron Works Co., Ltd.-Section manager •Bao Jie Motor- Executive Assistant	–	–	–	–

Note 1: This date refers to the starting date that this personnel has assumed the current position, and not the start date in this Company.
Note 2: Includes no. of shares held in trust.
Note 3: Change in appointment of VP in Aleees SH with effect from Jan 1, 2014.
Note 4: Dual appointment as General Manager in Aleees SH with effect from Jan 1, 2014.

(iii) Compensation Paid to Directors, Supervisors, CEO (GM) and Vice Presidents in the Most Recent Year (2013)

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

Unit: K NTD

Title	Name	Compensation for Directors: Compensation (A): This Company	Compensation for Directors: Compensation (A): All Companies Specified in the Financial Statements	Compensation for Directors: Pension (B): This Company	Compensation for Directors: Pension (B): All Companies Specified in the Financial Statements	Compensation for Directors: Compensation from Earnings Distribution (C): This Company	Compensation for Directors: Compensation from Earnings Distribution (C): All Companies Specified in the Financial Statements	Compensation for Directors: Fees for Performance of Business (D): This Company	Compensation for Directors: Fees for Performance of Business (D): All Companies Specified in the Financial Statements	Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (Note 1): This Company	Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (Note 1): All Companies Specified in the Financial Statements	Compensation Received by Concurrent Employees: Wages, Bonus and Special Disbursement, etc. (E): This Company	Compensation Received by Concurrent Employees: Wages, Bonus and Special Disbursement, etc. (E): All Companies Specified in the Financial Statements	Compensation Received by Concurrent Employees: Pension (F): This Company	Compensation Received by Concurrent Employees: Pension (F): All Companies Specified in the Financial Statements	Employee Bonus from Earnings Distribution (G): This Company: Cash Bonus	Employee Bonus from Earnings Distribution (G): This Company: Share Bonus	Employee Bonus from Earnings Distribution (G): All Companies Specified in the Financial Statements: Cash Bonus	Employee Bonus from Earnings Distribution (G): All Companies Specified in the Financial Statements: Share Bonus	Number of Shares Granted under the Share Subscription Warrants for Employees (H): Homer Office	Number of Shares Granted under the Share Subscription Warrants for Employees (H): All Companies Specified in the Financial Statements	Number of the Restricted Shares for Employees (I): This Company	Number of the Restricted Shares for Employees (I): All Companies Specified in the Financial Statements	Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 1): This Company	Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 1): All Companies Specified in the Financial Statements	Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
Chairman cum CEO	Sheng-Shih Chang	–	–	–	–	–	–	–	–	–	–	–	3,000	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Tian-Lai Wang	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Chung-Shih Pien	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Chung-Ho Tai	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Representative of Chang Chuen Investment Co., Ltd.: Chih-Chuan Chen	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Director	Representative of Yi Tai Fund	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

	Co.: Cheng-Wei Ma																									
Independent Director	Wei-Min Sheng	420	420	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Independent Director	Ming-Teh Wang	420	420	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Independent Director	Chien-Yuan Lin	360	360	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

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

Pay Band of Compensation

All Types of the Compensation Paid to Each Respective Director of this Company	Names of Directors			
	Aggregate Amount of A, B, C and D		Aggregate Amount of A, B, C, D, E, F and G	
	This Company (Note 1)	All Companies Specified in the Financial Statements (Note 2)	This Company (Note 1)	All Companies Specified in the Financial Statements (Note 2)
Below $2,000,000	Wei-Min Sheng, Ming-Teh Wang, Chien-Yuan Lin	Wei-Min Sheng, Ming-Teh Wang, Chien-Yuan Lin	Wei-Min Sheng, Ming-Teh Wang, Chien-Yuan Lin	Wei-Min Sheng, Ming-Teh Wang, Chien-Yuan Lin
$2,000,000（inclusive）～$5,000,000（exclusive）	–	–	–	Sheng-Shih Chang
$5,000,000（inclusive）～$10,000,000（exclusive）	–	–	–	–
$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	3	3	3	4

Note 1: The names of the directors shall be disclosed in the relevant pay band for all respective compensation amount paid to each director of the Company.
Note 2: The consolidated financial statements include the amount for all types of compensation paid to each respective director of this Company by all companies (including this Company), and the names of the directors are disclosed in the relevant pay band.

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

3. Compensation of CEO, General Manager and VP

Title	Name	Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Bonus from Earnings Distribution				Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (%) (Note)		Amount of the Share Subscription Warrants for Employees Received		Number of the Employee Restricted Shares Received		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	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	1,232	4,657	—	—	—	1,803	—	—	—	—	—	—	—			—	—
General Manager, Aleees Eco Ark (Taiwan)	Ching-Wen Wu																	
Sales Manager of the Operational Unit of this Company cum General Manager of Aleees SH	Chih-Wei Yang																	

Note: Not applicable for losses incurred in this period.

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 $2,000,000	Sheng-Shih Chang/Ching-Wen Wu/Chih-Wei Yang	Ching-Wen Wu/Chih-Wei Yang
$2,000,000（inclusive）～$5,000,000（exclusive）	－	Sheng-Shih Chang
$5,000,000（inclusive）～$10,000,000（exclusive）	－	－
$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	3	3

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. Employee Bonus Sharing Granted to Management Team: Nil
5. Analyses and explanation about the percentages of the aggregate compensation paid to the directors and supervisors, CEOs, General Managers and VPs of this Company and all firms covered in the consolidated financial statements to the net earnings after taxes, the policy, standards and package, and the process of determining the compensation amount in relation to business performance.
   (1) Analyses of the percentages of the aggregate compensation paid to the directors and supervisors, CEOs, General Managers and VPs of this Company and all firms covered in the consolidated financial statements to the net earnings after taxes:

Unit: K NTD

Item	Year 2012				Year 2013			
	This Company		The consolidated financial statements		This Company		The consolidated financial statements	
	Amount	Amou nt	Amount	Amount	Amount	%	Amount	%
Director	1,077	－	1,077	－	1,200	－	1,200	－
CEO, General Manager and VP	1,228	－	6,934	－	1,232	－	7,692	－
Total	2,305		8,011		2,432		8,892	

Note: Losses incurred in 2012 and 2013, 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
      ① Compensation of directors is determined and paid in accordance to the level of participation and contribution to business operations of the Company by the director in the said position

② Compensation of CEOs, General Managers and VPs is determined according to the position, contribution made to the Company and with reference to industry standards, and processed according to Company HR bylaws.

3. Overview on Performance of Corporate Governance

(i) Performance on Board of Directors

During the period from Jan 24, 2013 to May 12, 2014, 13 board meetings were convened and the attendance status of all directors is as follows:

As of May 12, 2014

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Chairman	Sheng-Shih Chang	13	0	100%	Reelected. Reelected on June 27, 2011
Director	Tina-Lai Wang	12	1	92%	Reelected. Reelected on June 27, 2011
Director	Chung-Shih Pien	12	1	92%	Reelected. Reelected on June 27, 2011
Director	Chung-Ho Tai	8	3	62%	Newly elected. Elected on June 27, 2011
Director	Chang Chuen Investment Co., Ltd. Appointed representative：Chih-Chuan Chen	6	1	46%	Newly elected. Elected on October 31, 2011.
Director	Yi Tai Fund Co. Appointed representative：Cheng-Wei Ma	12	0	92%	Newly elected. Elected on October 31, 2011.
Independent Director	Wei-Min Sheng	11	2	85%	Newly elected. Elected on June 27, 2011
Independent Director	Ming-Teh Wang	9	4	69%	Newly elected. Elected on June 27, 2011
Independent Director	Chien-Yuan Lin	11	2	85%	Continually elected. Elected on June 19, 2012

Other remarks as required:

1. Matters enumerated under Article 14~3 of Securities and Exchange Act and other matters as objected or reserved by the independent directors which were recorded, declared in writing or resolved in the board of directors. Please elaborate on the details of the meeting date, session, agenda content, opinions of all independent directors and countermeasures taken by the Company in response to the opinions of the independent directors: None.
2. Implementation of avoidance from conflict of interests by directors about the issues involving their interests. Please enumerate the names of directors, contents of the agendas, causes of required withdrawal from a conflict of interest and results of voting: None
   (1) On Jan 24, 2013, in the second item on the agenda regarding the discussion of performance bonus for managers in 2012, Sheng-Shih Chang who holds the position of Chairman cum CEO abstained from voting in view of a conflict of interest.
   (2) On Jun 6, 2013, with regards to the sixth item on the agenda, as the discussion involves Aleees Eco Ark (Taiwan), an investee subsidiary of the Company, working on the development of BMS and EMS cases, and Chairman Sheng-Shih Chang and Director Tian-Lai Wang abstained from voting in view of a conflict of interest due to their concurrent appointment as Chairman and Director in a supplier Company, Emerald Battery Technologies, a supplier of Aleees.
   (3) On Dec 23, 2013, with regards to the discussion on item 5 of the agenda concerning the performance bonuses of managers for 2013, Sheng-Shih Chang who holds the position of Chairman cum CEO abstained from voting in view of a conflict of interest.
   (4) On May 12, 2014, with regards to the discussion on item 2 of the agenda concerning the nomination of independent directors by shareholders with more than 1% of total shares issued by the Company, the three independent directors respectively abstain from voting in view of a conflict of interest.
3. Evaluation on the status of execution with the purpose to reinforce the functions of the board of directors in the current and recent years (such as setting up of audit committee to enhance transparency): None.

(ii) Performance on the audit committee

During the period from Jan 24, 2013 to May 12, 2014, 13 board meetings were convened and the attendance status of independent directors is as follows:

As of May 12, 2014

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Independent Director	Wei-Min Sheng	13	0	100%	Newly elected. Elected on June 27, 2011.
Independent Director	Ming-Teh Wang	8	5	62%	Newly elected. Elected on June 27, 2011.
Independent Director	Chien-Yuan Lin	11	2	85%	Continually elected. Elected on June 19, 2012.

Other matters to be noted in the meeting minutes:

1. All items listed in Article 14-5 of the Securities and Exchange Act and others which have not been approved by the audit committee, and upon any proposal being adopted by 2/3 majority of the board of directors, the details of the meeting date, session, agenda content and the decision of the audit committee as well as the handling by the Company toward the opinion of the audit committee shall be expressly stated: None.
2. Execution status of abstention by independent directors due to resolutions which has conflict of interest, the name of the independent director, proposal contents, reason for conflict of interest and the participation status on voting shall be expressly stated: None.
3. The status of communications between independent directors and the internal audit manager and CPA (such as communications on Company finances and financial situation matters, methods and results). The internal audit manager has attended every one of the audit committee meetings to communicate with the audit committee members; the CPA will attend the audit committee meeting according to the needs of the meeting agenda.

(iii) The performance of corporate governance and the status on discrepancy and reasons in relation to the Corporate Governance Practices Rules of TWSE/GTSM-listed companies

Descriptions	Operating Status	Status on discrepancy and reasons in relation to the regulations governing the management practices of TWSE/GTSM-listed companies
1. The Company's share structures and shareholders' equity (1) The methods through which the Company acts in response to suggestions by shareholders and to solve disputes.	(1) The Company has assigned a designated person and email address to handle suggestions or disputes of shareholders.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
(2) Facts for the Company to have the name list of main shareholders and ultimate controlling party of main shareholders in hand.	(2) The Company has already assigned a stock affairs unit and stock affairs agent to be able to have the name list of main shareholders and ultimate controlling party of main shareholders in hand at any time.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
(3) The methods of the Company to set up risk control mechanism with related companies and the method to build firewall.	(3) The Company has established the "Management rules on transactions with related parties and Group", and has clear regulations in relation to business and financial dealings with related companies. The risk control mechanism has been achieved.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
2. The organization and functions of the board of directors (1) Facts about the independent directors set up by the Company	(1) The Company has three independent directors.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.

Descriptions	Operating Status	Status on discrepancy and reasons in relation to the regulations governing the management practices of TWSE/GTSM-listed companies
(2) Facts in evaluation of the CPAs about their independence on a regular basis.	(2) The Company has selected CPAs from credible accounting firms to issue certifications, and there is no conflict of interest in relation to the Company with its strict compliance of neutrality.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
3. Facts about setup of communications channels with stakeholders	The Company has assigned a designated person and email address (ir@alechem.com), to handle to handle matters regarding external relationship and stakeholders.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
4. Public disclosure of information (1) The Company has set up a website to disclose facts of the Company's financial standing, business performance, corporate governance and such information.	(1) The Company has already set up a website (www.aleees.com) to disclose relevant information at all times, and promulgate its reporting of the Company's situation and all respective financial and business information on MOPS according to the stipulations of the competent authority.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
(2) Other methods adopted by the Company in disclosing information（e.g., setup of website in English, appointment of special personnel to collect and disclose information of the Company, put into implementation thoroughly the spokesman system, with the entire process of juristic (corporate) person investor conference put onto the website.）	(2) The Company has already set up a website and posted relevant financial and business information of the Company and information status of Corporate Governance. The Company has set up and implemented a Company spokesperson system, and executed according to relevant laws and regulations.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
5. Facts about the Company's performance in setting up nomination and other functional committees.	The Company has already set up the compensation committee and audit committee. As for other functional committees, the board of directors will separately authorize theirs establishment based on requirements.	Has fulfilled the Corporate Governance Practices Rules of TWSE/GTSM-listed companies.
6. If the Company has enacted the corporate governance practices rules in accordance with "Corporate Governance Practices Rules" for TWSE/GTSM-listed companies", please elaborate on discrepancy between the performance and the Corporate Governance Best-Practice Principles so enacted: The Company has already enacted the "Corporate Governance Practices Rules" on Jul 31, 2013 in the resolution adopted by the board of directors, and matters relating to the corporate governance are established and carried out in accordance to the Corporate Governance Practices Rules.		

Descriptions	Operating Status	Status on discrepancy and reasons in relation to the regulations governing the management practices of TWSE/GTSM-listed companies
7. Other facts that would help better understand the major information of corporate governance (e.g., interests to employees, concern toward staff, relationship with investors, relationship of suppliers, interests of interested parties, higher education by directors and supervisors, risk control policies, performance of risk measuring standards, performance in customer policies, liability insurance policy purchased by the Company for its directors and supervisors: (1) The Company has already established the rules for employee bonuses and employee stock options. (2) The Company has arranged for the independent directors to attend professional development courses on Dec 23, 2013 (as shown in the Appendix Table below). (3) Except for special circumstances, the directors and independent directors shall attend all board meetings, and for proposals presented to the board of directors which implicates any conflict of interest in relation to any directors, the said director shall not participate in the voting. (4) The Company has already taken out liability insurance policies for the board of directors pertaining to the period of 2013 and 2014.		
8. If the corporate governance self-assessment reports have been worked out by the Company itself or through other professional institution(s), please elaborate on the results of self-evaluation (or outsourced evaluation), major defects (or suggestion), contents and improvements: The Company has been no major inadequacy according to the functioning of the self-assessment, board of directors, audit committee and compensation committee of the Company, and the internal control audit, information disclosure and services.		

Appendix Table: Professional development courses taken by the directors and independent directors of the Company in 2013 are as follows:

Title	Name	Organizer	Professional Development Course	Date	No. of hours	Does the professional development conform to the stipulation (Note)
Chairman	Sheng-Shih Chang	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Director	Tian-Lai Wang	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Director	Chung-Shih Pien	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Director	Chung-Ho Tai	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Corporate Director Appointed representative	Chih-Chuan Chen	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Corporate Director Appointed representative	Cheng-Wei Ma	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Independent Director	Wei-Min Sheng	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Independent Director	Ming-Teh Wang	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes
Independent Director	Chien-Yuan Lin	Securities and Futures Institute	Revision of the tax laws in 2013	Dec 23, 2013	3	Yes

Note: This refers to the aspect if the professional development hours, professional development scope, professional development setup and professional development arrangements as well as information disclosure conforms to the stipulation of the “Key Implementation Points on Professional Development of Company Directors and Supervisors in TWSE/GTSM-listed Companies”.

(iv) The Company has set up a compensation committee, and the performance on its forming, duties and operations:

1. Information on the members of the compensation committee
The Company has amended the "Bylaws of the Compensation Committee" on Jun 13, 2011, and has convened its first compensation committee meeting on Jul 26, 2011. The members of the compensation committee are independent director Ming-Teh Wang, Wei-Min Sheng and Professor Yie-Yun Chang, School of Law Dean, Fu Jen Catholic University, in order to reinforce corporate governance and roles of the board of directors.

As of Apr 25, 2014

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 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		
Independent Director	Ming-Teh Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Yes
Independent Director	Wei-Min Sheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Yes
Other	Yie-Yun Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—

Note 1: Please fill in "Directors", "Independent Directors" or "Others" in the Identity.

Note 2: "V" in the boxes indicates that, during the two years before the elected position or during the term of office, directors and supervisors meet the following criteria:

(1) Not an employee of the company or 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 in which the company holds, directly or indirectly, more than 50% of the voting shares.
(3) Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as 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.
(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 holds shares ranked as top 5 in shareholding.
(6) Not a director, supervisor, manager, or shareholder holding 5 percent or more of the shares, of a specific company or institution that has a financial or business relationship with the Company.
(7) Not as a professional individual nor an owner, partner, director, supervisor, officer or one' spouse 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 been a person or any 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 "Guidelines of Establishment and Function Exercise of Compensation Committee of TWSE/GTSM-listed Companies" is met

2. Responsibility of the compensation committee
The compensation committee shall manage and perform its duty with consideration and integrity. The following recommendations shall be submitted to the board of directors for discussion:

(1) Determine and regularly review the performance assessment of directors and managers and the policies, systems, benchmarks and structure of their compensation.
(2) Regularly assess and determine the salary compensation of directors and managers.

3. Information of the performance by the Compensation Committee
   (1) The Company's Compensation Committee has a total of three Committee members.
   (2) The tenure of office of the Committee member in the present session: June 27, 2011 ~ June 26, 2014. The Compensation Committee convenes 3 meetings per annum. The qualifications and participation facts of the Committee members:

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Convener	Ming-Teh Wang	3	0	100%	
Committee member	Wei-Min Sheng	3	0	100%	
Committee member	Yie-Yun Chang	2	1	67%	

Other matters to be noted in the meeting minutes:
1. If the board of directors refuses to accept of modify suggestions of the Compensation Committee, the meeting date, session, agenda content, results resolved by the board of directors, and the Company's treatment of opinion of the Compensation Committee should be clearly stated (for example, if the board of directors approved a compensation structure that is better than that suggested by the Compensation Committee, the circumstance of discrepancy and reason should be clearly stated): None
2. If the members have opposite opinion or reservations against the resolution of the Compensation committee and the opinion or reservations have been recorded or documented, the meeting date, session, agenda content, the opinion of all members of the Compensation committee, and the treatment of the members' opinion should be clearly stated: None

(v) Performance status of corporate social responsibility (CSR): With regards to recycling, community involvement, social contribution, social services, social charity, consumer rights, human rights, safety and hygiene, as well as other CSR activities, the Company has adopted the following system and measures, and below is the status on its execution.

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies"
1. Thorough implementation of corporate governance (1) The facts about the CSR policies or systems set up by the Company and about evaluation of the performance of implementation thereof.	(i) The Company has not established its "Code of practice governing the CSR practices of TWSE/GTSM-listed companies", however it has implemented CSR in its daily operational activities as follows: 1. Establishment of recycling and occupational safety in its mission statement and a target to be realized.	In the event that any laws or actual consideration is required, the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies" and its relevant laws are applied.

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies"
	(1) For the sake of our next generation, we support and carry out any actions that will help with the fight against global warming, lower our dependency on oil, reduce the burden on the environment and reduce occupational safety and hygiene risks. We in Aleees undertake human safety and environmental friendliness as part of our corporate philosophy and being a corporate citizen. (2) Establishment of greenhouse gas policy We deeply understand the weather and environment of earth has been affected by greenhouse gases, and the situation is gradually getting worse. We also understand that the tolerance of the environment on earth is not unlimited, it has its limits and we are heading toward this critical boundary. Being a citizen of this global village and to fulfill its corporate responsibility, not only has Aleees emphasized efforts on examining the greenhouse gases in its factories, to ensure it is fully in control of the emission status of greenhouse gases, specific feasible solutions to reduce greenhouse gases have also been proposed to ensure the work plan on	

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	emission reduction is executed. (3) Exerting efforts on collaboration with vendors of electric transportation tools to jointly cooperate in development, and introduce the storage system into renewable energy to achieve the mission and responsibility of environmental protection and reduction in carbon emission. 2. Drive the corporate governance to strictly abide by laws and regulations. Provide employees with an excellent working environment and reasonable compensation and welfare, actively execute environmentally friendly work and participate in social charity activities.	
(2) The facts of the CSR program unit (concurrently) and the performance thereof.	(ii) The Company has already set up corporate responsibility and environment safety team to specially take charge of driving CSR, working together with the administrative department and marketing division to jointly execute relevant corporate governance rules, HR policy planning, participation in social charity, establish the environmental friendliness and energy conservation measures of the Company and implement relevant energy conservation and carbon reduction plans of the government.	No significant differences
(3) Facts about performance by the Company in sponsoring educational training programs and promotional propaganda programs for directors	(iii) Convey the message of work rules to employees through internal educational training, encourage participation in social charity and measures of energy conservation and carbon reduction, and take	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies"
and supervisors, employees about corporate ethics, and combine the performance with the employee performance evaluation, and about set up effective rewards/penalties systems.	into consideration the work and ethics of the employee when evaluating employee performance and rewards/penalties.	
2. Development of sustainable development circumstances. (1) Facts about the Company in dedicating itself with maximum possible efficiency to use a variety of resources and the use or recycled materials to minimize the impacts upon environments.	(i) 1. R&D: Aleees uses its own patented cathode material technology for its new generation of all electric buses, complemented with advanced electrical engineering technology from Siemens to create an electric bus oriented toward human safety and environmental friendliness. This can actually reduce consumption of oil and truly accomplish the goal of zero pollution and zero emission goal. 2. Products: (1) Utilize LFP cathode materials on the batteries of various types of electric vehicles, creating a Cradle to Cradle environmental concept. (2) Production of the first "Battery Swappable Electric Bus" and "Battery Charging/Swap Operating System" in Taiwan to replace the existing high carbon emitting diesel buses. This will also control the quality and recycling of batteries, reducing the hazard of batteries toward human safety and the environment, and conscientiously realize the environmental declaration of "Human safety and Environmental Friendliness" 3. Manufacturing Processes: (1) Since the establishment of the Company to date, more than NTD10 million has been	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	spent on environmentally related installations (including waste water treatment equipment, dust collector and scrubbing tower) to process all the waste water generated from its manufacturing and prevent any impact on the environment with its waste water and fumes. (2) Promote a clean manufacturing process, reinforce on a self-initiative basis, the internal improvement on energy and resource efficiency, equipment functional improvement, reduction in contaminants, replacement of raw materials and recycling of waste materials, as well as passed the “Green Mark Accreditation of Clean Manufacturing Evaluation System” of the Industrial Development Bureau, MOEA. 4. Supply Chain: Improve along the direction of a green supply chain, integrate and understand our upstream and downstream suppliers to jointly work toward the manufacturing of products which have low impact on the environment.	
(2) Facts about the Company in setting up optimal environmental management systems oriented to its industrial attributes.	(ii) Our Company has passed through the ISO14001 certification, and continues to drive the operations of the environmental management system according to the environmental management process document. Also, the Company has always upheld compliance with all relevant matters required under environmental regulations, and has no incidents of non-compliance to date. Going forward, the Company will continue to seek excellence in the improvement of matters relating to environmental	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	protection.	
(3) Facts about the Company’s setup of environmental management units or personnel to maintain the environmental.	(iii) The CSR and Environment Safety team and designated personnel are assigned to take charge of environmental management matters.	No significant differences
(4) Facts about the Company’s watchfulness toward climate changes and their impact upon the business operation activities, enactment of the strategies in energy saving & carbon reduction and the reduction of greenhouse gases to minimize the energy consumption.	(iv) The Company has emphasized efforts on energy saving & carbon reduction and energy conservation as well as the reduction of greenhouse gases. Its strategy has been to pass the external audit of ISO14064 for greenhouse gases in 2011, which it achieved a reasonable assurance level. At this moment, besides ensuring its policy execution of the ISO14064 standards for greenhouse gases, it is still heading in the direction of introducing the ISO14067 standards for carbon footprint quantification. Also, in its actions on carbon reduction and energy conservation, employees have been requested to use their own chopsticks and cups, and to dispose garbage (including kitchen waste) according to garbage classification, fluorescent tubes have been changed to energy savings lighting tubes, and recycled paper and tissue paper are being used. Since such implementation to date, an annual average of more than 160 tons of material resources is collected yearly. Also, in response to the request of EPA, we have carried out relevant green consumerism and environmentally friendly procurement plan (including office supplies of stationery and paper, electrical appliances, cleaning	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	detergents, etc.). The Company mainly uses sea transportation for its overseas cargo shipment, and courier companies are being used to consolidate shipment with other goods when the domestic shipment volume is not high. In cases where the shipment volume is large, a single destination transportation vehicle will be used. These are all measures to reduce carbon emission through the reduction of cargo transportation. Currently, we have more than 180 worldwide customers using the products of our Company, and being applied intensively in the production of carbon reduction and energy conservation products. We have helped our customers save the earth from 136,400 tons of carbon emission since 2009. Take for example: The LFP cathode materials that the Company produced for use on transportation tools, it can reduce carbon emission by 100 times (such as 1,274 tons of LFP cathode materials would reduce 127,400 tons of carbon emission); also, buses in Taiwan generate 3.74 million of carbon emission every year, take for example, Taipei City, if all the diesel buses were changes to electric buses made using our LFP cathode materials, this would help Taipei City save the earth from 51.2 tons of carbon emission every year. Our Company hopes to work hand in hand with our customers to help the earth reduce carbon and conserve energy. We look forward to enabling the coexistence of human society with the natural environment, and ultimately realize sustainable growth in contribution.	

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
3. Maintenance of public benefits to the society. (1) Facts about the Company’s compliance of labor related laws and ordinances, respect of the fundamental human right principles acknowledged in the international community, safeguarding legal rights of employees, no discrimination in hiring policies, setup of appropriate managerial rules, procedures and implementation.	(i) The Company has abided by relevant labor laws to ensure the legal rights of employees are protected by establishing appropriate management methods and procedures as follows: 1. Provide employees with a fair salary and bonuses system 2. Conduct educational training for employees. 3. Implement insurance schemes and paid leave system. 4. Allocate pension funds according to the law.	No significant differences
(2) Facts about the Company’s efforts in providing employees with safe and healthful working circumstances and implementation of educational & training programs on safety and health on a regular basis.	(ii) The work items relevant to employee safety and health provide by the Company are as follows: 1. Establish a health promotion plan annually. 2. Arrange regular employee health examination annually. 3. Arrange safety and hygiene training courses annually. 4. Conduct half yearly checks on operating environment. 5. Establish diversified channels of communication for employee suggestions and complaints. 6. Establish “Sexual Harassment Prevention Rules”, and provide channels for complaint filing and maintain order of the work environment. 7. Purchase accident and medical insurance plans for employees. 8. Establish disaster and emergency contingency plans, organize half-yearly fire safety talks and drills and regularly organize safety and maintenance meetings.	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies"
(3) Facts about the Company's efforts in setup of communications with employees on a regular basis, and facts about potential significant impact to operations upon employees through notices served to employees in a rational manner.	(iii) 1. The Company emphasizes on having channels of communication with employees, regular (such as the daily morning meeting, weekly meetings and other labor meetings convened according to law) and irregular communication meetings are convened. Employees are also being notified in a timely manner regarding major events that could cause impact to operations. 2. The Company has built a corporate platform and email addresses to establish channels of communication with employees, and communicate relevant information in a timely manner.	No significant differences
(4) Facts about the Company's efforts in setting up and making public the policies toward consumer interests, providing transparent and effective procedures to enable consumers to speak up their grievance.	(iv) The Company places strong emphasis on customer opinions and feedback, and has designated units to handle customer complaints and response, and the Company website is set up with contact window and methods, to ensure customer rights are protected.	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies"
(5) Facts about the Company's performance in cooperation with suppliers with joint efforts to boost the CSR.	(v) During the course of supplier selection, the Company will first share its principles for suppliers to understand its environmental protection and work safety declaration and policy. Suppliers are required to meet the undertaking and guarantee clauses of environmental protection regarding the raw materials and products supplied to the Company. Emphasis is also placed on whether the supplier has established an environmental management system and proposes the requirement of having an environmental management system to achieve the function of energy conservation and carbon reduction. We look forward to enhancing our CSR hand in hand with our suppliers.	No significant differences
(6) Facts about the Company's efforts to participate in community development, charity, public interests and such relevant activities by means of commercial activities, donation of objects in kind, corporate volunteer services or other complimentary professional services.	(vi) The Company cares for the underprivileged and advocates local services and has organized relevant activities: 1. In 2013, we held the event, "Aleees Arts and Fun Fest with You" and invited underprivileged residents of the community to join in and watch the performances from local charity performing Groups and art societies from schools. We also ordered heartfelt snacks from the "Taoyuan Eden Social Welfare Foundation – Mentally Challenged Skills Training Center" and household items as gifts for the residents of the community. Our Company is happy to convey its care to residents of the community	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies"
	and share in the happiness and solicitude of charity. 2. In 2013, the Company staff of Aleees collected resources and donations in a charity drive for several educational institutions for the mentally challenged as well as schools and organizations in the community, including caring activities and free lunches for elementary schools. The propensity to care for the underprivileged is all round in the Company from organizations to individuals. 3. At the start of 2013, the employees of Aleees promoted a "One Day Volunteer" program, and employees assumed voluntary work to accompany and take care of the children in elderly in institutions for the mentally challenged and care centers in excursions, demonstrating their love and care through their actions. 4. Through Group purchase method from underprivileged Groups, individual needs are channeled into a source of energy to help others by integrating consumption with charity work. For example, our 2014 festive cards were purchased from the Spinal Cord Injury Development Center.	
4. Strengthened disclosure of information (1) Methods through which the Company discloses information relevant to the CSR about reliability of the enterprises.	(i) The fulfillment of the Company's CSR is disclosed in our publicized booklets and Company website, as well as our annual report.	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies"
(2) Facts about the Company's efforts to work out CSR reports and promote social responsibility.	(ii) The Company has delegated specific units to take charge and forecast the implementation of the abovementioned routine and business activities for Q4 2014 and draft them in our CSR report, which will be verified by a third party, in order to disclose our CSR status to all stakeholders.	No significant differences
5. If the Company has enacted ""Code of practice governing the CSR practices" in accordance with the "Code of practice governing the CSR practices of TWSE/GTSM-listed companies", please elaborate on the discrepancy of the substantial performance from the Code: None.		
6. Other significant information which would help better understand the Company's performance in CSR（e.g., the systems, measures of and performance by the Company regarding environmental protection, participation in communities, public interest in the society, consumer interests, human rights, safety & health and other social responsibility activities）: None		
7. In the Company's reports about products or CSR, if the Company has satisfactorily passed verification standards, please elaborate: The Company has consecutively passed the following international certifications, ISO9001:2008, ISO14001:2004, OHSAS18001:2007, TS16949:2009 and ISO14064-1:2006. These ensure that the product quality and CSR of the Company can be further refined through systematic management.		

(vi) Fulfillment of ethical corporate management and measures adopted by the Company:

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
1. Enactment of policies and measures of ethical corporate management best practice principles (i) In the Company's rules and regulations and external documents, we faithfully disclose our Ethical Corporate Management Best Practice Policy. We duly commit ourselves to the board of directors and the management about our faithful implementation.	(i)On the basis of the best practices governing ethical corporate management of TWSE/GTSM-listed companies and Guidelines for the Adoption of Codes of Ethical Conduct, the Company has established the "Rules Governing Best Practices of Ethical Corporate Management" and "Rules Governing Code of Ethical Conduct" internally in the Company. These internal rules are submitted to the Shareholders' Meeting upon approval by the board of directors. As ethical corporate conduct and CSR are gradually receiving international attention, companies which want to sustain long term growth has to continue winning the trust and respect of consumers, partners and the general public. Therefore these rules are established to reinforce the ethical conduct and professionalism of all employees.	No significant differences
(ii) The facts about the Company in setting up countermeasures against unethical practices, and the operating procedures inside the measures, behavior guidelines and performance in educational & training programs.	(ii) The Company has stated clauses in relation to conflict of interest, customer information confidentiality, sales rebates, fair trade and competition within its "Rules Governing Best Practices of Ethical Corporate Management", and has advocated this concept through education to ensure that its directors, managers and employees truly understand and comply.	No significant differences
(iii) Where the Company was setting up countermeasures against unethical practices, the part of the facts of higher level unethical practice risks, the measures adopted against bribery offer or bribery taking, offering of unlawful political donation.	(iii) The Company has required all employees to sign the code of conduct clauses with the Company, which clearly states that employees may not receive any gifts, special treatment or other inappropriate benefits directly or indirectly. Through the establishment of such principles and measures, we have definitely prevented the possible occurrence and lower the risk of unethical behavior.	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
2. Thorough implementation of ethical practices. (i) In the Company's commercial acts, the Company should refrain from doing business with the ones with records of previous unethical practices. The ethical practice clauses should be expressly entered into the transaction contracts.	(i) The Company has always carried out commercial activities through fair and transparent ways. Also, employees have the responsibility of protecting Company intellectual property to prevent disclosure of non-disclosure information as well as prevent any engagement with unethical vendors or customers. Any irregularities shall be reported immediately and business ethics clauses are established in all ongoing agreements.	No significant differences
(ii) Facts about the Company's efforts in (concurrent) implementation of Ethical Corporate Management Best Practice Principles and the performance by the board of directors in superintendence.	(ii) The Company has established an internal audit department that reports directly to the board of directors, to ensure the implementation of ethical corporate management. Also, we have clearly defined disciplinary actions and whistle blowing measures in our rules for violation of ethical corporate management. Any incidents of such violations shall be reported immediately.	No significant differences
(iii) Facts about the Company's efforts in enactment against conflicts of interest and providing appropriate channels for presentation	(iii) The Company has incorporated clauses to prevent conflict of interest in its "Rules Governing Best Practices of Ethical Corporate Management", employment agreements and employee work regulations so as to provide employees with complete guidance on its rules.	No significant differences
(iv) Facts about the effective accounting system set up by the Company for thorough implementation of Ethical Corporate Management Best Practice Principles, performance of the internal control system, and performance of internal auditors in audit.	(iv) The Company has already established an account system and internal control system. Internal auditors shall carry out all types of audit assessment on a regular and adhoc basis.	No significant differences
3. Facts about the Company's efforts to set up sound channel to report and accuse unethical practices, and the system for discipline and grievance.	The Company has been actively setting up whistle blowing channels, phone lines, mailboxes and email addresses have been provided for complaints to be filed. These are handled and reviewed by designated personnel on a daily basis.	No significant differences
4. Strengthening disclosure of information (i) Facts about the Company's performance in setting up websites to disclose performance in the corporate management best practice.	(i) The Company has already set up a website to disclose information relevant to ethical corporate management.	No significant differences
(ii) Other methods adopted by the Company to disclose information (e.g., setup of website in English, appointment of special personnel to take	(ii) The Company has use its website as a means to carry out disclosure on information relevant to ethical corporate management, and has clear requirements to ensure the information disclosed to the	No significant differences

Descriptions	Operational Status	Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
charge of collection of the Company's information, disclose and set up the Company's website).	public is complete, appropriate, accurate, timely and presented in a comprehensible manner.	
5. If the Company has duly enacted ethical corporate management best practice in accordance with "Best Practices of Ethical Corporate Management of TWSE-GTSM-listed Companies", please elaborate the discrepancy between the substantial performance and the Best Practices of Ethical Corporate Management: None		
6. Other significant information which would help better understand the performance by the Company in Best Practices of Ethical Corporate Management (e.g., promotional propaganda toward the business counterparts about the firm policy in implementation of the Ethical Corporate Management Best Practice Principles, inviting them to participate in educational & training programs, reassessment and updating the enacted Best Practices of Ethical Corporate Management): During the course of its dealings with vendors, the Company has always upheld the principle of integrity in its guidance to its vendors and reinforces such education to its employees during internal training.		

(vii) If the Company has enacted Best Practices of Ethical Corporate Management and relevant rules, please disclose the method for inquiry: As detailed in the Company's website.

The Company has already established the "Code of Best Practices in Corporate Governance" and "Rules Governing Code of Ethical Conduct". The board of directors has subsequently enacted the "Rules Governing Code of Ethical Conduct" on Mar 25, 2014, and shall report the 2014 shareholders' meeting. This information will be released in the investor relations section of our Company website, http://www.aleees.com, in accordance to the management philosophy in operations and execution of the management rules of the Company.

(viii) Other important information that would enhance understanding of the corporate governance operations of the Company: None

(ix) Performance in Internal Control System

1. Declaration of Internal Control

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Declaration of Internal Control System

Date: Mar 25, 2014

Over the Company's internal control system of Year 2013, based on the results of our self-audit, we'd hereby like to declare enumerated below:

1. Here at the Company, we confirm full awareness that implementation and maintenance of the internal control system are the inherent responsibility of the Company's board of directors and managers. The Company has duly set up such internal control system in an attempt to provide rational assurance of the effect and efficiency of the business operation (including profitability, performance and assurance of the safety of assets), reliability of financial report, accomplishment of the compliance targets.
2. Internal control system is subject to inherent restriction, disregarding how sound it has been designed. Effective internal control system could only provide rational assurance for accomplishment of the three aforementioned targets. Besides, in line with the changes in circumstances and environments, effectiveness of internal control system might change as well. For the Company's internal control system, nevertheless, we have set up sound self-superintendence mechanism. As soon as a defect is identified, the Company would take corrective action forthwith.
3. Exactly in accordance with the items of judgement for the effectiveness of the internal control system under "Criteria for Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Managerial Regulations"), we duly judge whether the internal control system is effective in design and implementation. The items adopted for aforementioned "Managerial Regulations" for judgement of internal control system are the process for management control. The internal control system is composed of five composition elements: 1. Circumstances of control, 2. Risk evaluation, 3. Control operation, 4. Information and construction, and 5. Superintendence. Each and every composing element includes a certain items. For more details regarding the aforementioned items, please refer to contents of the "Criteria".
4. Here at the Company, we have adopted the aforementioned items of judgement over internal control system to verify the effectiveness of the design and implementation of the internal control system.
5. On the grounds of the results of verification in the preceding paragraph, we are confident that the Company's internal control system in design and implementation as of December 31, 2013 (including the superintendence and management over subsidiaries), including the awareness of the results and efficiency of business operation in accomplishment of the targets, reliability of financial reports and compliance of the relevant laws and regulations are effective and would reasonably assure accomplishment of the aforementioned targets.
6. The Declaration will function as the key element of the Company's Annual Report and Prospectus and will be made public externally. In the event that the aforementioned made public involve misrepresentation, concealment or such unlawful practice, the Company shall

get involved in the legal responsibilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

7. This declaration has been approved by the Company board of directors on Mar 25, 2014. Nine directors were in attendance (including two proxies on behalf), there were no objecting opinions, and all directors in attendance hereby state their agreement to the contents of this declaration.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Chairman cum CEO: Sheng-Shih Chang Signature

2. Independent Audit Report on the Review of the Internal Control System

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Audit Report on Internal Control System

PwC No. 13007273

Enclosed is the declaration pertaining to the effective design and execution of its internal control system issued on Mar 25, 2014 by Advanced Lithium Electrochemistry (Cayman) Co., Ltd. with regards to its assessment and consideration of the financial reporting and asset security safeguards for period Jan 1, 2013 to Dec 31, 2013, which has been reviewed by the undersigned accountants. With regards to the responsibility of the Company's management and board of directors in maintaining an effective internal control system and assessing its effectiveness, the responsibility of the undersigned accountants is to express its opinion based on the audit results pertaining to the declaration on the effectiveness of the Company internal control system and the Declaration of Internal Control System of the aforementioned Company.

The undersigned accountants has planned and executed its audit according to the "Criteria for Establishment of Internal Control Systems by Public Companies" and generally accepted audit principles, to be provided reasonable assurance in relation to the effectiveness of the aforementioned Company internal control system being maintained in all major aspects. This audit includes understanding the Company internal control system, assessing the process of the management and board of directors in determining the effectiveness of the internal control system as a whole, testing and assessing the effectiveness of the internal control system design and execution, and other audit procedures deemed to be necessary by the undersigned accountants. The undersigned accountants believe that this audit work will provide a reasonable basis for its expressed opinion.

Any internal control system has inherent limitations, hence the aforementioned internal control system of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. may not be able to prevent or detect error or fraud that has already occurred. In addition, changes in the future environment may lower the level of compliance toward the internal control system, hence an effective internal control system in this period does not represent its effectiveness in the future.

Based on the opinion of the undersigned accountants according to the judgment of effectiveness of the internal control system under the "Criteria for Establishment of Internal Control Systems by Public Companies", the design and execution of the internal control system of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and its financial reporting and asset security safeguards for the period Jan 1, 2013 to Dec 31, 2013 has maintained effectiveness in all major aspects. Advanced Lithium Electrochemistry (Cayman) Co., Ltd. has evaluated and issued its statement on Mar 25, 2014. The Company believes the design and execution of the internal control system of its aforementioned financial reporting and asset security safeguards are appropriate in all major aspects.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. has already established relevant operational procedures in relation to the management of acquisition or disposal of assets, engaging in derivative trading, management of loans to others, management of endorsement and guarantee provided to others, management of related party transactions, preparation process of financial statements and such supervision and management of its subsidiaries according to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", "Regulations Governing

Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and “Criteria for Establishment of Internal Control Systems by Public Companies” .

PwC Taiwan

Yu-Kuan Lin
CPA
Ya-Hui Cheng

Former Securities and Futures Commission, Ministry of Finance
Official approval document no.: (81)Tai-Finance(6) No. 81020
Former Securities and Futures Bureau, Financial Supervisory Commission
Official approval document no.: FSC(6) No. 0960072936

Mar 25, 2014

(x) In recent fiscal year and as of the printing date of this Annual Report, facts of penalty imposed upon the Company and its internal personnel for their violation of the regulations of the internal control system, the major defects and the corrective actions taken: None.

(xi) In recent fiscal year and as of the printing date of this Annual Report, the Key Resolutions resolved in the shareholders' meeting and board of directors

1. Key resolutions at the 2013 Shareholders' Meeting:

Meeting Date	Key Resolutions
Apr 16, 2013	Proposed resolution for the original shareholders to forfeit the capital increase through underwriting of new shares prior to its first GTSM listing in 2013

2. Details of key resolutions adopted by the Company board of directors in the past 5 years as at May 12, 2014:

Meeting Date	Key Resolutions
Mar 14, 2013	1.Review of the 2012 financial statements and business reports of the Company
	2.Proposed cancellation of the 2012 capital increase through underwriting of new shares prior to its primary listing of GTSM
	3.Proposed processing of the 2013 capital increase through underwriting of new shares prior to its primary listing of GTSM
	4. Proposed resolution for the original shareholders to forfeit the capital increase through underwriting of new shares prior to its first GTSM listing in 2013
	5. Proposed convening of the 2013 Shareholders' Meeting, time, place and reason for convening
Sep 16, 2013	1. Proposed processing of capital increase through underwriting of new shares prior to its primary listing of GTSM
	2.Overall swapping of Company share certificates to electronic form
Nov 11, 2013	1.Discussion of matters relevant to the processing of capital increase for the GTSM listing of the Company
	2.Proposed participation of the Company in the capital increase of its subsidiary, Advanced Lithium Electrochemistry (HK) Co., Limited., for USD4,015,000
	3. Proposed indirect participation of the Company in the capital increase of its Aleees SH for USD4,000,000
Dec 23, 2013	1. Proposed participation of the Company in the capital increase of its subsidiary, Aleees Eco ARK (Cayman)Co., Ltd., for USD9,100,000
	2. Proposed indirect participation of the Company in the capital increase through shares issuance of Aleees Eco Ark Co., Ltd.

	3.Proposed amendment of the patent licensing agreement signed between Aleees Taiwan and LiFePO4+C Licensing AG
Mar 25, 2014	1. Review of the 2013 financial statements and business reports of the Company
	2.Proposed convening of the 2014 Shareholders' Meeting
	3.Re-election of the entire board of directors of the Company
	4.Lifting of non-compete restrictions on newly appointed directors (including independent directors) and its representative
May 12, 2014	1.Review of the independent director name list nominated by shareholders holding more than 1% of total Company issued shares at the 2014 Shareholders' meeting
	2.Proposed assignment of director by corporate shareholder, Advanced Lithium Electrochemistry Co., Ltd., and review of supervisor nomination list

(xii) In recent fiscal year and as of the printing date of this Annual Report, Different opinions posed by the directors and supervisors` to the Key Resolutions in the board of directors, as backed with written records or declaration in writing: None.

(xiii) In recent fiscal year and as of the printing date of this Annual Report, facts regarding resignation, discharge of the chairman, CEO(GM), principal accountant, financial head, principal internal auditor and research & development head:

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

Range of CPA fees

Names of CPA firms	Name of CPA		Duration covered in the audit	Remarks
PricewaterhouseCoopers Taiwan	Yu-Kuan Lin	Ya-Hui Cheng	Jan 1, 2013~Dec 31, 2013	---

Unit: K NTD

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

(1) Where the non-audit fees paid to the verifying Certified Public Accountants, verifying Certified Public Accountant House and its related companies account for over a quarter of the audit fee, the contents of the non-audit fee and audit fee should be disclosed. N/A

(2) Reason for swapping of accounting firm and where the audit fee in the year of change is lower than the audit fee in the previous year prior to the swap: None

(3) A case with decrease of CPA fee over 15% from the same fee paid in the preceding year is required to show the decreased amount, ratio and reason: N/A.

5. Information of a change in the CPA

N/A

6. The fact that 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 company over the past year

None.

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

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

Title	Name	Year 2013		As of Apr 25, 2014	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and CEO of this Company cum Chairman of Aleees (Taiwan); Chairman of Aleees Eco Ark (Taiwan); Chairman of Aleees SH	Sheng-Shih Chang	(100,000)	—	—	—
Director of this Company	Tian-Lai Wang	1,050,000	—	—	—
Director of this Company	Chung-Shih Pien	—	—	—	—
Director of this Company	Chung-Ho Tai	—	—	—	—
Director of this Company	Chang Chuen Investment Co., Ltd.	4,260,546	—	—	—
	Representative: Chih-Chuan Chen	16,372	—	—	—
Director of this Company	Yi Tai Fund Co.	700,202	—	—	—
	Representative: Cheng-Wei Ma	—	—	—	—
Independent Director of this Company	Wei-Min Sheng	—	—	—	—
Independent Director of this Company	Ming-Teh Wang	—	—	—	—
Independent Director of this Company	Chien-Yuan Lin	—	—	—	—
General Manager of Aleees (Taiwan) cum General Manager of Aleees SH	Hsi-Chi Cheng	—	—	—	—
General Manager of Aleees Eco Ark (Taiwan)	Ching-Wen Wu	—	—	(9,000)	—
Business Manager of the Operational Unit of this Company cum VP of Aleees SH	Chih-Wei Yang	—	—	—	—
Manager of Audit Dept. of this Company	Ya-Ling Chuang	13,000	—	—	—
Manager of Finance & Accounting Dept. of this Company cum Director of Aleees (Taiwan)	Hsing-Fang Tsai	1,142	—	(7,000)	—
Director of Market Division of Aleees Eco Ark (Taiwan)	Hsiu-Hsui Su	(50,000)	—	—	—
Director of R&D Dept. of Aleees (Taiwan)	Han-Wei Hsieh	50,000	—	—	—
Director of R&D Dept. of Aleees Eco Ark (Taiwan)	Hsun-Sheng Li	—	—	—	—

(ii) Related party information with regards to share transfer or pledging of shares to corresponding party: None.

(iii) Related party information with regards to transfer of pledged shares to corresponding party: Not applicable as there is no pledging of shares.

8. Information of main shareholders holding more than 10% of total issued shares of the Company, being related parties, relatives within the second degree of kinship among themselves

April 25, 2014; Unit: share

Name (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names and Relations of Top 10 Shareholders who are Spousal Relationship or are within the Second Degree of Kinship (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	
Tian-Lai Wang	12,007,993	8.45%	–	–	–	–	–	–	–
Chang Chuen Investment Co., Ltd. Representative: Chuan-Tai Cheng	11,724,111	8.25%	–	–	–	–	(1)Ruentex Textile Plant (2)Yi Tai Fund (3)Hui Hong Investment	(1) Investee company appraised based on equity method (2)Same group enterprise (3) Hui Hong is Chang Chuen's corporate supervisor.	–
QVT FUND LP	8,177,502	5.76%	–	–	–	–	–	–	–
KPCB CHINA FUND, L.P.	6,777,168	4.77%	–	–	–	–	–	–	–
Ruentex Textile Plant Co., Ltd. Representative: Samuel Yin	6,341,042	4.46%	–	–	–	–	(1)Chang Chuen Investment (2)Yi Tai Fund (3)Hui Hong Investment	(1) Investee company appraised based on equity method (2)Same group enterprise (3)Same group enterprise	–
Yi Tai Fund Co. Representative: Kun-Lung Chang	5,972,898	4.20%	–	–	–	–	(1)Chang Chuen Investment (2)Ruentex Textile Plant (3)Hui Hong Investment	(1)Same group enterprise (2)Same group enterprise (3)Yi Tai is Hui Hong's corporate supervisor.	–
Hui Hong Investment Co., Ltd. Representative: Chung-Hsien Liu	5,960,643	4.20%	–	–	–	–	(1)Chang Chuen Investment (2)Ruentex Textile Plant (3)Yi Tai Fund	(1)Hui Hong is Chang Chuen's corporate director. (2) Ruentex Textile Plant is Hui Hong's corporate chairman. (3)Same group enterprise (4) Yi Tai is Hui Hong's corporate supervisor.	–
CID Greater China Venture Capital Fund III L.P.	5,750,081	4.05%	–	–	–	–	–	–	–
Taipei Fubon Commercial Bank has been entrusted by the shareholding employees of the company to set up designated asset trust account	4,598,370	3.24%	–	–	–	–	–	–	–
Bank SinoPac has been entrusted by Cayman Islands GVT Investment Fund to set hold the investment account in trust.	4,101,996	2.89%	–	–	–	–	–	–	–

Note 1: The top 10 shareholders shall be fully listed and where the shareholder is a corporate shareholder, the name of the Company and representative shall be respectively listed.

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

Note 3: The aforementioned listing of shareholders disclosed shall include corporations and individuals, as well as their inter-relationship 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 is combined and calculated

Apr 25, 2014; Unit: share

Name of Related Companies	Investment by the Company		Investment by directors, supervisors, managers and directly or indirectly controlled company		Syndicated investment	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate
Advance Lithum Electrochemistry (HK) Co., Ltd.	83,699,000	99.99 %	—	—	83,699,000	99.99 %
Advance Lithum Electrochemistry (HK) Co., Ltd	5,530,000	100 %	—	—	5,530,000	100 %
Aleees Eco Ark (Cayman) Co., Ltd	32,450,000	100 %	—	—	32,450,000	100 %
Advance Lithum Electrochemistry (China ShangHai) Co., Ltd	Note	100 %	—	—	Note	100 %
Aleees Eco Ark Co., Ltd.	30,700,000	100 %	—	—	30,700,000	100 %
Emerald Battery Technologies Co., Ltd.	6,000,000	24%	—	—	6,000,000	24%
Empire Energy Co., Ltd.	950,000	21.11%	—	—	950,000	21.11%

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

IV. Facts of Capital Raising

1. Capital and shares

(1) Source of capital

i. Source of Capital

Unit: shares; $

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	1,500,000.00	Original Share Capital	–	–
Jul 2008	US $0.1			1,100,000	110,000.00	Capital Increase in cash	–	–
May 2009	US $0.1			1,200,000	120,000.00	Capital Increase	–	–
Nov 2009	US $0.1			5,000,000	500,000.00	Capital Increase	–	–
Dec 2009	US $0.1			1,666,667	166,666.70	Capital Increase	–	–
Sep 2010	US $0.1			153,250	15,325.00	Employee Stock Options	–	–
Dec 2010	US $0.1			6,366,729	636,672.90	Capital Increase	–	–
Mar 2011	US $0.1			633,271	63,327.10	Capital Increase	–	–
Mar 2011	US $0.1			306,750	30,675.00	Employee Stock Options	–	–
May 2011	US $0.1			2,933,750	293,375.00	Employee Stock Options	–	–
Jun 2011				34,360,417	3,436,041.70		–	–
Jul 2011	NT $10	200,000,000	2,000,000,000	103,081,251 (Note)	1,030,812,510 (Note)	Execute share swap	–	–
Jun 2012	NT $10			10,000,000	100,000,000	Capital Increase	–	–
Jul 2012	NT $10			(127,597)	(1,275,970)	Cancellation of treasury stock	–	–
Jun 2013	NT $10			15,000,000	150,000,000	Capital Increase		
Dec 2013	NT $10			14,120,000	141,200,000	Capital Increase	–	–
Apr 2014	NT $10			142,073,654	1,420,736,540			

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 27, 2011, the face value of the Company capital stock has changed from USD0.10 to NTD10 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 Company shares with the face value of USD0.10 from shareholders listed in the Registry of Shareholders. The Company has also transferred NTD921,990,040 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 NTD10 per share (hereafter referred to as "Paid-in capital stock of Shares"), to be used in issuance and distribution to all Company shareholders. After the issuance on this occasion and paid-in capital stock of shares, the Company has issued a total of 103,081,251 NTD-denominated shares with the face value of NTD10 per share. The amount of issued capital is NTD1,030,812,510.

ii. Types of shares already issued

Apr 25, 2014；Unit: share

Kind of share	Authorized capital			Remarks
	Outstanding	Unissued shares	Total	
Common shares	142,073,654	57,926,346	200,000,000	GTSM Share

iii. Relevant information of overall declaration system: N/A

(2) Structure of shareholders

Apr 25, 2014

Type of Shareholder / Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	The People of the Mainland Area and the organizations invested by Mainland China	Total
Number	0	3	43	4,871	40	1	4,958
Shares held	0	4,732,356	33,195,265	67,151,758	36,934,277	59,998	142,073,654
Shareholding rate	0%	3.33%	23.37%	47.27%	25.99%	0.04%	100%

Note: Primary listing of companies on GTSM are required to disclose shareholders with funding from Mainland China: Funding from Mainland China refers to the nationals, corporations, Groups and other organizations or other companies invested through a third territory stipulated under Article 3 of the Measures Governing Investment Permits for the People of the Mainland Area.

(3) Facts of disperse of shareholding

i. Common shares:

Face value of NTD10 per share；Apr 25, 2014；Unit: share

Shareholding grading	Number of shareholders	Number of shares held	Shareholding rate %
1 to 999	88	17,255	0.01%
1,000 to 5,000	3,736	7,164,406	5.04%
5,001 to 10,000	464	3,729,607	2.63%
10,001 to 15,000	147	1,909,399	1.34%
15,001 to 20,000	103	1,912,861	1.35%
20,001 to 30,000	121	3,165,782	2.23%
30,001 to 40,000	53	1,901,244	1.34%
40,001 to 50,000	35	1,630,404	1.15%
50,001 to 100,000	104	7,635,174	5.37%
100,001 to 200,000	43	6,329,309	4.46%
200,001 to 400,000	23	6,306,236	4.44%
400,001 to 600,000	11	5,492,743	3.87%
600,001 to 800,000	8	5,727,255	4.03%
800,001 to 1,000,000	2	1,674,637	1.17%
Over 1,000,001	20	87,477,342	61.57%
Total	4,958	142,073,654	100.00%

ii. Preferred Shares: The Company has not issued any preferred shares

(4) Name list of main shareholders: Clearly state the name, no. of shares held and ratio for shareholders holding more than 5% of total issued shares of the Company or in the top ten list of shareholders

Apr 25, 2014; Unit: Share

Names of Main Shareholders	Number of shares held	Shareholding rate %
Tian-Lai Wang	12,007,993	8.45%
Chang Chuen Investment Co., Ltd.	11,724,111	8.25%
QVT Fund, LP	8,177,502	5.76%
KPCB CHINA FUND, L.P.	6,777,168	4.77%
Ruentex Textile Plant Co., Ltd.	6,341,042	4.46%
Yi Tai Fund Co.	5,972,898	4.20%
Hui Hong Investment Co., Ltd.	5,960,643	4.20%
CID Greater China Venture Capital Fund III L.P.	5,750,081	4.05%
Taipei Fubon Commercial Bank has been entrusted by the shareholding employees of the company to set up designated asset trust account	4,598,370	3.24%
Bank SinoPac has been entrusted by Cayman Islands GVT Investment Fund to set hold the investment account in trust.	4,101,996	2.89%

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

Unit: NTD

Year / Item			2012	2013(Note 1)
Market price per share	Highest		Unlisted	100
	Lowest		Unlisted	71.6
	Average		Unlisted	82.09
Net Value per share	Before distribution		12.93	15.9
	After distribution		12.93	15.9
Earning Per Share	Weighted average shares (thousand shares)		108,784	121,560
	Earning Per Share		(2.05)	(3.36)
Dividends per share	Cash dividends		None	(Note 5)
	Stock dividends	From retained earnings	None	(Note 5)
		From capital reverse	None	(Note 5)
	Retained Dividends		None	(Note 5)
ROI	PE ratio (Note 2)		Unlisted	(Note 5)
	Dividend-Price ratio (Note 3)		Unlisted	(Note 5)
	Cash dividend yield (Note 4)		Unlisted	(Note 5)

Note 1: The Company is listed on GTSM on Dec 9, 2013

Note 2: PE ratio = Average closing price per share in the current year/earnings per share

Note 3: Dividend-Price ratio = Average closing price per share in the current year/cash dividend per share

Note 4: Cash dividend yield = Cash dividend per share/ Average closing price per share in the current year

Note 5： The Company has after-tax losses in 2013 and the board of directors has passed the resolution not to distribute share dividend; pending resolution to be approved at the Shareholders' Meeting.

Data Source: Consolidated financial statements audited and certified by independent auditors.

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

1. Share dividend policy defined in the Company Articles of Incorporation

In accordance to the resolution in relation to the Company Articles of Incorporation adopted by the Shareholders' Meeting on Jun 19, 2012, the distribution of share dividends is approved by the general voting of the Shareholders' Meeting upon its proposed establishment by the board of directors. The following method of share dividend distribution plan shall be proposed by the board of directors:

(1) Losses from previous years shall be covered with net profits in the current year;

(2) 10% of the proposed net profit balance shall be set aside as capital reverse until such time that the accumulated capital reverse is equivalent to the total capital amount of the Company; subsequently

(3) Special capital reserve as required according to regulations governing listed companies or by competent authorities;

(4) The balance after deductions based on the aforementioned Subparagraph (1) to (3) shall be utilized as a source of funding allocations of reserve accounts (including share premium account and capital redemption reserve) according to any stipulations under this Article and share dividend distributions according to other laws. This is added to unappropriated profits accumulated in the past 5 years or overall unappropriated profits (hereafter referred to as "Unappropriated Profits"):

(i) No more than 1% of unappropriated profits to be allocated for directors compensation;

(ii) 1~10% of unappropriated profits to be allocated for Company and employee bonuses.

The board of directors shall clearly define the percentage of bonuses to be distributed to directors and employees in its proposal regarding profit distribution. Shareholders may at any time amend the aforementioned percentage through an adopted resolution. Any profit balance has to be distributed as share dividend, however the Company is positioned in the early development stages of the industry, and its corporate lifecycle is in a long term growth phase. In order to meet business expansion plans in the future, and strike a balance in share dividend and shareholders' interest, the Company has adopted the distribution methods of cash and issuance of new shares for its share dividend policy. The said amount and shareholders (the said amount is paid on behalf of shareholders for the distribution of all shares that are yet to be issued, booked as paid-in subscribed shares and distributed to shareholders according to the aforementioned ratio), together with the two aforementioned or disbursed in the form of bonuses. The board of directors is given authorization to determine the actual distribution ratio according to the Company Act and regulations governing listed companies, and taking into consideration the financial, business and operation factors, however, the percentage of share dividends shall not be lower than 10% of profit balance, and the cash dividend portion shall not be less than 10% of the total share dividend amount.

2. Proposed distribution of share dividend in the current year: None.

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

(8) Bonus to employees, compensation to directors and supervisors

1. The percentage or scope of employee bonuses and compensation for directors and supervisors stated in the Company Articles of Incorporation: Please refer to the aforementioned Subparagraph (6)-1 on the explanation with regards to share dividend policy.
2. The accounting treatment used in the event that the provisioning basis and number of allocated bonus shares calculated for employee bonuses and compensation for directors and supervisors provisioned by the Company in the current period has discrepancy with the actual amount being disbursed
   (1) The provisioning basis of employee bonuses and compensation for directors and supervisors provisioned in this period shall be subjected to the unappropriated profit balance after consideration of capital reverse and other factors, and be determined according to the ratio listed within the percentage scope of Company Articles of Incorporation.
   (2) After the closing of the fiscal year, where there is significant changes in the amount to be distributed as decided by the board of directors, the said changes shall be adjusted in the expenses provision of the original fiscal year. If there are further changes as at the date of the Shareholders' Meeting, the changes shall be treated as changes in accounting estimate and adjusted for accounting entry in the current year of the Shareholders' Meeting.
   (3) If the Shareholders' Meeting vote for the employee bonuses to be distributed through the method of shares issuance, the number of bonus shares shall be decided based on the determined bonus amount divided by the market share price. The market share price refers to the closing price of the share on the preceding day of the Shareholders'' Meeting (taking into consideration the impact after excluding dividend and interest). If the Company is yet to be listed, the basis of calculation shall be based on the net value of the latest financial statements certified by independent auditors.
   (4) If there is any discrepancy in the actual amount being distributed and the amount provisioned, this shall be booked in the P&L of the subsequent year.
3. Information in relation to the proposed distribution of employee bonuses approved by the board of directors:
   (1) The Company board of directors has discussed the case for profit distribution in 2013 and has decided not to carry out any distribution.
   (2) The ratio of the proposed distribution amount of employee bonus shares as a percentage over total of after–tax profits for the current period and employee bonus amount: Not applicable.
   (3) EPS after consideration of proposed distribution of employee bonus and compensation for directors and supervisors: Not applicable.
4. Status on distribution of employee bonus and compensation for directors and supervisors in the preceding year: The Company has not distributed any employee bonuses in 2013 and the compensation paid to directors in 2013 was NTD1.2 million.

(9) Facts of the Company's stocks repurchased by the Company: After the primary listing of the Company on GTSM, there has been no repurchase of Company shares, however, the Company board of directors did pass a resolution on Sep 16, 2012 (prior to its listing) to carry out a share repurchase plan and the transfer to employees has been completed.

Nth Repurchase	6th Time (Occurrence)
Purpose of Repurchase	Shares are transferred to employees to serve the purpose of employee retention
Period of Repurchase	2013/9/17~2013/10/16
Price Intervals of Repurchase	USD0.5 per share (or NTD equivalent)
Types and No. of Repurchased Shares	27,502 ordinary shares
Amount of Repurchased Shares	USD13,751
No. of Shares already Transferred	27,502 shares
Accumulated No. of Shares Held by the Company	0
Ratio of Accumulated No. of Shares Held by the Company over Total No, of Shares Issued by the Company (%)	0%

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

None

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

The Company has not issued or has any uncompleted plans of raising capital funding, or has completed in the past 3 years and the planned benefits have yet to emerge.

V. Operating Overview

1. Business Details

(i) Business Scope

1. Main details of the businesses operated by the Company and its subsidiaries
The Company is an investment Company founded on Nov 16, 2007 in the Cayman Islands. Based on its business development strategy, Aleees Taiwan engages in the production, R&D and marketing & sales of cathode materials for LFP batteries, and Aleees SH acts as a sales and marketing point for its Mainland China market; another subsidiary, Aleees Eco Ark (Taiwan) mainly engages in the production, R&D and marketing & sales of battery rental and charging/swap businesses. During its business startup period from Nov 19, 2009 to Dec 27, 2012, this subsidiary has already produced sales results of electric buses.

2. Main products and business mix

Unit: K NTD

Major Products	2011		2012		2013	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Cathode materials for LFP batteries	450,529	99.34%	594,761	91.05%	510,839	88.52%
Others(Note)	2,977	0.66%	58,490	8.95%	66,230	11.48%
Total	453,506	100.00%	653,251	100.00%	577,069	100%

Note: includes battery cells, batteries, electric buses and battery swap income.
Data source: Provided by the Company; consolidated financial statements of respective year certified by independent auditor.

3. Existing products (services) of the Company and its subsidiaries

(1) Cathode materials for LFP batteries
Since its establishment, Aleees Taiwan has been exerting its efforts on the R&D, production and marketing & sales of cathode materials for LFP batteries, and has chosen olivine-structured cathode materials as its direction of growth. The main reason is that olivine-structured cathode material have stable structures and strong bonding among its molecules, and hence is able provide high level of safety and relatively long lifecycle. Also, LFP is used within commercialized battery materials, and because of its high level of safety and its cycle use reaches above 2,000 times. It causes low pollution impact on the environment and the sources of its raw materials can be found in abundance. Therefore, it has been considered to be an ideal cathode material to be applied in the electric power and power storage of next generation electric vehicles.

Product Items	Application Items
Cathode materials for LFP batteries	•Electric-powered tools •Electric power storage and intelligent power grids •Provide the batteries needed to develop the electric buses and battery exchange system of Aleees Eco Ark (Taiwan)

(2) Pure electric-powered buses
With the successful development of innovative technologies in cathode materials for LFP batteries by Aleees Taiwan, using its innovative new technology to develop end

product applications, Aleees Eco Ark (Taiwan) has been able to develop electric buses and battery charging/swap system, working together with international well-known vendors to build trustworthy electric buses that meet the standards of Taipei City. So far, it has developed and produced Taiwan's first pure electric-powered low-floor battery swappable large-size and mid-size buses. They have respectively passed the certification test at VSCC in December 2011 and March 2013, and have received the "Vehicle Safety Approval Certificate" from the Ministry of Transportation and Communications. At the same time, the high speed high-floor electric bus is undergoing testing at ARTC.

4. Development of new products in the future
   (1) Cathode materials for LFP batteries
      ① Refine the functions of existing products
         A. Introduce upgraded powder design process to provide customers with operational processing functions which can thoroughly put the properties of the material to use. As such, the production yield rate of the customer is enhanced and production cost is lowered, taking another step forward in expanding the market share of the Group.
         B. Actively introduces new type of manufacturing processes. The cathode materials for LFP batteries which it produces has higher purity, lower impurities and better properties for processing, which are requirements for business expansion of customers in high end product applications.
      ② Continue to develop other olivine-structured materials, such as investing in the development of high voltage olivine-structured cathode materials, complemented with modified anode materials, which is expected to lower costs with each use of the battery. Such combination of voltage difference is close to the voltage of commercialized lithium batteries being used. In summary, commoditization of products can be accelerated and electric-powered tools can be provided with another choice of cathode material with an even higher level of safety.
   (2) Electric bus, battery rental and battery charging/swap station businesses
      ① Continue with the development of electric vehicles for commercial use: In order to promote zero carbon emission and green environmental friendliness in transportation, we are putting our focus on the R&D of electric vehicles for commercial use, through the promotion of government official cars and public transportation vehicles, and in order to speed up and efficiently enable the forming of a green city. Also, electric vehicles for commercial use have the advantages of fixed routes and congregated parking areas with permanent power charging stations and preferential government policies in promotion.
      Development projects include:
         A. Electric trucks and electric garbage trucks
         B. Alloy vehicle structure
         C. Electric wheel-hub systems, hybrid fuel cell electric system and long lasting battery modules
         D. Development of electric cabs
      ② Battery rental and charging/swap station: Innovative battery charging/swap operating system to achieve the mission of "Zero Wastage, Fully Recyclable", taking full responsibility from upkeeping, maintenance to recycling of batteries, solving any concerns of damages caused to the environment from its disposal. This also solves the predicament of popularity with the current issue of electric vehicle charging taking too much time and the construction of basic infrastructure.

(ii) Industry Overview

1. Current Situation and Development of the Industry

(1) Cathode materials for LFP batteries

Under the backdrop of global warming, erratic weather patterns and gradual depletion of oil resources, the application of alternative energy and energy conservation has become a core topic in the growth of global greenery where green industries are rapidly growing. The popular use of lead acid batteries or nickel-cadmium batteries currently has led to severe pollution of the environment due to heavy metal contamination. Besides serious issues in natural self-discharge, the energy density of Mi-NH batteries is unable to satisfy the power or energy storage needs required today, and is gradually being replaced by lithium batteries.

Since the commercialization of lithium batteries in scale, it has been widely used in handheld electronic devices as a result of its excellent performance. When lithium batteries are being used in mid-high capacity and mid-high power and energy storage batteries, the consideration of its application on electric-powered tools or large energy storage units with regards to its cathode material cost, power discharge, high temperature performance and safety are extremely important. At present, cathode materials for LFP batteries concurrently possesses the main advantages of nickel-cadmium, nickel metal hydride and lithium but does not contain precious metal elements. Hence, its raw material is relatively low and sources of phosphorus, lithium and iron can be found in abundance on earth. There is absolutely no issue of inadequate supply. Its theoretical power capacity is large (170mAh/g), its high power discharge can enable quick charging and long lifecycle, has strong properties in energy storage, and its high temperature and high heat stability is far superior to other cathode materials. These distinctions have made LFP become the new generation of mainstream cathode material and most important of all, it is completely toxic-free and is a truly green material.

(2) Electric buses, battery rental and charging/swap station businesses

As mentioned above, with the advancement of the green industry and rising costs of oil, governments in all countries have set its targets and policies on ways to promote energy conservation. All major car manufacturers are actively investing in the development of pure electric cars or hybrid fuel cell electric cars, preparing to grab this new energy business opportunity.

Comparing electric cars with hybrid fuel cell electric cars, hybrid fuel cell electric cars uses a power output structure where the traditional fuel combustion engine is the primary source and the electric motor is used as a backup, and it can reduce 15-20% of carbon emission volume. However, the pure electric-powered car completely relies on the electric motor as the power source for the vehicle, it replaced the traditional fuel combustion engine and oil tank configuration. Driving without the need for fuel combustion is the most environmentally friendly as there is completely “zero” carbon emission during the course of use, and effectively lowers the dependency on oil and volume of carbon emission.

With the trend of the world moving toward green economic growth and the domestic drive in energy conservation and carbon reduction and green energy industries, the development of cathode materials for LFP batteries and advancing the commercialization and proliferation of pure electric-powered buses is an important link in the key driving force behind the green industry in the future.

2. Interconnectivity of the industry upstream, midstream and downstream

(1) LFP Battery Industry

Upstream	Midstream	Downstream Applications
Cathode materials Anode materials Electrolytes Separator membranes Other parts	•Battery(cells) manufacturing industry •Battery module management	•Power battery application →Electric-powered tools •Energy storage battery applications →Energy storage installations →Intelligent energy grid

(2) Electric buses, battery rental and charging/swap station businesses

Upstream	Midstream		Downstream
Automotive parts/modules	System/secondary system	Car manufacturers	End applications
• Battery cells • Battery modules • Current converter module • Motor • Other parts	• Battery management system • Power management system • Integrated development technology • Construction of battery charging/swap stations	Assembly and manufacturing of car body	• Electric-powered tools for commercial use • Battery rental business • Battery charging/swap station business

3. Various development trends of products

(1) Cathode materials for LFP batteries

Batteries that can be repeatedly used for charging are known as rechargeable batteries. At present, the rechargeable batteries that are mainly being used include lead acid batteries, nickel-cadmium batteries, NiMH batteries and lithium batteries. Lithium batteries can be further divided into lithium cobalt batteries, lithium manganese batteries and Li(NiCoMn)O2 batteries (NiCoMn) and LFP batteries.

Lead acid batteries and nickel-cadmium batteries are among the earliest developed rechargeable batteries. Their prices are cheap and technology is matured but its energy density and lifespan is far from ideal, and its main materials have huge impact on polluting the environment. Among them, nickel-cadmium batteries have been completely banned in European Union (EU) countries and the U.S due to its content of the heavy metal, nickel. Countries in Asia are gradually following suit and among them, EPA Taiwan has already announced its phase-out plan on Jan 21, 2010.

The usage lifespan of NiMH batteries are relatively longer than lead acid batteries and nickel-cadmium batteries, and it charges quickly. Due to its matured technology and relatively low pricing, it occupies an important position in actual applications of the consumer electronics market and automotive market. It has been close to a decade since the electric car started operating, however due to its serious self-discharge of power drainage, and its energy density has been unable to satisfy the power and energy storage needs of today, lithium batteries which is smaller in size and higher in energy density have started to replace it.

The earliest commercial use of lithium-ion batteries was the lithium cobalt batteries. Due to its high energy density and stable power discharge voltage, most batteries in consumer electronic products are currently using lithium cobalt batteries. However, the stability of the material in itself is not stable and results in low safety levels of the battery, and may result in risk of fire or explosion when used in the batteries of electric vehicles. In addition, the price of its main raw material, cobalt, is expensive, hence it is not suitable for use in power or energy storage batteries of large dimensions.

The cathode materials used in lithium manganese batteries are spinel-structured; its structure is stable and relatively safe. Also, the raw material of manganese is cheap and hence it can be used in power batteries. However, its lifecycle is only 500 times and at the same time, high temperature will cause capacity decay and degradation of the battery, hence it is used mostly in the domain of electric bicycle and other light transportation tools.

The cathode materials used in Li(NiCoMn)O2 batteries are ceramic compounds of nickel, cobalt and manganese metallic oxides. Its energy density is close to that of lithium cobalt batteries, and it is relatively safe but not as good as LFP batteries. It has replaced lithium cobalt batteries by huge volumes in recent years and has become the mainstream of batteries for consumer electronics. In recent times, some power batteries and electric car makers have introduced it into electric car batteries. It has high potential and poses the biggest opportunity to contend with LFP batteries for use as new type of electric car batteries within the electric vehicle domain. However its lifecycle is only 500 times and its heat stability is incomparable to LFP batteries (still has thermal runaway risk). As a result, its main weakness is that significant extra costs have to be incurred in the production of the battery system.

The cathode materials used in LFP batteries are olivine-structured. In its initial invention, lithium batteries of commercial value could not be produced due to its overly poor conductivity. Since 2002, with the replacement of various types of metals or development in surface modification technology, the conductivity of LFP batteries have been raised significantly, and our Group has successfully developed in our research, the LFP-NCO (Lithium ferrous phosphate nano co-crystalline compound) material, which effectively improves material conductivity by more than one million times as compared to the N-structured traditional LFP with semiconductor properties.

The most attractive aspect of the cathode materials for LFP batteries is its safety due to the phosphorus and oxygen in phosphates forming covalent bonds within the olivine structure, hence it has a crystalline structure that can be stabilized to further provide high level of battery safety and relatively long life cycle. The LFP commercially used in current cathode materials for LFP batteries have the highest level of safety, cycle use can reach 2,000 times and retain 80% of power capacity and above, low pollution impact on the environment and abundance of raw materials (mainly lithium, iron and phosphate) in source, and is considered as ideal cathode materials for lithium batteries used on electric-powered vehicles and tools as well as energy storage equipment.

(2) Electric buses, battery rental and charging/swap station businesses

In recent years, with topic of green environmental conservation gaining attention and rising costs of oil, governments in all countries have set its targets and policies on ways to promote energy conservation. All major car manufacturers are actively investing in the development of pure electric cars or hybrid fuel cell electric cars, preparing to grab this new energy business opportunity. Smart electric car can be divided into the four following types based on its power output model:

① HEV hybrid fuel cell electric cars: The electric motor is the main powering force moving off from low speed, and after increasing in speed, the engine is the main driving force of the dynamical system, and the electric motor becomes a backup system in nature. The motor is initiated only when further speed increase is needed during high speed, to provide extra power, or to make use of this motor to carry out regenerative braking to charge the array of batteries, and reduce air pollution and oil usage issue.

② PHEV Plug-in hybrid electric cars: External power source can be used to charge the array of batteries. This transportation method using the pure electric-powered motor satisfies the needs of short journey commuters and when there is insufficient battery power, the engine provides the source of power. There is no emission of fumes when traveling in pure electric power mode. However the mileage is limited when using the pure electric power mode and is unable to detach its dependence from the back-up fuel engine.

③ EREV Extended range electric vehicle: The electric motors serves as its main dynamical system while the fuel engine is used to start up the power generator to generate electricity, so as to provide the power needed by the motor for traveling and charge the array of batteries at the same time. This effectively solves the mileage concern of the electric car user but it still requires the complementary use of the fuel engine, and thus is unable to achieve complete environmental protection.

④ BEV（EV） Battery electric vehicle: It is driven fully by the electric motor and not equipped with a fuel engine and accomplishes zero pollution when travelling. The needed electrical power is provided through the charging method of the array of batteries to drive the motor, but the charging time is long and the cost of battery arrays is expensive. However, if the operating model of the company – “Slow Charging and Quick Swap, Sales of No-Frills Vehicle, Rental of Battery, Battery Swap – Primary, Battery Charging – Backup” is adopted, the time required for power charging is effectively reduced, and the cost of each usage for the battery arrays are reduce. Therefore, the battery swap model is the direction of development for future smart electric cars.

In recent years, various metropolitan areas around the world are faced with the issues of population aging, air pollution and transportation planning, especially for developing countries in the aspect of massive increase in transportation needs. Under the consideration of funding and construction timeliness, pushing forward with the electric bus and carry out proper transportation planning could accelerate the facilitation of three winning policy targets in energy application, environmental protection and economic development. However without the completion of basic power charging stations, there are no advantages in this business opportunity.

The battery swap model proposed by the Group is the best energy supply solution today for large size electric vehicles. Due to the business nature of large passenger vehicles, they are unable to spend long hours stopping to wait for charging of the vehicle like normal cars. Hence, the Group has proposed the operating model of battery swap, which refers to the sales of no-frills vehicle and rental of battery service model. Bus companies providing passenger services only need to purchase the electric bus and battery rental services agreement, and carry on using their vehicles according to their original user practices, and head into the battery swap station to carry out battery exchange when the battery energy is close to depletion. The entire process of the battery swap takes between 6-10 minutes and the bus can resume services on the road in a very short time. This is similar to the original practices for diesel buses and can fulfill the needs for transporting passengers.

As the routes, distance and timing taken by electric buses are fixed, the electrical power supply issue of the battery swap model proposed by the Group can be resolved rapidly and feasible to introduce into commercial usage. Battery swappable pure electric-powered vehicles are the future direction of public transportation tools in the metropolitan area for the public who has been suffering from the nightmare of air pollution caused by public transportation tools in the metropolitan area over the long term.

4. Competitive Landscape

(1) Cathode materials for LFP batteries

Relatively well-known vendors around the world developing cathode materials for LFP batteries: Besides our Group, there is CAEC, Tatung Fine Chemicals, A123 (declared bankruptcy in Oct 2010 and its assets are being acquired by Wan Xiang Group from China), Süd-Chemie, Valence (has applied for restructuring with the United States Bankruptcy Court for the Western District of Texas in July 2012), BASF, Sumitomo Osaka Cement, Mitsui Engineering & Shipbuilding, Pulead Technology, Tianjin STL Energy, Hunan Shanshan and Shenzhen BTR. The following is the breakdown analysis on LFP production:

Table: Comparison of LFP Manufacturing Technology

Manufacturing	Hydrothermal synthesis	Sol-gel Method	Dry Solidification Method
Manufacturing Precision	200 nm	200 nm	1.5 μm
Capacity Density	High (155mAh/g)	High (155mAh/g)	Low (140mAh/g)
Lifecycle	Excellent (>2,000 times@SOC 80%)	Excellent (>2,000 times@SOC 80%)	Poor (>2,000 times@SOC 70%)
Manufacturing Cost	High (4X)	Medium (1.76X)	Low (1X)
Expandability of Production Capacity	Poor	Medium	Excellent
Quick Charge/Discharge	Excellent	Excellent	Poor
Battery Processing Properties	Poor	Excellent	Excellent
Main Markets	European Union (EU)/U.S/Japan	European Union (EU)/U.S/Japan/Mainland China	Mainland China
Most Suitable Application	HEV Battery Grid Battery Tooling Battery	PHEV/EV Battery Off-grid Deep Cycle Battery Grid Battery	E-bike E-scooter

Data Source: Collation by Company

The current manufacturing process of hydrothermal synthesis is able to synthesize relative small grains of LFP. However its cost is relatively high and the manufacturing process is relatively complex which limits its development in production capacity. The biggest issue that lies with dry solidification method is the μm dimension level of the product and is limited by the differences in the physical properties of its raw materials. The issue of instability in product quality arises easily during the manufacturing process and makes it impossible to penetrate the high end product market. A comprehensive survey of all the production methods of competing products shows that there is no evading the limitations of manufacturing technology and production installations, there is no way to provide products of high C/P ratio and stability.

Our Group uses the sol-gel method to manufacture LFP, the advantage is that phosphate-iron crystals synthesized through heat bonding goes through another heat bonding process with lithium salts, and this would achieve a LFP high end product with stable structures and high purity yield. The application for patent protection of this special manufacturing process has already been submitted overseas.

Comparison of the cathode materials for LFP batteries produced by our Company with other competitors in the industry is as follows:

Company	Domestic Competitors		Aleees (Cayman)
Power Capacity (mAh/g) (Note 1)	140	150	155
Manufacturing Process	LFP Oxides Dry Manufacturing Process	LFP Metal Doping Process	LFP Nano Metal Oxide Co-Crystals Compound Manufacturing Process
Lifecycle (Note 2)	>2000 times @SOC70%	2,000 times @SOC 80%	>2000 times @SOC80%
Manufacturing Precision	1.5 μm	1,000nm (1.0 μm)	500nm
Manufacturing Distinction	Manufacturing Time is Short Manufacturing Cost is Low	Product Stability is High	Power Capacity of Product is High Product Stability is High

Data Source: Test Report of NTU TL Industrial Research Center and competitors' website

Note 1: Refers to the power capacity of every gram of cathode material, under the same weight of cathode material, the higher the power capacity, the higher its mass and energy density.

Note 2: Refers to the % of original power capacity after having gone through a lifecycle of more than 2,000 times of charging/discharging.

The Company is currently mass producing products similar to its competitors and regardless of power capacity, lifecycle and manufacturing precision, our products are more superior to that of our competitors. From the perspective of customers, although using the cathode materials for LFP batteries made by our Company costs slightly higher than that of our competitors, the batteries produced by the customers would have higher power capacity and sell for higher prices due to our higher power capacity. This creates even greater benefits for the customer.

The power capacity of cathode materials for LFP batteries determines the equivalent no. of battery cells capacity being produced and the cathode materials for LFP batteries is an important component of LFP battery cells.

LFP battery cells are formed by cathode materials, anode materials, separator membranes and electrolytes, and the cathode materials for LFP batteries makes up 15-20% of the total manufacturing costs of LFP battery cells. Although the prices of our company products are around 30% higher than our competitors, the actual manufacturing costs of LFP battery cells has increased only by 4.5% - 6%. Customers who used the products made by Aleees (Cayman) as compared to products made using the dry manufacturing process, is able to have 10.7% higher capacity [(155/140)*100%=10.7%]. That is to say by calculating the capacity cost of battery cells, the selling price of the battery cells can be increased by 10.7% by using the products made by our Company, and by deducting the cost increase of 4.5% - 6%, the products made by our Company can help to create additional 4.7%-6.2% of value for the customer. That is why customers are still willing to use the products of our Company even when our prices are higher.

In the future, our Group shall strive to develop products with even higher C/P ratio for use by customers, and carry out even greater improvements in our manufacturing processes, so as to produce higher output in products to meet the future growth of the electric car (including electric buses) market. In addition, our Group shall strive to extend the lifespan of battery use to lower costs for the user and raise the acceptance level of users toward electric cars (including electric buses). At this moment, we have achieved great results in our testing phase and we hope that this product can be promoted universally within 2 years to the electric car (including electric buses) market.

(2) Electric buses, battery rental and charging/swap station

The main product of Aleees Eco Ark (Taiwan) is pure electric-powered buses, and the power supply is provided through the battery swap method. The following is a comparison of the main models developed for electric buses within the country currently:

Table: Comparison on Development Models for Electric Buses

Product Type	Pure Electric-powered Buses	Pure Electric-powered Buses	Hybrid Fuel Cell Electric Buses
Main power source	Battery module (Battery swap model)	Battery module (Battery charging model)	Battery module (Diesel model)
Power charging time	Battery swap time Around 6-10 mins	Charging time Quick charge around 2hrs Slow charge around 8hrs	Fuel top up time Around 6- 10 mins
Carbon Emission Volume	0 kg/km	0 kg/km	2.3 kg/Liter
Cathode materials for batteries	LFP	LFP	Lithium
Vehicle cost assumed by bus companies	Sales of no-frills vehicle Lowest vehicle price	Include sales of batteries Vehicle price is relatively higher	Include sales of batteries Vehicle price is relatively higher
Battery swapping costs incurred by bus companies	None	Yes	Yes

Aleees Eco Ark (Taiwan) has chosen the worlds' most advance technologies and vendors in relation to electric vehicles, and has rather high branding commitment. It is willing to take on joint responsibility for the product and provide passengers with the best and safest electric bus solution. Complementing with its battery charging/swap station service model design which considers the business nature of vehicles for commercial use and is unable to stop for long periods of charging, hence, the operating model of battery swap has been introduced. This model is based on the sales of no-frills vehicle and battery rental services model, whereby the customer only has to purchase the electric bus and battery rental service agreement, and carry on using the vehicle according to original practices and head into the battery swap station to carry out battery exchange when the battery energy is close to depletion. The entire process of the battery swap takes between 6-10 minutes and the bus can resume services on the road in a very short time which fulfill the needs for transporting passengers.

With the lack of confidence in the market toward electric vehicles, Aleees Eco Ark (Taiwan) and its affiliated company, Aleees Taiwan, which possesses comparative advantages in battery materials have taken the approach to share overall risks and hope to reduce market concerns toward electric buses.

(iii) Overview on Technology and R&D

1. Technology level and R&D status of Operated Business

Since its establishment in 2005, Aleees Taiwan, a subsidiary of our Company, has emphasized its efforts on the development of critical olivine-structure materials used in Lithium-ion batteries. The development of its LFP-NCO technology was completed in 2007and helps to enhance the power capacity and lifecycle of products as part of its main technology roadmap strategy. This core technology with a competitive edge provides the driving force to enable the advancement of electric vehicle and clean energy storage businesses. Currently, with its own LFP-NCO patent, Aleees Taiwan has already achieved a leadership position in the global market through the introduction of its cathode materials for LFP batteries. Also, it engages in customized production to fulfill the needs of different customers. While in the domain of electric vehicle applications, Aleees Eco Ark (Taiwan) has become the first company in Taiwan to fulfill the conditions to operate the electric bus and battery charging/swap station system.

The use of lithium in batteries for electric vehicles is still currently under development, and its cost is an important consideration due to the fact that cathode materials form the highest ratio in the overall material cost of batteries, as well as being the most obvious in affecting battery performances. In order to break through on the overly high pricing issue which is affecting its commoditization, our Group has successfully used a dual layer conductive substance structure to develop a new generation of extended lifespan cathode materials for LFP batteries, gradually lowering the cost of battery for each use. In addition, further development of high voltage olivine-structured cathode materials shall be engaged to complement the modified anode materials. We expect that the cost of battery for each use will once again be lowered and shall effectively facilitate the advancement of relevant new energy businesses.

2. Researchers and their academic qualifications/experience

Year		2010	2011	2012	2013
Researchers		33	43	51	58
Average Experience		1.53	1.71	1.68	1.98
Academic Distribution	PhD Holders	9%	16%	8%	8.62%
	Master's Degree Holder	24%	33%	29%	41.38%
	Undergraduate and Vocational Institution graduate	46%	42%	57%	43.10%
	High School	21%	9%	6%	6.90%

3. Research expenses incurred in recent years and as at the printing of the annual report

Unit: K NTD

Year	2013	Q1 2014
Research Expenses	150,482	50,896
Net Income	577,069	120,819
As a % of Net Income	26.08%	42.13%

4. Successfully developed technology or products

Business Segment	Period	Results of Product R&D
Cathode Business	2006~2008	LFP-NCO materials.
	2010~2011	Completed the development of battery module for electric buses.
	2010~2011	Completed development of BMS for LFP batteries.
	2011	Completed development of extended lifespan materials. (Pending patent application in the U.S.)
		Completed the development of extended lifespan anode materials for LFP
		Completed the development of Fe7(PO4) co-crystalline precursor compounds. (Pending patent application in the U.S.)
	2011~2012	Completed development of manufacturing process for new generation of carbon cladding material to reinforce structural heat bonding.
	2012	Completed the development of next generation of specialized water-based binder.
		Completed the development of next generation of low temperature-based functional product.
		Completed the development phase of next generation powder granulation processing lab.
	2013	Completed the MP testing of next generation of specialized water-based binder.
		Completed the MP testing of next generation of low temperature-based functional product.
Electric Bus Business	2009~2010	Produced its first pure electric-powered low-floor battery swappable bus.
	2012	Completed the 20ft movable battery swap shelf, began operations.
		Completed the battery management and distribution system,

Business Segment	Period	Results of Product R&D
		began operations.
		Completed the remote monitoring and fee computation system of the battery swap station, began operations.
		Produced its first electric-powered low-floor mid-sized bus.
	2013	System connections of the battery swap station, vehicle communications and control system.
		Standardization of battery module specifications, and can be used interchangeably on all types of vehicle models.
		Battery ID effectively manages the status of every battery, extend battery lifespan and ensure safety.
		Mid-sized bus passed the certification test at VSCC and received the "Vehicle Safety Approval Certificate" from the Ministry of Transportation and Communications..

(iv) Short and long term business development plan

1. Short term business development strategy and plan

(1) Cathode materials for LFP batteries

① Provide comprehensive solution: Besides providing recommended use of sales products to customers, our Group also provides other complementary suggestions of critical materials, as well as selected purchase, use of equipment, environmental control and other information.

② Engage in strategic alliance sales: Tie up with well-known vendors around the world to engage in complementary sales. Jointly develop products and comprehensive solution besides further sharing of customer resources to carry out integrated sales.

③ Refinement of product line: In order to satisfy the needs of different customers, our Group shall gradually develop different types of products for customers with different processes, so as to lower the introduction costs of customers. Special emphasis is placed on the development of extended lifespan cathode materials for electric transportation tools to accelerate market application.

④ Provide better technical services: The set up of the battery research test lab in our Group subsidiary, Aleees SH, will effectively assist customers with solving issues on usage and concurrently assist customers with product introduction and provide even more value add.

⑤ Using downstream to stimulate upstream demand: Using the demands of electric buses or battery exchange system to ignite the demand for upstream materials.

(2) Electric buses, battery rental and charging/swap station business

① The electric buses of this Group utilizes the "Separated Vehicle – Electrical Power" rental method to lower the high cost of pricing purchasing the vehicle and batteries together.

② As the upkeeping and maintenance of batteries is more important than the vehicle itself, our Group has used the battery rental method to ensure the quality control and safety maintenance of its battery products. The purpose is aimed at reducing the burden of bus companies and free them up from wasting time and costs on unfamiliar battery matters, as well as provide the best assurance for the personal safety of passengers.

2. Long term business development strategy and plan

(1) Continue with the R&D of critical technology and patents, and maintain our competitiveness in the industry.

(2) Progressively expand the application domains of our products and strengthen revenue growth momentum.
(3) Engage in collaboration plans with domestic and foreign professional research units and academic institutions; carry out research on material synthesis, material application science and other directions through such methods of collaboration. Cultivate the talent needed by the company during the course of such collaboration process to enhance corporate competitiveness in the long term.
(4) Implement corporate governance, reinforce risk management, sustainable management of the company and create maximum wealth for the shareholders.

2. Overview on Market and Product Sales

(i) Market Analysis

1. Main Sales Regions

The main sales regions of the Group is in Asia, this is because global the manufacturing of lithium batteries is currently concentrated in Asia, especially in Mainland China, Japan and Korea. Among which, Mainland China has the highest ratio as the key customers are located in the Mainland China market.

Unit: K NTD; %

Region	2012		2013		Q1 2014	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Asia	631,473	96.66	563,404	97.63	119,270	98.72
Americas	9,620	1.48	6,707	1.16	44	0.04
European Union (EU)	12,158	1.86	6,958	1.21	1,505	1.24
Others	—	—	—	—	—	—
Total	653,251	100.00	577,069	100.00	120,819	100.00

2. Market Share Rate

Our Group started in the initial commoditization period of cathode materials for LFP batteries. We started to invest in the R&D and patent deployment of cathode materials for LFP batteries in 2005, and we publicized our cathode material patent for LFP-NCOTEC in 2007. Through the refinement of our manufacturing processes in between, we were able to smoothly start official mass production in November 2001. In recent years, we have continued to expand our production capacity and the consolidated sales volume of our Group in 2011 and 2012 were 911 tons and 1,157 tons respectively. According to ITIS, MOEA which cited the statistics and forecast information provided by IEK, ITRI in October 2012, IEK estimated that the shipment volume of cathode materials for LFP batteries in the global market to be 3,575 tons and 5,919 tons respectively. The market share rate of our Group in the global market for 2011 and 2012 are respectively 25.48% and 19.55%.

In 2013, due to the electric vehicle policy changes in Mainland China, the demand of cathode materials for LFP batteries in the second half of the year declined. Based on the estimates of ITRI, the 2013 shipment volume in the global market is expected to drop around 20% to 30% as compared to 2012. In a year of unclear policy and market elimination, Aleees shipment volume in 2013 was 914 tons. Even though the decline is around 20% year-over-year, our drop has not been as bad as some of our competitors; we have been able to secure our 20% mark in market share rate globally.

3. Supply situation and growth of market in the future

With the emergence of consciousness in environmental conservation in the 21st century, people are becoming aware that oil is no longer an "unlimited in supply, uncurbed in usage" resource. Its reserves are limited and the overuse of oil has brought about the issue of global warming. This is making the public start to reflect on the issue of oil usage. Transportation tools is the biggest cause of carbon emission, hence governments of various countries are respectively establishing standards on the reduction of carbon emission by motor vehicles and concurrently encouraging the development of electric vehicles.

The trend analysis report on electric vehicles and automotive batteries market according to Chung-Hua Institution for Economic Research indicates that based on the EV and PHEV development roadmap released by IEA in 2011, the sales volume for EV and PHEV in 2012, 2015 and 2020 respectively are as follows:

Comparison Table on Global Growth Estimates of Electric-Powered Tools and Policy Development of Countries in Reaching the Hypothesis

Unit: Vehicles

	2012	2015	2020
IEA estimates	80,000	1,200,000	7,200,000
Full target achievement basis by various countries worldwide	80,000	2,000,000	4,000,000
Optimal level of full target achievement basis by various countries worldwide	80,000	3,000,000	10,000,000

Data Source: Fu-Yao Guo, Chung-Hua Institution for Economic Research, August 2012, "Trend analysis on global electric vehicles and automotive batteries market"

Under the full target achievement basis by various countries worldwide, IEA has collated the policy targets set by governments from various countries worldwide with regards to EV and PHEV, and worked on the hypothesis that all policy targets will be smoothly accomplished. Further assumptions were made in this scenario where after all respective governments have achieved their policy targets, the EV and PHEV market in various countries worldwide will not be able to sustain the pace of policy subsidies and hence growth will start to ease up.

Under optimal level of full target achievement basis by various countries worldwide, IEA has similarly worked on the hypothesis that all policy targets will be smoothly accomplished. However what is different is that under this scenario, IEA assumes that after all respective governments have achieved their policy targets, the EV and PHEV market in various countries worldwide will continue to grow rapidly and this growth will sustain to 2020.

Based on the sales volume estimates of IEA, Chung-Hua Institution for Economic Research has also taken into consideration the hypothesized conditions of lithium battery cost breakdown by the Center of Globalization Governance & Competitiveness, Deutsche Bank, to carry out a market scale estimate of cathode materials for LFP batteries, which indicates the range of NTD 21.8 billion to 54.4 billion in 2015 and NTD 98.5 billion – 246.3 billion in 2020.

<u>Table: Market Analysis of Chung-Hua Institution for Economic Research</u>

Unit: NTD 100M

	2015	2020
Market scale of cathode materials		
IEA estimates	544	2,533
Full target achievement basis by	907	1,407

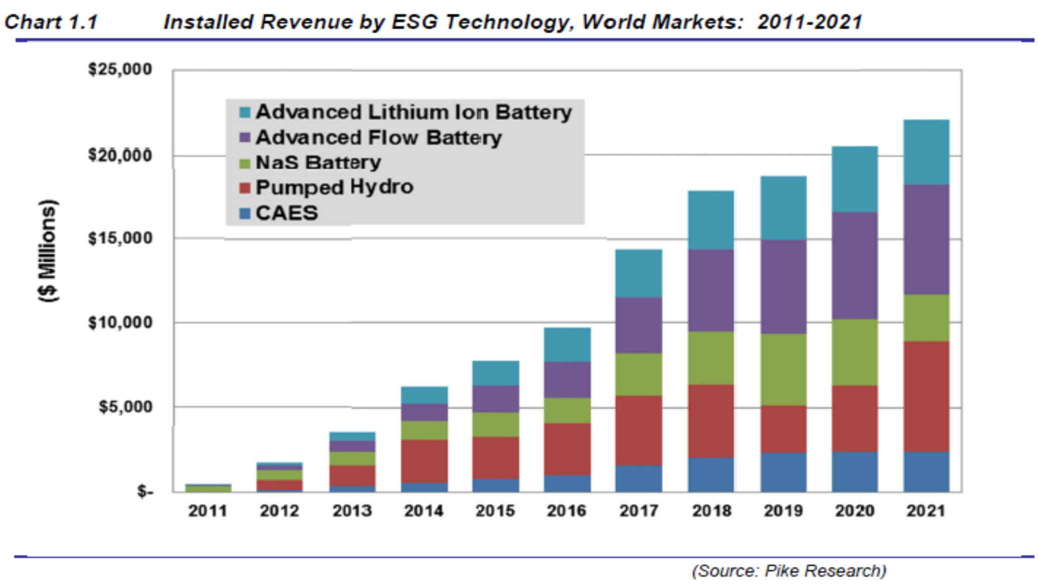
various countries worldwide		
Optimal level of full target achievement basis by various countries worldwide	1,360	3,518
Market penetration rate of cathode materials for LFP batteries	40%	70%
IEA estimates	218	1,773
Full target achievement basis by various countries worldwide	363	985
Optimal level of full target achievement basis by various countries worldwide	544	2,463

Data Source: Fu-Yao Guo, Chung-Hua Institution for Economic Research, August 2012, "Trend analysis on global electric vehicles and automotive batteries market"

LFP is the only one among all lithium batteries to have a lifecycle beyond 2,000 times, and is the most suitable choice for use in electric power storage among all lithium batteries. At present, it is actually being used in engineering of power grid stations and backup systems of power supply base stations. The tender bids for energy storage batteries of State Grid Corporation of China and China Southern Power Grid are cases which have utilized LFP batteries for the technological application of its energy storage. Other cases include the supply of LFP batteries to China Southern Power Grid by BYD, the agreement of cooperation intent signed between A123 Systems and AES Energy, as well as the construction of the 9 MWp photovoltaic (PV) plant on the French Reunion Island led by French battery cell maker, SAFT.

In the aspect of the energy storage market, according to the study report and estimate by Pike Research, the scale of the energy storage market will reach USD8 billion by 2015. This includes compressed air energy storage technology, hydraulic turbine energy storage technology, sodium-sulfur batteries, redox flow batteries and lithium batteries. Among them, the demand for lithium batteries is NTD44 billion, which equates to a demand of 9,700 tons of cathode materials for lithium batteries and a total market value of NTD5.82 billion, and the ratio of cathode materials for LFP batteries within this is between 40% - 50%, which equates to a market value of NTD2.3 billion to NTD 2.9 billion.

Diagram: Estimated Scale of Global Energy Storage Market



Source: Pike Research (Published Q3 2011)

Looking ahead to 2014, with the release of China's policy subsidies of new energy vehicle, energy conservation and carbon reduction is indicated as a major focal point of local implementation. On the basis that the carbon emission of a diesel public bus is that of 40 sedans, and calculation of subsidies and emission volume, for the subsidy of RMB500,000 for every public bus, the Chinese government will have to spend RMB2.4 million to subsidize 40 sedans with equivalent emission volume. With the consideration of economic benefits and costs, as China pushes forward with the development of electric buses, its external environment costs and national health and medical expenses shall also reduce greatly. As of the end of 2013, the accumulated shipment volume of cathode materials for LFP batteries by the company to date has reached 3,700 tons, and 90% of its customers are located in China, and then resold to other countries around the world. Our Group estimates that the abovementioned applications will gradually mature and become universal, and with the Chinese market starting to warm up again, the shipment volume of cathode materials for LFP batteries in 2014 can be expected to exceed the level of 1,157 tons set in 2012.

4. Competitive Niche
   (1) A professional management team in place
   Our Group has set up a battery test lab to accelerate our understanding on battery properties and concurrently cooperate and interact with the academic circle on a wide ranging technological basis to enhance our R&D technology on battery materials. Also, our management team has many years of relevant rich experience in the industry, they are agile in countermeasures to the market and meticulous and quick in decision-making, as well as continue to attract talent to join our management and R&D. They are able to grasp critical technology of products and have the capability to self develop new products. Hence, we are able to relate to all changes in the market, maintain our excellent competitive advantages and continue to be in our leadership position.
   (2) Refinement of manufacturing process and R&D technology
   The products of our Group possess the properties of battery cell mass and relatively light in weight, and strong applicability. Our products are highly consistent and can effectively raise the reliability of batteries. It has high C/P ratio and can enhance the returns of customers. Our performance has been satisfactory to our customers and customers do not need to become the sacrificial parties of immature products.
   (3) Complete deployment of patents
   Our Group has strong emphasis on the development of intellectual property. We have devoted our efforts to manage, maintain and build up a complete patent protection umbrella.
   (4) Encouragement in innovation and implementation of quality management
   Our Group encourages our employees to be actively engaged in innovative developments and our employees can engage in activities that exceed the demands of our customers and lower production cost, improve current technology, create advance technology, encourage basic R&D, improvement in all types of administrative processes, and enhance yield rate and lower cost of production. According to our internal "Innovative Proposal Incentive Regulations", we reward proactiveness. Also, the Group has passed the certifications of ISO9001, ISO14001, TS16949 and OHSAS18001, and led the industry in introducing Six Sigma as our basic platform to continuously introduce quality certifications, to further complement the assurance of quality stability in our products.

(5) Establishment of the battery test lab and close collaboration with battery cell makers to accelerate our response in technical services and enhance the product value of battery makers.

In order to strengthen our competitiveness, the company has started to engage in marketing and technical cooperation with downstream battery assembly vendors (Battery Pack) in 2009. We have opened up collaboration with end markets though investment in downstream companies with technological and market potential.

Take for example our company's investment in Emerald Battery Technologies Co., Ltd (hereafter referred to as "Emerald Battery"), this company has been able to accommodate our request on eight major areas of lithium battery technology - development of BMS technology, development of EMS, analysis on the properties of battery cells, development of power battery modules, development of energy storage systems, development of battery module safety, re-utilization of power batteries, heat map analysis of module technology, and Aleees received full cooperation on the requests and released the design philosophy, technology for use in its development roadmap, to jointly cooperate on BMS. Our company will also provide amended parameters after actual trial test, to Emerald Battery for use as reference in improving the technology.

The investment by Aleees (Cayman) in Emerald Battery can effectively provide vertical integration, from cathode materials, battery modules, electric bus batteries to the introduction of electric bus battery re-utilization, which all have been developed through the cooperation between Aleees (Cayman) and Emerald Battery. This can rapidly provide a fully integrated technology of the electric bus system, increase our development and manufacturing efficiency, and effectively enhance our C/P ratio, to swiftly make inroads in the electric bus market, bringing about growth in the industry chain. Also, with the introduction of the electric bus battery re-utilization technology, we can effectively use it on the phase-out of battery modules of electric buses, and reuse them in energy storage system for continuous service. This can lower the pricing of energy storage system and facilitate the universal acceptance of energy storage system.

Emerald Battery has already produced results in the market. On the aspect of car use batteries, it has already completed the battery modules for electric buses, battery modules for motorbikes, electric forklifts and electric car auxiliary battery. On the aspect of energy storage system, Emerald Battery has developed a LFP battery array which has been chosen by MOEA to be used in the technology project in conjunction with the "Micro Grid Energy Storage System" developed by the National Chung-Shan Institute of Science & Technology. This was then used on Aug 28, 2012, at the Jingshui Elementary School in Kinmen County, starting a 3-month field operation as well as in the projects for the medical vehicle battery module (Advantech) and DC power backup system (Fortune Electric).

Also, due to the bankruptcy application and restructuring application by A123 and Valence respectively in Oct and July of 2012, and the LFP cathode materials produced are supplied for use on its own battery cells internally and not sold externally, hence there is no available technological date to carry out any comparison.

5. Development outlook – favorable and unfavorable factors and countermeasures

(1) Favorable factors

① Fulfill the green industry policy orientation of governments in various countries

Under the push of the green industry and rising oil costs, various countries have placed the development of energy storage batteries and power batteries at high levels of national strategic importance, and the intensity of funding and policy support is strong. LFP batteries have become the mainstream of power batteries and energy storage batteries due to its nature of high level of safety, high power capacity, and relatively high lifecycle and relatively environmentally friendly. The governments of countries worldwide have spared no efforts in pushing forward new energy vehicles, and has strategic plans to promote the development of the electric car industry, and with the development of its industries, there will even be more focus on LFP batteries.

② Widespread use of LFP batteries in application fields

The global application market for lithium batteries has in the past been mainly focused on mobile phones and notebooks and in particular Li(NiCoMn)O2 battery due to its high energy density. In recent times, LFP is a revolutionary new material for lithium batteries and widespread studies have been initiated because of its superior properties and rapid development. It has also greatly expanded the application fields of lithium batteries and has extended to new realms of electric bicycles, hybrid fuel cell electric vehicle, electric vehicles and energy storage batteries.

③ High barriers to LFP technology patents and can prevent cut-throat competition

The first hurdle faced with entering LFP is the patent barrier. Companies that have entered this domain earlier have already completed their patent deployment, resulting in the high possibility of patent litigation for latecomers to the scene. Hence, there is not too many who have ventured into its production.

(2) Unfavorable factors

① Risk in concentrated source of raw materials: The mining of lithium is concentrated in a few areas worldwide and the main supply relies on foreign imports.

Countermeasures:

In order to eliminate the risk in concentrated source of raw materials, besides maintaining close relationship with the vendor, two or more suppliers are established for every main material to mitigate urgent request.

② Disorderly competition from Chinese competitors: As the outlook for the industry is good, hence there are more than 200 suppliers of cathode materials for LFP batteries in Mainland China. However, most of them do not have production capabilities, the capacity of their products is low and product quality is not stable. Many have attempted to break into the market with low pricing strategy and have formed pressure on the market to lower prices.

Countermeasures:

To overcome the low pricing tactics of the competing market, our Group has accelerated development of new products and enhances product quality to put distance between our competitors and us. At the same time, through establishment of our brand name to attract new customers, we are actively providing other value add services to raise customer loyalty and user stickiness.

Also in comparison to suppliers of cathode materials for LFP batteries in Mainland China, we have the following competitive advantages:

A. Stable manufacturing capabilities which has created our leading position in the market.

The stability of cathode materials for LFP batteries in terms of product quality is normally the key that determines the good or bad of their battery products in relation to the downstream battery makers. As there are many different manufacturing processes of cathode materials for LFP batteries, and the types, quantity and timing of compounds to be added will all affect the cathode materials being produced. Therefore, the biggest topic for makers of cathode materials for LFP batteries is how to keep the product quality generated consistent. Although our Company faces competition from Chinese competitors like every other industry, we have stable manufacturing capabilities and the product quality generated is highly consistent which are recognized by customers and has resulted in the shipment volume of our Company being able to lead in the Mainland China industry.

According to the 2011 data estimates of IEK, ITRI, the global demand of cathode materials for LFP batteries is 3,575 tons and the company shipped out 911 tons in actual shipment during 2011 while overall Chinese competitors shipped out an around 1,400 tons. Among which, BYD and STL makes up 400 tons and they are the biggest Chinese suppliers. However they have yet to even meet half of our Company shipment volume. In the lithium battery industry, once a vendor becomes the main supplier of the battery maker, the battery maker will not casually swap supplier due to high costs in swapping, and our Company is already in a leadership position within the industry of cathode materials for LFP batteries. We have absolute comparative advantages despite facing competition from China competitors.

B. Obtain patent licensing, helps with clinching of overseas orders outside of Mainland China by customers

Many customers of battery cell makers in Mainland China are located in regions outside China, and from the deployment status of patent licensing globally, patent issues are bound to surface when exporting to key markets (including EU, U.S., Japan and Korea). Also, all major international customers do focus on IP infringement issues when purchasing battery cells, therefore, utilizing the products of Aleees (Cayman) which already have global licensing for its patents will obviously eliminate patent concerns during the sales process of end products. Currently, as no powder factories in Mainland China has obtained patent licensing and for vendors who have already obtained patent licensing that possess mass production capabilities and sizable sales track record are limited. These two unique points mentioned above have enabled our Company to have a commanding lead over our competitors in Mainland China.

In summary, even though our Company faces competition from competitors in Mainland China, there are two comparative advantages in our stable manufacturing capability and acquired patent licensing that gives us a commanding lead over our competitors in Mainland China. Our Company will continue to develop new products in the future to maintain our leadership position in the market.

③ Competitors can capitalize on patent litigation as a means of obstruction commercially

<u>Countermeasures</u>

A. Our lawyers in Mainland China, U.S and EU have relatively abundant experience in working with us. These law firms specialize in intellectual property and have strong experience in cross-border cases. Hence when any dispute arises in any country, our Group is able to promptly resolve the dispute with the assistance of our adequately prepared law firms.

B. The patent licensing agreement was completed between our Group and LiFePO4+C Licensing AG on Jul 4, 2011. We have obtained the licensing of 92 patents in total which include the earliest patents developed by professor Goodenough, carbon cladding patents and NTT patents. This thoroughly solves the patent concerns of major battery makers in the EU, U.S, Japan and Korea. Besides accelerating sales in other markets outside the Mainland, we hope to help Chinese battery makers expand into the overseas market.

④ The conditions for electric car makers are yet to mature and this causes major uncertainty in the profit timing of company operations.

Countermeasures:

A. Prior to the completion of supporting measures and basic infrastructure for personal electric car, electric buses shall provide the best possible success for commercial operations. Our Group has supported the development of electric buses and is able to greatly ensure the application of cathode materials for LFP batteries. Our revenue and profitability will significantly increase once the electric buses enter commercial operations.

B. The shareholders of our Group come from well-known enterprises worldwide (such as (Ruentex Group, KPCB and QVT), which gives us huge confidence and conviction in the long term development of environmental conservation and green industries. Hence the stability in our shareholder structure is of great help to the financial stability of the Group. In addition, in order to expand the future growth of the industry and actively seek out cooperation opportunities with upstream and downstream industries, we have adopted the avenue of returning back to Taiwan for our public listing. This will enable our customers to have even more confidence in the sustainable management philosophy of our Group, and increase their desire for business collaboration. We hope that through open and transparent as well as diversified funding channels, we are able to attract the investment desire of all parties and adequately fund the needed capital for the operations of the Group.

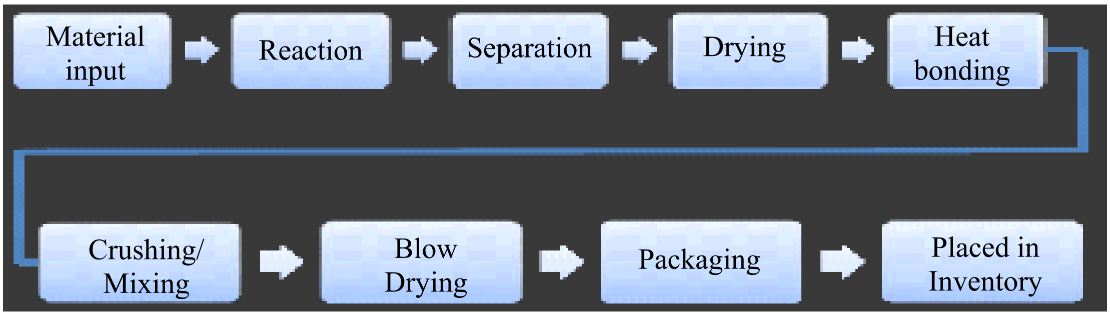
(ii) Key usage and manufacturing processes of main products

1. Key usage of main products

Main Products	Purpose
Cathode materials for LFP batteries	Cathode materials determine the power capacity and performance, and choosing the right cathode material not only increases the power capacity of the battery but also greatly raises the level of safety concurrently. In a green era where energy conservation and carbon reduction is advocated, with opportunities in demand for electric vehicles emerging, and demand for large scale energy storage installations expanding, there are not many choices for batteries which have high level of safety and power capacity, thus the use LFP as

	the cathode materials for lithium batteries fortuitously satisfy the demands of this new emerging market.
All new low-floor electric buses	Designated bus lanes in metropolitan areas
All new regional electric buses	Passenger highway transportation system across counties and cities
All new battery swap station for electric buses	Requires only 6-10 mins to complete battery swap operations. As convenient as traditional diesel pump stations and no time wastage on long charging time.
Modular batteries	Plays the role of auxiliary battery for electric buses.

2. Manufacturing processes of main products
   (1) Cathode materials for LFP batteries



   (2) Electric buses and battery charging/swap station

Item	Manufacturing (development) Process
Battery System	1.Uses the cathode materials for LFP batteries developed, manufactured, globally patent-protected by Aleees Taiwan. 2.Production of battery cells is outsourced to world class battery cell makers. 3.The modular battery system is self designed by Aleees and jointly developed and manufactured with domestic vendors.
Motor and Battery Management System	1. Uses German-made high quality and safety certified AC induction motor. 2.Assembled, tested and certified onsite in Taiwan by German engineer to ensure consistency with German design quality.
Battery Charging/Swap Station for Electric Buses	1.Developed, designed and manufactured locally, and has received IEC certification for safety standards.
Manufacturing process of Load-bearing vehicle body and fully integrated modularized vehicle	1.Aleees Eco Ark (Taiwan) independently completed the R&D and design 2.The entire integrated vehicle structure and safety electrical power management system is self designed and developed by Aleees Eco Ark (Taiwan), and has passed the certification by ARTC.

(iii) Supply situation of main raw materials:

1. LFP cathode materials

Main Raw Materials	Supplier	Supply Situation
Lithium compound	FMC, SQM, Sichuan Guo Run	Normal
Phosphoric acid	Kanto-PPC, San Fu Chemical	Normal
Ferrous compound	Höganäs	Normal

2. Electric buses, battery rental and charging/swap station

Main Raw Materials	Supplier	Supply Situation
Vehicle body parts	A Company, B Company	Normal
Battery	China Aviation Lithium, C Company	Normal
Electromechanical parts	D Company, ZF Friedrichshafen AG, Tangshan Yuanying	Normal

Note: Some supplier names cannot be disclosed due to agreement clauses, and is represented by alphabetical symbols above.

(iv) Customer list for inbound/outbound sales of main product

1. Details of annual inbound shipment volume of suppliers making up more than 10% of total inbound amount in recent two years, and explanation on the reasons for increase/decrease. Some supplier names cannot be disclosed due to agreement clauses, and is represented by alphabetical symbols.

Unit: K NTD

Item	2012				2013				Q1 2014			
	Name	Amount	The ratio of annual net inbound shipment amount (%)	Relationship with the founder	Name	Amount	The ratio of annual net inbound shipment amount (%)	Relationship with the founder	Name	Amount	The ratio of annual net inbound shipment amount in quarter (%)	Relationship with the founder
1	E Company	42,115	14.21%	None	FMC	75,026	20.93%	None	FMC	22,076	34.11%	None
2	FMC	32,727	11.04%	None	China Aviation	41,594	11.6%	None	B Company	10,576	16.34%	None
3	—	—	—	—	—	—	—	—	San Fu Chemical	8,711	13.46%	None
4	—	—	—	—	—	—	—	—	China Aviation	8,330	12.87%	None
	Other	221,604	74.75%		Other	241,837	67.47%		Other	15,029	23.22%	
	Net purchase	296,446	100.00%		Net purchase	358,457	100.00%		Net purchase	64,721	100.00%	

Explanation regarding increase/decrease: The procurement amount and ratio changes of suppliers are mainly due to effective risk spreading of inbound raw material sources. Also, in doing our part to reduce global warming and induce the development of green energy and electric vehicle industries in Taiwan, our subsidiary, Aleees Eco Ark (Taiwan), was set up in November 2009. Efforts were emphasized on the R&D, manufacturing and sales & marketing of electric buses. With the operation of the bus business in place, the ratio of relevant inbound shipments has also increased as a result. The changes within suppliers are considered reasonable.

2. Details of annual sales shipment volume of customers making up more than 10% of total sales amount in recent two years, and explanation on the reasons for increase/decline. Some supplier names cannot be disclosed due to agreement clauses, and is represented by alphabetical symbols.

Unit: K NTD

Item	2012				2013				Q1 2014			
	Name	Amount	The ratio of annual net inbound shipment amount (%)	Relationship with the founder	Name	Amount	The ratio of annual net inbound shipment amount (%)	Relationship with the founder	Name	Amount	The ratio of annual net inbound shipment amount in quarter(%)	Relationship with the founder
1	F Company	188,659	28.88%	None	F Company	150,934	26.16%	None	G Company (Note 1)	24,790	20.52%	None
2	C Company (Note 1)	152,581	23.36%	None	H Company	113,185	19.61%	None	F Company	23,730	19.64%	None
3	G Company (Note 1)	107,141	16.40%	None	Empire Energy	50,200	8.70%	(Note 2)	C Company (Note 1)	16,309	13.5%	None
	Other	204,870	31.36%		Other	262,750	45.53%		H Company	15,224	12.6%	None
									Other	40,766	33.74%	
	Net sales shipment volume	653,251	100.00%		Net sales shipment volume	577,069	100%		Net sales shipment volume	120,819	100.00%	

Note 1: The net sales amount of C Company and G Company include its related companies.
Note 2: Equity method of appraisal is adopted for investee company.

<u>Explanation on increase/decrease:</u> The main reason of changes results from market demands and sales situation of customers. Also, in doing our part to reduce global warming and induce the development of green energy and electric vehicle industries in Taiwan, our subsidiary, Aleees Eco Ark (Taiwan), was set up in November 2009. Efforts were emphasized on the R&D, manufacturing and sales & marketing of electric buses. With the operation of the bus business in place, the sales ratio has also increased as a result. The changes within customers are considered reasonable.

3. Production volume & value in the past two years:

Unit: K NTD

Year / Production Output / Main products		2012			2013		
		Capacity	Productivity	Value	Capacity	Productivity	Value
Cathode materials for LFP batteries	Kg	1,920,000	1,341,228	353,232	1,940,000	1,254,748	348,405
Other(Note)	EA; Vehicle; Each; Type	—	58,794	86,222	—	10,336	151,266

Note: The production capacity is unable to be expressed as the other items include income from battery cells, batteries, electric buses and battery charging.

4. Sales volume & value in the past two years

Unit: K NTD

Year / Production Output / Main products		2012				2013			
		Domestic		Export		Domestic		Export	
		Productivity	Value	Productivity	Value	Productivity	Value	Productivity	Value
Cathode materials for LFP batteries	Kg	—	—	1,157,392	594,761	430	248	914,029	510,591
Other(Note)	EA; Vehicle; Each; Type	58,786	58,490	—	—	10,336	66,230	—	—
Total		58,786	58,490	1,157,392	594,761	10,766	66,478	914,029	510,591

Note: Include income from battery cells, batteries, electric buses and battery charging.

Reasons for increase/decrease: The main reason for the decrease in production value and sales volume in 2013 is due to the lack of clarity in government policies and that the market has entered a phase of elimination resulting in the decline of shipment volume.

3. Update of employees over the past two years and up to the printing date of this Annual Report

Year		2012	2013	As of Q1 2014
Number of personnel	Manager	8	8	8
	Manager(R&D)	2	2	2
	Researcher	49	56	66
	General staff	220	268	272
	Total	279	334	348
Average age		32.79	34.01	34.51

Year		2012	2013	As of Q1 2014
Average service years		1.72	1.98	1.99
Education background distribution percentage (%)	Ph. D.	2.15%	2.70%	2.59%
	Master	16.85%	19.16%	16.95%
	Bachelor/College	53.76%	52.99%	55.46%
	High school	23.66%	20.96%	20.98%
	Under high school	3.58%	4.19%	4.02%

4. Information on environmental conservation expenses

(i) Total amount of damages and penalties from contamination of environment during the preceding year up to the printing date of this Annual Report: None

(ii) Countermeasures and possible expenses in the future:

1. There has been no occurrence of environmental pollution in the Group which has affected the profits and competitive position of the company. Going forward, the company shall actively manage all environmental issues and comply with laws and regulation to make improvements in its work so that there will be no major impact to the profits of the Company and its competitive position or capital expenditure.
2. Our Group has continuously made improvements in all types of installation purchases to prevent environmental pollution, and the investment in environmental conservation can elevate environmental benefits for the company as well as doing its part for environmental protection to enhance its corporate image and reinforce its product competitiveness. The major capital expenditure for environmental conservation in this year and near future is estimated as follows:

S/N	Types of Equipment Invested	Investment Amount(NTD)	Possible Benefits Generated
1	Air Filtration Installation (Includes dust collector and scrubbing tower)	2,500,000 - 5,000,000	Reduce discharge of granulated particles and acidic gases
2	Waste Water Treatment Installation	5,000,000	Reduce COD emission

5. Labor Relations

(i) Listed below are the respective welfare schemes, professional development, training, and pension schemes for company employees, as well as their implementation status. Also included are the employee agreement and the respective safeguards of employee rights, as well as implementation status.

1. Employee welfare schemes

   Employee welfare schemes of our Group include wedding and funeral subsidies, employee holidays, incentives, employee bonuses and stock options, labor insurance, health insurance, group insurance and annual health examinations. Employees are also provided with opportunities for all types of training and seminars, so as to widen their horizons and enhance work efficiency.
2. Professional development and training

   In order to enhance the character and work skills of employees, strengthen work efficiency and quality, the Company carries out all types of training for employees according to the contents of the annual education and training plan. They are divided mainly into management functions, core job competence and professional development training, The Company hopes to cultivate talent from such and thereby enhance operational efficiency and achieves its goal of sustainable operations.

3. Pension scheme and its implementation

The Company and its subsidiaries which are companies based within the territory of the Republic of China, has adopted the Defined Contribution Pension Plan according to the "Labor Pension Act" (hereafter referred to as the "New Act"), and its monthly pension contribution is based on 6% of the monthly salary paid by its subsidiaries and deposited in the individual designated pension account. Subsidiaries that are outside of the Republic of China shall follow the local laws for relevant contribution.

Also, the Company and its subsidiaries which are companies based within the territory of the People's Republic of China shall contribute social insurance for its employees (including pension, unemployment, healthcare, childbirth, work-related injury) according to the Social Insurance Law of the People's Republic of China. The percentage and base figures for social insurance is as follows:

(Note: Revised on Oct 1, 2013)

Social Benefits	Social Insurance			
	Urban Households in Shanghai/Out-of-town Urban Households		Non-Urban Households in Shanghai/Out-of-town Non-Urban Households	
	Corporate Contribution (%)	Individual Contribution (%)	Corporate Contribution (%)	Individual Contribution (%)
Pension insurance	21.00%	8.00%	21.00%	8.00%
Medical insurance	11.00%	2.00%	11.00%/6.00%	2.00%/1.00%
Unemployment insurance	1.50%	0.50%	1.50%/—	—
Childbirth insurance	1.00%	—	1.00%/—	—
Work-related insurance	0.50%	—	0.50%	—
Sub-total	35.00%	10.5%	35.00%/27.50%	10.00%/9.00%

For individuals who have participated in the basic pension insurance, the basic pension amount shall be paid out on a monthly basis when the individual reaches the legally stipulated retirement age and has contributed insurance premiums for 15 years. For individuals who have participated in the basic pension insurance and reaches the legally stipulated retirement age but has yet to complete 15 years of insurance contribution, the individual may carry on contribution to reach 15 years and subsequently receive the monthly payout of the basic pension amount. Alternatively, the pension insurance plan can be transferred to the new-type rural cooperative pension insurance or township community pension insurance and enjoy the corresponding pension insurance benefits according to the stipulations of the State Council.

(ii) Explanation regarding damages incurred by the company as a result of labor disputes in recent years and as at the printing date of this Annual Report, and discloses the forecast amount currently and possibly in the future, as well as countermeasures. If unable to reasonably forecast, the relevant facts in relation shall be explained:

The labor relations in our Group are harmonious and we have always respected the opinions of our colleagues. Employees can share their opinion at any time through meetings, emails or our E-Portal. The labor communications channel is smooth and unobstructed. Hence there has been no occurrence of any major labor dispute up to date.

6. Important Agreements (Including those expiring in the coming year)

S/N	Nature of Agreement	Party	Agreement Start Date	Key Contents	Restrictive Clauses
1	Patent Sublicense Agreement	LiFePO4+C Licensing AG	2011.06.01 until the maturity date of the patent rights	Authorizes the Company and its related companies to manufacture and produce cathode materials fir battery products.	Confidentiality obligation
2	Amendment Agreement to the Patent Sublicense Agreement	LiFePO4+C Licensing AG	2012.08.28 until the maturity date of the Patent Sublicense Agreement	Under the circumstances where relevant conditions of the agreement are fulfilled, the Company and its related companies can file a lawsuit against infringing parties in its own name.	Confidentiality obligation
3	Second Amendment Agreement to the Patent Sublicense Agreement	LiFePO4+C Licensing AG	2013.07.31 until the maturity date of the previous Patent Sublicense Agreement	Construction of factory is postponed.	Confidentiality obligation
4	Patent Sublicense Agreement	Aleees Taiwan	2012.12.25 until the maturity date or early termination date of the previous Patent Sublicense Agreement	Both parties agree for Aleees (Cayman) to transfer the patent licensing rights stipulated in the original agreement to Aleees Taiwan.	None
5	Patent License Agreement	Hydro-Quebec	2010.05.19 until the maturity date of the patent rights	Authorize Aleees Taiwan to manufacture and produce anode materials for battery products	Confidentiality obligation
6	Supply Agreement	Air Products Co. Ltd.	2011.11.01 to 2019.10.31	Long term supply of gaseous substance required in the manufacturing process to Aleees Taiwan	1.Confidentiality obligation 2.Minimum usage volume per month 3.Not permitted to purchase from other vendors or self product within the agreement volume
7	Memorandum of Agreement	Air Products Co. Ltd.	2013.11.15	Following amendments made to the aforementioned S/N agreement: (1) Price Adjustment (2)Extended effective date of the agreement to 2019.10.31	None
8	Bank Loan Guarantee Credit Facility Agreement	Taiwan Cooperative Bank	2008.07.31 to 2014.01.10	Land and factory facility purchased by Aleees Taiwan.	General commercial loan clauses
9	Bank Loan Guarantee	Mega International	2014.01.10 to 2019.01.09	Aleees Taiwan's land and factory facility pledged for	General commercial loan clauses

S/N	Nature of Agreement	Party	Agreement Start Date	Key Contents	Restrictive Clauses
	Credit Facility Agreement	Commercial Bank		loan repayment of the aforementioned S/N 8 loan and expansion of production capacity and supplement working capital.	
10	Taiwan Regional Sole Distribution Agreement	Empire Energy Co., Ltd.	Effective from the date of signing, expiry date of the agreement is 3 years from the date that Aleees Eco Ark (Taiwan) obtains the license permit from the Ministry of Transportation and Communications.	Aleees Eco Ark (Taiwan) signed the electric bus distribution agreement.	1.Confidentiality obligation 2.Restriction of minimum volume of product sales
11	Taiwan Regional Sole Distribution Agreement Amended Agreement	Empire Energy Co., Ltd.	2013.04.12	Amendment of contents to the original "Taiwan Regional Sole Distribution Agreement" in effect, so as to fit market conditions.	None
12	Factory Lease Agreement	Yuanda Synthetic Resin Manufacturing Co., Ltd.	2014.01.01 to 2023.12.31	Both parties agree to establish the factory lease agreement.	None
13	Undertaking Letter for Initial Engineering Work Implementation	Ruentex Construction Co., Ltd.	2014.01.06 to 2014.04.30	Renovation engineering project of Aleees Eco Ark (Taiwan) Bade R&D Center	None
14	Design and Work Contracting Agreement	Ruentex Precision Engineering Co., Ltd.	2014.01.17 to 2014.06.30	Renovation engineering project of Aleees Eco Ark (Taiwan) Bade R&D Center	None
15	Partnership Agreement	Jiangxi Bonluck Bus Co., Ltd.	2014.03.04	Aleees Eco Ark (Taiwan) signed the agreement to promote and sell electric buses.	None
16	Partnership Agreement	Foreign Affairs Office, Yuyao City People's Government in Zhejiang	2014.03.07	Aleees Eco Ark (Taiwan) signed the agreement to promote and sell electric buses.	None

VI. Financial standing

1. The Condensed Balance Sheet, Consolidated Income Statement over the past five years, names of the Certified Public Accountants and their audit opinions

(1) Condensed Balance Sheet and Consolidated Income Statement

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

Unit: K NTD

Year / Item		Financial information for the past five Years					
Item		2009	2010	2011	2012	2013	Q1 2014
Current assets		—	—	—	733,817	1,426,879	1,452,725
Investment by Equity Method		—	—	—	72,722	68,492	65,585
Property, factory, and equipment		—	—	—	866,817	966,961	936,183
Intangible assets		—	—	—	275,666	244,137	236,125
Other assets		—	—	—	76,774	47,829	74,766
Total assets		—	—	—	2,025,796	2,754,298	2765,384
Current liabilities	Before distribution	—	—	—	465,598	447,570	399,257
	After distribution	—	—	—	—	Not distributed	Not distributed
Non-Current liabilities		—	—	—	99,662	45,999	222,769
Total liabilities	Before distribution	—	—	—	565,260	493,569	622,026
	After distribution	—	—	—	—	Not distributed	Not distributed
The Equity contributed to the Parent Company		—	—	—	1,460,533	2,260,719	2,143,348
Capital stock		—	—	—	1,129,537	1,420,737	1,420,737
Capital reverse		—	—	—	517,581	1,201,118	1,200,030
Retained earnings	Before distribution	—	—	—	(177,495)	(362,809)	(478,172)
	After distribution	—	—	—	—	Not distributed	Not distributed
Other Equity		—	—	—	(1,817)	1,673	753
Non-controlled Equity		—	—	—	3	10	10
Total equity	Before distribution	—	—	—	1,460,536	2,260,729	2,143,358
	After distribution	—	—	—	—	Not distributed	Not distributed

Note: The 2013 financial information adopts the consolidated financial statements audited by independent auditors and the Q1 2014 financial information adopts the consolidated financial statements reviewed by independent auditors.

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

Unit: K NTD

Year / Item	Financial information for the past five Years					
Item	2009	2010	2011	2012	2013	Q1 2014
Operating Revenues	—	—	—	653,251	577,069	120,819
Gross Operating Profit	—	—	—	212,399	30,248	1,971
Operating gain/loss	—	—	—	(186,976)	(405,330)	(122,441)
Non-Operating revenues and expenditures	—	—	—	(35,530)	(3,030)	7,077
Net profit before tax (loss)	—	—	—	(222,506)	(408,360)	(115,364)

Net profit from continuing operations department for current period(loss)	—	—	—	—	—	—
Loss from Discontinued Operation Units	—	—	—	—	—	—
Net profit for the current year (loss)	—	—	—	(222,970)	(408,360)	(115,364)
Other consolidated gain/loss(net after tax)	—	—	—	(1,817)	3,490	(920)
Total amount of consolidated gain/loss for the current year	—	—	—	(224,787)	(404,870)	(116,284)
Net profit (loss) contributed to the Parent Company	—	—	—	(222,967)	(408,358)	(115,364)
Net profit (loss) contributed to the non-controlled equity	—	—	—	(3)	(2)	—
Total amount of consolidated gain/loss contributed to the Parent Company	—	—	—	(224,784)	(404,868)	(116,284)
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	—	(3)	(2)	—
Earnings per share (loss)	—	—	—	(2.05)	(3.36)	(0.81)

Note: The 2013 financial information adopts the consolidated financial statements audited by independent auditors and the Q1 2014 financial information adopts the consolidated financial statements reviewed by independent auditors.

iii. Condensed Consolidated Balance Sheet－Financial Accounting Standards of the Republic of China

Unit: K NTD

Item \ Year		Financial information for the past five years			
		2009	2010	2011	2012
Current assets		645,969	935,740	579,038	713,302
Fund and investment		7,791	18,011	96,406	72,722
Fixed assets		385,109	638,858	694,324	875,282
Intangible assets		－	13,516	303,522	275,666
Other assets		22,127	16,823	16,176	67,585
Total assets		1,060,996	1,622,948	1,689,466	2,004,557
Current liabilities	Before distribution	75,968	170,324	261,836	442,368
	After distribution	75,968	170,324	261,836	442,368
Long-term liabilities		106,961	89,555	127,875	98,938
Other liabilities		20	－	－	－
Total liabilities	Before distribution	182,949	259,879	389,711	541,306
	After distribution	182,949	259,879	389,711	541,306
Capital stock		77,497	97,646	1,030,813	1,129,537
Capital reverse		1,043,124	1,723,212	623,893	560,077
Retained earnings	Before distribution	(231,637)	(407,184)	(360,717)	(223,044)
	After distribution	(231,637)	(407,184)	(360,717)	(223,044)
Unrealized Gain/Loss on		－	－	－	－
Cumulative translation adjustment		(10,937)	(50,605)	5,768	3,951
Net Loss not Recognized as		－	－	－	－
Treasury stock		－	－	－	(7,273)
Total shareholders' equity of the Parent Company	Before distribution	878,047	1,363,069	1,299,757	1,463,248
	After distribution	878,047	1,363,069	1,299,757	1,463,248

Note 1: The aforementioned financial information for each respective year is derived from financial statements that have been audited and certified by independent auditors.

iv. Condensed Consolidated Income Statement－Financial Accounting Standards of the Republic of China

Unit: K NTD

Item \ Year	Financial information for the past five years			
	2009	2010	2011	2012
Operating Revenues	106,450	282,124	453,506	653,251
Operating costs	(83,069)	(227,561)	(365,918)	(440,852)
Gross Operating Profit	23,381	54,563	87,588	212,399
Operating expenses	(128,127)	(193,306)	(439,534)	(399,452)
Operating gain/loss	(104,746)	(138,743)	(351,946)	(187,053)
Non-operating revenues and profits	1,338	3,074	21,660	5,962
Non-operating expenses and losses	11,157	(29,200)	(29,690)	(41,492)
Gain/loss before tax from continuing operations department	(114,565)	(164,869)	(359,976)	(222,583)

Income tax expenses	—	(10,678)	(743)	(464)
Total amount of consolidated gain/loss	—	(175,547)	(360,719)	(223,047)
Net consolidated gain/loss (contributed to the Parent Company)	(114,565)	(175,547)	(360,717)	(223,044)
Loss of each share(Note 2)	(6.11)	(6.93)	(3.63)	(2.05)

Note 1: The aforementioned financial information for each respective year is derived from financial statements that have been audited and certified by independent auditors.

Note 2: Listed based on EPS.

(2) Names of CPA and their audit opinions for the past five years

Year	CPA	Name of Attributed Unit	Audit Opinions
2010	Yu-Kuan Lin, Ya-Hui Cheng	PwC Taiwan	Amended unreserved opinion
2011	Yu-Kuan Lin, Ya-Hui Cheng	PwC Taiwan	Unreserved opinion
2012	Yu-Kuan Lin, Ya-Hui Cheng	PwC Taiwan	Amended unreserved opinion
2013	Yu-Kuan Lin, Ya-Hui Cheng	PwC Taiwan	Unreserved opinion

Note: The Company is a foreign listed company and hence only the information of the previous 4 years has been listed.

2. Financial Analyses for the Past Five Years

i. Financial analyses－International Financial Reporting Standards (IFRS)

Year(Note 1) / Analyzed Item (Note 3)		Financial information for the past five years					
		2009	2010	2011	2012	2013	Q1 2014
Capital Structure %	Debt/asset ratio (%)	－	－	－	27.90	17.92	22.49
	Long-term funds to property, factory and equipment ratio (%)	－	－	－	179.99	238.55	252.62
Debt Repayment Ability %	Current ratio (%)	－	－	－	157.61	318.81	363.86
	Quick ratio (%)	－	－	－	103.56	230.17	249.72
	Interest coverage ratio (times)	－	－	－	(40.63)	(84.47)	(66.39)
Operational Ability	Accounts receivable turnover rate (times)	－	－	－	4.39	3.53	2.80
	Average days of accounts receivable (days)	－	－	－	83	103	131
	Inventory turnover rate (times)	－	－	－	2.09	1.74	1.08
	Accounts payable turnover rate (times)	－	－	－	7.72	6.75	6.10
	Average days of sales(days)	－	－	－	174	209	339
	Fixed assets, plant and equipment turnover ratio (times)	－	－	－	0.86	0.63	0.51
	Total asset turnover ratio	－	－	－	0.35	0.24	0.18
Profitability	Return on total assets (%)	－	－	－	(11.71)	(16.89)	(4.13)
	Return on equity (%)	－	－	－	(16.17)	(21.95)	(5.24)
	Net gains before tax to paid-in capital ratio (%)	－			(19.70)	(28.74)	(8.12)
	Net gains ratio (%)	－	－	－	(34.13)	(70.76)	(95.48)
	Earnings per Share ($)	－	－	－	(2.05)	(3.36)	(0.81)
Cash Flow	Cash flow ratio(%)	－	－	－	(32.75)	(74.89)	(44.89)
	Cash flow adequacy ratio (%)	－	－	－	(45.16)	(49.82)	(53.94)
	Cash reinvestment ratio (%)	－	－	－	(9.99)	(13.68)	(6.99)
Leverage	Degree of operating leverage	－	－	－	3.49	1.42	0.99
	Degree of financial leverage	－	－	－	0.97	0.99	0.99

Explanation on reasons of changes in the respective financial ratios in recent two years (Changes which are lease than 20% of increase/decrease are exempted from analysis) :

1. Capital Structure:
Debt/asset ratio
Due to partial repayment of long term loans, the debt level has decreased as compared to the previous period, resulting in the debt/asset ratio to have decreased as compared to 2012.
Long-term funds to property, factory and equipment ratio
Due to the processing of capital increase and partial repayment of long term loans, resulting in the increase of the long-term funds to property, factory and equipment ratio

2.Debt Repayment Ability:
(1)Current ratio and quick ratio
Due to the processing of capital increase, current assets have increased as compared to the previous period, resulting in the rise of the current ratio and quick ratio as compared to 2012.
(2)Interest coverage ratio
As the industry is still in a developmental stage and there is no profits earned, this has resulted in the inability to analyze the profits generated from operating activities and its interest coverage ability. Hence, the relevant analysis on interest coverage ratio is not listed.
3.Operational Ability:
(1)Average days of accounts receivable
Due to the overdue payment of some accounts receivable, the average days of accounts receivable has increased as compared to 2012.
(2)Average days of sales
This is mainly due to the increased procurement of electromechanical parts relevant to the production of electric buses for the sales demand of electric buses under Aleees Eco Ark (Taiwan). Inventory has increased as compared to 2012, resulting in the average days of sales to have increased as compared to 2012.
(3)Fixed assets, plant and equipment turnover ratio (times), total asset turnover ratio
Due to the business development expansion of the Group, we have continuously purchased machinery, tooling equipment and battery swap equipment. The net amount of fixed assets has expanded rapidly and with the injection of capital accompanying the capital increase, the total asset amount has also correspondingly increased. The decline of revenue in 2013 is mainly attributed to the sales revenue decline in cathode materials for LFP batteries. This was caused by the postponement of Mainland China's new energy subsidy policy release to the second half of Sep 2013, and led to customers generally taking a wait-and-see attitude in 2013. This has resulted in the order volume of the Company failing to achieve previously anticipated growth, and adding to the fact that the electric bus and battery charging/swap station businesses are still in a trial operational stage and has yet to reach economies of scale. Also, the Taoyuan green MRT line and phase-out replacement for 16 electric buses have not been accomplished due to the incompletion of vehicle body certification conditions in 2013. All these related revenue have not been realized in 2013, resulting in the revenue decline of the Company in 2013, which in turn has caused the fixed asset turnover ratio and total asset turnover ratio to decline
4.Profitability:
Since 2009, the various indicators and ratios relating to profitability of the Group have been of negative value in the current stage, this is because the main products of the Group are cathode materials for LFP batteries which belong to the category of new emerging materials and its overall industry development timing is relatively late. In addition, the company has started mass production of cathode materials for LFP batteries in Nov 2008 and the application of its products are used in electric cars, electric buses and energy storage batteries which have relatively long qualification period in consideration of stability and safety. This has resulted in the rate of return on profits to be relatively. However, the Group has progressively increased the number of product certifications received from customers and relentlessly make improvements on its manufacturing processes. Its relevant profitability ratios and net profit margins are gradually improving.
5.Leverage –Degree of Operating Leverage
As the operations of its electric buses are mostly still in a trial operational stage and has not reached economies of scale, as well as the cost increase of its related battery swap business, its operating loss has significantly broaden. This has resulted in the negative value of it degree of operating leverage as compared to 2012.

Note 1: 2 Q1 2014 financial information adopts the consolidated financial statements reviewed by independent auditors
Note 2: The listing or shares shall be incorporated for analysis in the financial statements of the current year as at the printing date of the annual report in the previous quarter of company listing or shares already trading at the stock brokerage.
Note 3: the calculation methods of the analyzed items are as follows:
1. Capital structure
(1) Debt ratio= total debt/total asset.
(2) Long-term funds to property, factory and equipment ratio= (Total Equity Amount + Non-Current Liabilities)/ Net Property, Factory and Equipment
2. Debt repayment ability
(1)Current ratio= current asset/current liabilities
(2)Quick ratio= (current asset – inventory- prepaid expenses)/current liabilities
(3)Interest coverage ratio (times)= net profit before income tax and interest/interest expenses of the current term
3. Operational ability
(1)Account Receivables (including Notes receivables from operating activities and Accounts Receivable) turnover= net sales/average receivables (including Notes receivables from operating activities and Accounts Receivable)
(2)Average days of accounts receivable= 365/receivables turnover
(3)Inventory turnover= COGS/average inventory amount
(4)Account Payables (including Notes payable from operating activities and Accounts payable) turnover= COGS/average payables of each term (including Notes payable from operating activities and Accounts payable) balance

(5)Average days of sales= 365/inventory turnover
(6)Fixed assets, plant and equipment turnover ratio= Net Sales/average net property, factory and equipment
(7)Total asset turnover ratio= Net Sales/total asset

4. Profitability
(1)Return on assets= [Gain/loss after tax + interest expense x (1-tax rate)]/average total asset
(2)Return on equity= Gain/loss after tax/average net stockholders' equity
(3)Net profit margin=Gain/loss after tax/Net Sales
(4)Earnings per share= (The Equity Contributed to the Parent Company – Preferred Stock Dividend)/weighted average shares outstanding

5. Cash flow
(1)Cash flow ratio= net cash flow of operating activities/current liabilities
(2)Cash flow adequacy ratio= net cash flow of operating activities in the past five years/five years sum of (capital expenditures + inventory addition +cash dividends)
(3)Cash reinvestment ratio= (net cash flow of operating activities- cash dividends)/(Property, factory and equipment gross + long term investment + other non-current asset + working capital)

6. Leverage:
(1)Degree of operating leverage= (net sales- variable operating cost and expenses)/operating Income
(2)Financial leverage= operating Income / (operating income- interest expense)

ii. Financial analyses－Financial Accounting Standards of the Republic of China

Analyzed Item(Note 2) \ Year (Note 1)			Financial information for the past five years			
			2009	2010	2011	2012
Capital Structure %	Debt/asset ratio (%)		17.24	16.01	23.07	27.00
	Long-term funds to property, factory and equipment ratio (%)		255.77	227.38	205.61	178.48
Debt Repayment Ability %	Current ratio (%)		850.32	549.39	221.15	161.25
	Quick ratio (%)		777.75	474.60	144.80	104.36
	interest coverage ratio (times)		(43.15)	(70.62)	(88.99)	(40.64)
Operational Ability	Accounts receivable turnover rate (times)		6.74	2.72	2.91	4.39
	Average days of accounts receivable (days)		54	134	125	83
	Inventory turnover rate (times)		2.26	2.58	2.22	2.09
	Accounts payable turnover rate (times)		27.75	27.37	10.15	7.72
	Average days of sales(days)		162	141	164	175
	Fixed assets turnover rate (times)		0.32	0.55	0.68	0.83
	Total assets turnover rate (times)		0.14	0.21	0.27	0.35
Profitability	Return on total assets (%)		(15.26)	(12.94)	(21.58)	(11.84)
	Shareholders' return on equity (%)		(20.37)	(15.67)	(27.09)	(16.15)
	Ratio of paid-in capital(%)	Operating profits	(135.16)	(142.09)	(34.14)	(16.56)
		Net profit before tax	(147.83)	(168.84)	(34.92)	(19.71)
	Net gains ratio (%)		(107.62)	(62.22)	(79.54)	(34.14)
	Earnings per share ($)		(6.11)	(2.31)	(3.63)	(2.05)
Cash Flow	Cash flow ratio(%)		(153.89)	(130.61)	(50.81)	(42.49)
	Cash flow adequacy ratio (%)		(66.97)	(66.42)	(59.50)	(59.33)
	Cash reinvestment ratio (%)		(11.32)	(14.55)	(10.35)	(12.22)
Leverage	Degree of operating leverage		(1.02)	(2.03)	(1.29)	(3.49)
	Degree of financial leverage		0.98	0.98	0.99	0.97

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

AUDIT REPORT ISSUED BY THE AUDIT COMMITTEE MEMBERS

Be it known that the Company's Business Report, Financial Reports and the loss offsetting proposals of Year 2013 duly worked out by the board of directors. Of them, the Financial Reports have been duly audited by two Certified Public Accountants, i.e., Yu-Kuan Lin and Ya-Hui Cheng of PricewaterhouseCoopers Taiwan who, after completion of the auditing process, duly issued the Audit Report.
The aforementioned Business Report, Financial Reports and the loss offsetting proposals have been reviewed by the Audit Committee who endorse them all as nothing inappropriate. This Report is hereby duly issued in accordance with Paragraph 3 of Article 14-4 of the Securities and Exchange Act.

Attn.: Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

2014 Shareholders' Meeting

Convener of Audit Committee: Wei-Min Sheng

March 25, 2014

4. Latest annual consolidated financial statements of the parent company and its subsidiaries audited and certified by independent auditors

Please refer from page 133 to page 212 of this annual report.

5. In the event of any occurrence of financial difficulties in the Company and its related companies during the recent two years as at the printing date of this annual report, the impact on the financial situation of the Company shall be listed clearly

None.

VII. Financial Standing and Reassessment Analyses of Financial Performance and the Risks Related Issues

1. Financial standing

(1) Analyses of financial standing

Unit: K NTD；%

Year \ Item	2012	2013	Change of Increase/Decrease	
			Amount	Change Ratio(%)
Current assets	733,817	1,426,879	693,062	94.45
Investment by Equity Method	72,722	68,492	(4,230)	(5.82)
Property, Factory and Equipment	866,817	966,961	100,144	11.55
Intangible assets	275,666	244,137	(31,529)	(11.44)
Deferred Income Tax Assets	12,169	11,445	(724)	(5.95)
Other non-Current assets	64,605	36,384	(28,221)	(43.68)
Total assets	2,025,796	2,754,298	728,502	35.96
Current liabilities	465,598	447,570	(18,028)	(3.87)
Long term loans	98,938	45,999	(52,939)	(53.51)
Deferred Income Tax Liabilities	724	-	(724)	(100.00)
Total liabilities	565,260	493,569	(71,691)	(12.68)
Capital stock	1,129,537	1,420,737	291,200	25.78
Capital reverse	517,581	1,201,118	683,537	132.06
Accumulative losses to be covered	(177,495)	(362,809)	(185,314)	104.41
Other Equity	(1,817)	1,673	3,490	(192.07)
Treasury stock	(7,273)	-	7,273	100.00
Shareholders' Equity (contributed to the Parent Company)	1,460,533	2,260,719	800,186	54.79
Non-controlled Equity	3	10	7	233.33
Total Equity	1,460,536	2,260,729	800,193	54.79

Major changes which amount to NTD10 million and makes up more than 20% of total ratio are as follows::

Explanation on major change items:

1. Current assets: Mainly due to expansion of operating scale, and has processed capital increase, hence cash and inventory have increased as a result.
2. Other non-current assets: Mainly due to large reduction in prepaid equipment expenditure as at the end of the period and resulting in significant decrease as compared to the previous period.
3. Long term loans: Resulting mainly from repayment of bank loans.
4. Capital stock: Resulting mainly from processing of capital increase.
5. Capital reverse: Resulting mainly from processing of capital increase.
6. Accumulative losses to be covered: The increase in losses is a result of the electric bus business division not having reached economies of scale yet.

2. Financial Performance

1. Analyzed table of operating results

Unit: K NTD; %

Year / Item	2012	2013	Change of Increase/Decrease	
			Amount	Change Ratio(%)
Operating Revenues	653,251	577,069	(76,182)	(11.66)
Gross Operating Profit	212,399	30,248	(182,151)	(85.76)
Operating Net Loss	(186,976)	(405,330)	(218,354)	116.78
Non-Operating revenues and expenditures	(35,530)	(3,030)	32,500	(91,.47)
Net loss before tax	(222,506)	(408,360)	(185,854)	83.53
Net loss of this period	(222,970)	(408,360)	(185,390)	83.15
Net loss of this period (contributed to the shareholders of the Parent Company)	(222,967)	(408,358)	(185,391)	83.15

Explanation on items with major changes:

1. Gross Operating Profit: Mainly due to the reason that our electric bus business division has yet to achieve economies of scale, resulting in the drop of overall gross operating profit.
2. Operating Net Loss: Mainly due to the drop in the aforementioned gross margin, resulting in the significant increase in operating net loss.
3. Other Income and Interest: Mainly due to the impact of exchange rate fluctuation, resulting in the generation of exchange rate income in 2013.
4. Net loss before tax and net loss this period: Mainly due to the reason that our electric bus business division has yet to achieve economies of scale, resulting in net loss before tax and net loss this period to increase significantly.

2. Sales volume forecast and other basis
   The overall sales volume of the Group in 2014 is estimated to grow as compared to 2013. This is mainly due to the release of the subsidy list under the new energy vehicle policy, and market demand is expected to warm up once again. For relevant market research analysis and current situation and development of industry, please refer to the explanation in Chapter V. Operating Overview.
3. Possible impact on the financial and business status of the company in the future and countermeasure plan
   With regards to the operating targets positioning of the Company, besides referring to the market analysis of main research institutions such as Display Search, we will take into consideration customer demands, the subsidy list under the new energy vehicle policy in Mainland China, production capacity planning and past business performance, to determine the annual shipment target. As the industry of the Company is in a developmental stage of growth, the Company will take note of changes in the situation of market demand and expand its market share rate and improve the profits of the Company. The businesses of the Company shall be able to continue growing and its financial situation is in a good condition.

3. Cash Flow

1. Analyses on the changes of cash flow in the most recent year

Unit: K NTD；%

Year / Item	2012	2013	Change of Increase/Decrease	
			Amount	Change Ratio(%)
Operating activities	(152,475)	(335,206)	(182,731)	119.84
Investment activities	(228,639)	(200,155)	28,484	(12.46)
Capital fund raising	427,326	1,115,090	687,764	160.95
Change analysis: 1.Cash flow from operating activities: Due to the reason that our electric bus business division has yet to achieve economies of scale in 2013, resulting in before tax loss and net loss in this period to increase significantly. This in turn has resulted in the outgoing cash flow from operating activities in 2013 to have increased as compared to 2012. 2.Cash flow from capital fund raising: The net cash inflow in 2013 has increased as compared to 2012. This is mainly due to the reason that the company has processed capital increase through fund raising.				

2. Improvement plan for inadequate turnover: The Company still has sufficient cash and cash equivalents on its books and has no situation of inadequate turnover. However, in order to cope with continuous operational growth and scale expansion, we expect to process capital increase in 2014. As the operational scale continues to grow, relevant cash outflow in relation to expenditure will increase as well, but there are no concerns of inadequate turnover.
3. Analyses on cash liquidity in the coming year (2014):

Unit: K NTD

Initial balance in cash (1)	Net cash flow from operating activities in the entire year (2)	Year-round cash outflow (Note) (3)	Cash balance amount of (inadequacy) (1)+(2)-(3)	Countermeasures against cash inadequacy	
				Investment plans	Wealth management plan
821,767	(79,046)	371,893	370,828	—	—
1.Analysis of cash flow changes in the coming year: ①Operating activities cash outflow: Mainly due to the reason that the electric bus and battery charging/swap stations have not generated key income. ②Investment activities cash outflow: Mainly due to the purchase of fixed assets. ③Financing activities cash inflow: Mainly due to the processing of capital increase and increase of bank loans. 2. Supplementary measures and turnover analysis in relation to forecast of insufficient cash: Not applicable.					

Note: Cash outflow (in) of financing activities and investment activities

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

The main capital expenditure of the Group in the recent fiscal year has been spent on relevant research and production equipment costs generated from production capacity expansion and the ongoing electric bus business. As the amount is not huge, there is sufficient capital to finance it from cash and thus have no major impact on financial operation. Also, production costs will be lowered and revenue will increase after the expansion of production capacity has been completed.

5. Main reasons in relation to profit or loss of re-investment policy in the recent fiscal year and the improvement plan and investment plan in the coming fiscal year

1. Re-investment policy of the Company
   The current re-investment policy of the Company focuses mainly on basic business relevance, and do not invest in other industries. It is executed by relevant department in compliance to the rules under the internal control system of "Investment Cycle" and "Operation Procedures Governing Asset Acquisition or Disposal". This is then submitted to the audit committee, board of directors or Shareholders' Meeting for discussion and approval.
2. Main reasons in relation to profit or loss of re-investment policy in the recent fiscal year and the improvement plan and investment plan in the coming fiscal year

Unit: K NTD; %

Re-Investment Businesses	Shareholdings	2013 Investment Returns	Main Reasons of Profit or Loss	Improvement Plan
Advanced Lithium Electrochemistry Co., Ltd.	99.99	(128,281)	1. Due to the amendment of the Mainland China new energy vehicle subsidy policy in 2H 2013, the business results in Mainland China has not performed as expected, and shipment volume dropped by 21%. 2.As several new-type of materials were introduced in 2014, the large R&D expenditure invested in 2013 is now showing losses in book value.	1.The subsidy list of the 2014 Mainland China new energy vehicle policy has been released, the market demand can be expected to warm up again. 2. See Note 1.
Emerald Battery Technologies Co., Ltd.	24	(8,254)	Has not reached economies of scale and showing losses.	Will be putting efforts in business development to rectify the loss situation.
Empire Energy Co., Ltd.	21.11	(196)	Still in the early stages of business development, thus has not reached economies of scale yet and showing losses.	Will be putting efforts in business development to increase the sales of electric buses and further rectify the loss situation.
Advance Lithium Electrochemistry (HK) Co., Limited	100	(22,957)	Recognized the re-investment loss in Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	Market demand is expected to warm up again after the release of the subsidy list of the 2014 Mainland China new energy vehicle policy.
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	100	(22,882)	Unanticipated shipment volume dropped by 30% in 2H 2013 as a result of the amendment in Mainland China new energy vehicle subsidy policy.	

Re-Investment Businesses	Shareholdings	2013 Investment Returns	Main Reasons of Profit or Loss	Improvement Plan
Aleees Eco Ark (Cayman) Co., Ltd	100	(253,013)	Recognized the re-investment loss in Aleees Eco Ark Co., Ltd.	Note 2
Aleees Eco Ark Co., Ltd.	100	(257,223)	Unable to attain economies of scale and showing losses.	

Note 1: Beside the drop of sales volume causing the loss in 2013, there has also been significant expenditure on R&D expenses to develop new–type materials for 2014. The R&D expense in 2013 reached NTD64,997,796, increasing by 63% as compared to 2012. R&D expenses as a percentage of net sales have also increase from 7% in 2012 to 12%. Looking ahead, active efforts are being made on the following strategies to improve profitability:

1. Introduce new-type materials to develop the market:
   The Group has continued to introduce new-type materials to have more comprehensive product lines and satisfy the demands of customers. These materials are divided into usage for high end and low end products. For end high products, it allows the customer to use within a broader range of working temperature. While for low end products, it can provide price competitiveness and high C/P ratio of products, and widen its application in the low end market and satisfy the demands of customers.
2. Develop new markets and customers:
   Besides continuing to develop markets outside of Mainland China, the Group is actively seeking the product qualification of battery makers in EU, U.S, Japan and Korea at the moment on top of shipping in small volumes to customers in the EU and U.S., hoping to diversify its sales market and improve profit margins.
3. Focus on active development of targeted application market:
   With the completeness of its product lines being done, the focus shall be on the battery demand for the new EU vehicle standard – SSV and the energy storage application of 4G base stations to develop customers specializing in the production of battery cells.
4. Build up the patent protection umbrella, accelerate market promotion:
   The main customers of the group are the top few battery makers in Mainland China, some of these customers also export to the EU and U.S market besides selling in the domestic market. In addition to strengthening existing customer partnerships, we shall leverage on our customers' word-of-mouth referrals and capitalize on explaining the patent assurance of using the Company's materials, so as to increase the desire and order volume of customers

Note 2: The loss in 2013 is attributed to relevant business in electric buses. We have started to show sales results in electric buses in Q4 2012, however we have yet to attain economies of scale and thus show losses. Looking ahead, we will continue to work hard on the following strategies to improve profitability:

1. Increase the product offerings of electric vehicles:
   Beside the low-floor electric bus of the Group, we are still actively engaged in the R&D of products other than standard passenger sedans, such as garbage trucks, recycling truck and general truck, to cope with the demands of different types of customer, and develop customers other than bus companies.
2. Providing customers with comprehensive solution:
   Capitalize on the growth of the Group to integrate upstream battery materials to electric buses or the battery charging/swap and maintenance of electric vehicles to be developed in the future. Provide customers with comprehensive services to let customers focus only on wok related to the driving of the vehicle. Also, the Group has adopted the operating model of selling the car and batteries separately, so in comparison to electric buses operated through charging, comprehensive services is received by using the products of the Group. There is no concern on the uncertainty of the battery cost and battery maintenance issues, reducing customer risks to the bare minimum.
3. Marketing promotion shall still have priority in the short term to build up brand awareness and reliability:
   The Group has already partnered with Taoyuan County government, Chungli Bus Company and Taoyuan Bus Company. The electric bus produced by the Group has started providing free feeder bus services between Taoyuan County Hall and Taoyuan Train Station since Jan 2012. On Jun and Aug 2012 respectively, Daxi holiday trial runs and Chungli trial runs were added to the promotion. Also, in Oct and Nov 2012, trial runs were deployed in Taipei City and the tourism route of Kinmen County. In Q4 2012, we started official sales of electric buses with bus companies. Besides continuing to negotiate actively on the sales agreements of the electric buses, our Group has also continue to

actively engage various bus companies and county/city governments on partnership plans, to progressively widen our business growth.

4. Actively engage in the development of the electric bus market in Mainland China:

In view of the release of the subsidy list under the 2014 Mainland China new energy vehicle policy, we shall actively work with the local people's government and vendors to engage in the promotion of the public bus (electric bus) market, so as to increase revenue and improve profitability.

3. Investment plan in the coming fiscal year:

(1) The Company shall actively deploy its resources in the industry chain of the electric bus market in China, and stringently review and assess all respective investment plan from a long term strategic aspect, so as to help with meeting the evolving and diversified needs of the market in the future, as well as stabilize product functions to create the longest lifecycle of energy storage batteries, and continue to reinforce its global competitiveness.

(2) Also, the Company needs to complete the construction of its plan in Canada by Jul 2015. Please refer to Chapter 7 of this annual report for details on Financial Standing and Reassessment Analyses of Financial Performance and the Risks Related Issues.

6. Risk analysis and assessment in the recent fiscal year as at the printing date of this annual report

1. Impact of interest rate, foreign exchange rate and inflation fluctuations on the profit and loss of the Company in the recent fiscal year and countermeasures in the future

Unit: K NTD

Item	2013	As a % of Revenue
Interest Income	582	0.10
Interest Expense	4,778	0.83
Exchange Rate Gains (Loss)	25,671	4.45

(1) On the aspect of interest rate:

The main interest expense of the Group is attributed to long term banking loans. The purpose of these banking loans are used for land, plant and equipment purchase. In 2012 and 2013, the interest expense is respectively NTD5,345,000 and NTD4,778,000, making up 0.82% and 0.83% of the full year net Operating revenues. The ratio is not high and has minimal impact on the Group.

Countermeasures:

To cope with interest rate fluctuations, the Group shall continue to monitor the trends of future market rates and research on the interest rate information of various banks, and assess the interest rate of its current loan. Cordial banking relationships shall be established with the banks and obtain preferential loan rates through its excellent banking finance and credit history. Where there is financing requirement, consider the actual capital needs and plan the appropriate short and long term banking loans to reduce the risks associated with interest rate fluctuations and capital costs which have impact on the operations of the Group, to the bare minimum.

(2) On the aspect of foreign exchange rate:

The manufacturing base of the Group is in Taiwan, and the transaction of its raw material procurement is denominated in USD, while its customers are mainly concentrated in Mainland China and the transactions are denominated in RMB. The payment settlement is done by the local subsidiary wiring the payments in USD back to Taiwan. Therefore, fluctuation in the USD/RMB exchange rate is a risk that the

Group must face as a result of its operating activities. The exchange rate loss of the company in 2012 was $2,199,000 and its exchange rate gain in 2013 was $25,671,000, making up (0.34%) and 4.45% as a percentage over the net Operating revenues of the current fiscal year. The ration of overall exchange rate (loss) gain over the consolidated net Operating revenues does not constitute any risk to the profitability situation, and thus have not caused any major impact to the Group.

With regards to the exchange rate risks associated to the continuous growth of future revenue and profits of the Group and that its Cayman holding company which is listed in Taiwan may need to issue NTD share dividends to domestic investors or capital raised locally and obtained in NTD funds, must exchange it to USD for use. Therefore, there is risk associated with the exchange rate fluctuation of USD/NTD, and the possible countermeasures that may be adopted by the finance department of the Group are as follows.

Countermeasures:

A. The foreign exchange risk adopts the principle of natural offset. As the main sales income and raw material procurement of the Group is ultimately offset in USD-denominated settlement, and it shall continue to capitalize on the natural hedging effects of its accounts receivable/accounts payable offset, to lower its foreign exchange needs. Also, when deemed needed and as appropriate, carry out other methods such as foreign exchange futures contract and debts denominated in foreign currency, to reduce the impact of foreign exchange fluctuations on the profit and loss of the company.

B. The finance unit shall closely monitor information on foreign exchange fluctuations, and keep close contact with the main transacting banks, to be clearly aware of exchange rate trends at any time, as well as provide relevant managers full grasp of the foreign exchange fluctuation trend and to carry out appropriate adjustments at any time

C. The Company has already established the "Operational Procedures Governing the Acquisition or Disposal of Assets" to regulate the trading, risk management, supervision and audit of operations relevant to derivatives, so as to reduce the trading risks generated from operating exchange rate-related derivatives.

(3) On the aspect of inflation:

The profit and loss of the Company has not been affected in any major way by inflation in the past, however if cost increases as a result of inflation, this will be reflected correspondingly in the selling price of products. Also, the manufactured products of the Group and sales region of its end product application will be distributed worldwide, and through the firm grasp of political and economical changes globally, fluctuations in pricing of raw materials and end product applications in the market, maintaining excellent communications with suppliers and customers, and prompt adjustment of its procurement and sale strategy, cost structure and transaction terms, the import brought upon by inflation or contraction can be coped effectively so that the Group is not affected in any major way.

2. Main reasons of profit and loss resulting from engagements in high risk, high leverage investments, and policies of capital loan to others, endorsements and guarantees and trading of derivatives in the recent fiscal year as at the printing date of this annual report and countermeasures in the future

The company has already established the "Operational Procedures Governing the Acquisition and Disposal of Assets", "Operational Procedures Governing Endorsements/Guarantees" and "Operational Procedures Governing Loan to Others" as the compliance basis of the Company and its respective subsidiaries when engaging in such relevant operations. As of the printing date of this annual report, the Company and its subsidiaries have not engaged in any high risk, high leverage investments and transactions of high risk derivatives. Under the principles of stability and pragmatic management philosophy, the Company and its respective subsidiaries will not be considering to engage in high risk, high leverage investments and transactions of high risk derivatives in the future. Also, in the event that its group subsidiary has capital requirements during the course of business, and the Company has capital loans with its subsidiary and has provided endorsements and guarantees, the Company shall process the capital loans and external endorsements/guarantees according to the listed items under the "Operational Procedures Governing Loan to Others" and "Operational Procedures Governing Endorsements/Guarantees". Going forward, the Company shall materially comply with the "Criteria for Establishment of Internal Control Systems by Public Companies" promulgated by competent authorities of Taiwan and relevant internal control rules and regulations of the Company.

3. R&D plan in the current fiscal year and future and forecast of R&D expense

On the basis of its cathode material research results accumulated over the years, the Group shall continue to strive in the targeted direction of extending the lifespan of battery use and enhance its energy density, thereupon developing new products and actively open up its businesses in electric buses and battery swap stations. The R&D expense of the Group in 2013 is $150,482,000, making up 26.08% of total net Operating revenues. This obviously indicates the continuous injection of R&D resources and refinement of its R&D and production technologies to maintain its industry position and comparative advantage. The R&D direction of the Group in the future is listed as follows:

(1) Cathode materials for LFP batteries

① Continue to improve and enhance the functionalities of existing products.

② Introduce the updated powder design and post-powder processes to fulfill the customized product needs of customers.

③ Introduce the latest type of spray drying granulation technology to elevate our processing functionality for customers and enabling the functionality of cathode materials to be even more refined.

④ Develop high voltage olivine-structured cathode materials to effectively increase its energy density.

⑤ Actively seek out various research institutes to start out on joint development projects, thereby developing newer type of battery management system and electrolyte additives to improve the lifecycle of batteries.

(2) Electric buses, battery rental and charging/swap station business

① Expected to complete the development and safety tests of the 10.5-ton electric truck and 10.5-ton electric garbage truck.

② Expected to complete the development and safety tests of large size low-floor wheel-hub electric vehicle models

③ Expected to complete the development and safety tests of 18m long passenger buses.

④ Expected to complete the development and safety tests of high speed long distance electric buses.

4. Major changes in foreign/domestic policies and laws resulting in impact to the financial operation of the Company in the recent fiscal year as at the printing date of this annual report and countermeasures

The development of the lithium battery industry has exceeded 20 years and its application has been used mainly on consumer electronics. Also, with its relative superiority in energy density, lithium batteries have progressively replaced nickel-cadmium batteries and NiMH batteries to become the mainstream power storage facility of handheld and mobile devices. Its growth is attributed to its excellent energy density. The advantage of LFP batteries lie in its favorable lifecycle and high level of safety, hence it is used in electric vehicles and energy storage systems. The traditional fuel (diesel) combustion vehicle engines and hydroelectrical systems that the LFP batteries are trying to replace has undergone a century of development history, its technology is matured and the C/P ration is high. The LFP battery (as well as lithium and Li(NiCoMn)O2 batteries used in similar applications) is still in the early stages of development, and prior to the completed enhancement of its C/P ratio in the application of lithium batteries for electric vehicles and energy storage systems, if there is a lack of strong support in government policies, it would be difficult to challenge the aforementioned fuel (diesel) combustion vehicle engines and hydroelectrical systems which are matured in development. Therefore when the global warming issue is gradually gaining focus, and having gone through the skyrocketing oil prices during the 2008 oil crisis, the energy shortage issue is beginning to affect the global economy once again, the main economic blocs in the world have respectively began to provide subsidies to new energy industries, electric vehicles and energy storage systems, hoping to accelerate the promotion of low carbon technologies and reduce the level of dependency of mankind on fossil fuels (especially oil).

The initial developmental stage of lithium batteries and electric vehicle industries requires multiple policy support from governments. Including: 1) Accelerate the clampdown on carbon emission and pollutants emission of motor vehicles, provide preferential road use to low carbon emitting and zero carbon emitting vehicles; 2) Provide direct subsidies and low interest loans to lithium battery and electric vehicle industries, help these industries to accelerate their growth to attain economies of scale and enhancement of C/P ratio; 3) Subsidize the installation of battery charging/swap stations, so that users of electric vehicles can receive convenient battery charging/swap services and reduce the inconvenience caused by insufficient battery life; 4) Policy guidance, educate the public and businesses to use low carbon emitting and zero carbon emitting transportation tools, increase the value of returns in relation to the relevant industry subsidies provided by the government. The aforementioned subsidies must be planned over the long term and receive continuous support for the lithium battery and electric vehicle industries to continue its progress and gradually reach similar or even better than the cost structure levels of fuel (diesel) combustion vehicle engines. This will attract the comprehensive use of electric vehicles by consumers, reduce the dependency on oil and promote energy conservation and carbon reduction.

The current sales markets that the Group operates are mainly concentrated in Mainland China and Taiwan, hence it is relatively sensitive to the electric vehicle and energy storage industry policies of Mainland China and the policies of Taiwan in promoting low carbon emitting transportation tools. The new energy policy of Mainland China in its 12th Five-Year Plan strongly pushes forward electric transportation tools and each electric public bus is given up to RMB500,000 in subsidies, while each hybrid fuel cell electric bus is given up to RMB300,000 in subsidies, each plug-in hybrid fuel cell electric car is given up to RMB50,000 in subsidies and each pure electric-powered car is given up to RMB60,000 in subsidies. The plan is to attain a market volume made up of 500,000 and above pure electric-powered cars and plug-in hybrid fuel cell electric cars and one million mid-size and heavy hybrid fuel cell electric vehicles by 2015. The accumulative production sales volume of new energy vehicles will reach 5 million vehicles by 2020. Among which, mid-size and heavy hybrid fuel cell electric vehicles will form more than 50% of the annual production sales volume of all cars. On the aspect of Taiwan, the Ministry of Transportation and Communications, Ministry of Economic Affairs and EPA, Executive Yuan have been emphasizing on energy conservation and carbon reduction, promoting low carbon emitting transportation tools and development of a low carbon city plan, which include the "Key Points of the Public Transportation Subsidy of Electric Passenger Buses by the Ministry of Transportation and Communications" passed in Jan 2013, and fully pushing forward with the development of electric public buses. The highest subsidies for each electric public bus is NTD3.75 million plus an additional of NTD1 million for battery subsidies. The plan is to phase out 6,200 diesel public buses within the next decade to be replaced with pure electric-powered buses. In addition, with the "Smart Electric Vehicle Development Strategy and Action Plan", to be carried out in two phases from 2010 to 2016, phase one (2010 – 2013) shall push forward ten projects with a total of 3,000 vehicles on trial run. These projects shall also be exempted from commodity tax for 3 years and each vehicle is given NTD100,000 in subsidies for zero pollution and has a total funding of NTD2.277 billion. All local governments and corporations can submit their application to initiate their trial run plan which is divided into 10 locations for their trial runs with 300 vehicles per location. Concurrently, government departments and state-run enterprises shall also phase out their current vehicles running on fuel to be replaced by electric vehicles. Chunghwa Post shall take the lead by replacing their mail delivery vehicles in the pushing forward of this plan. However, the actual range of the subsidy and incentive policies shall be determined according to actual prevailing circumstances. Since Jan 31, 2012, the Group has partnered Taoyuan County government to provide residents free feeder bus services between Taoyuan County Hall and Taoyuan Train Station on a trial run basis. Also, the Chungli yellow line free community public bus services began its trial run in Aug 2012. On top of these, partnership plans have been pushed forward with various local governments to carry out electric bus trial runs to promote our electric buses. In 2012, our Group has already shown sales results in our electric buses, and in Oct 2013, the Taoyuan green line of public bus route was put into operations. Going forward, we shall strive to enhance our battery and electromechanical system technologies to reduce the cost difference with vehicles running on fuel combustion engines. We anticipate that even after the government subsidies have reduced over time, we are able to progressively replace fuel combustion engines and expand our market share rate in electric vehicles. Thus, even with major changes in foreign/domestic policy and laws, the financial operation of our Group shall not be affected in any major way.

5. Major changes in technology and industry resulting in impact to the financial operation of the Company in the recent fiscal year and as at the printing date of this annual report and its countermeasures

Lithium-ion and LFP batteries, as with all other industrial products, constantly face the risk of industry cycle life, which means that its demand can be replaced with the development of new technologies. For example, large mainframe computers have been replaced by personal computers and CDs have been replaced by solid state memory and even cloud computing storage technologies.

The LFP battery is among the latest member of the lithium battery family to be commercialized (officially commercialized in 2004). Its safety and lifecycle have made it the optimal choice for use in electric vehicles and energy storage systems, and these two market demands only began to gain global attention and active development after 2009. Therefore, the use of LFP batteries in these two new applications along its development should be able to have several decades of long term outlook. However, this does not represent that LFP batteries will dominate the electric vehicle and energy storage markets in the long term, LFP batteries could very well be replaced by other materials or forms of batteries. It is a well-known fact that the R&D and market promotion of battery materials is extremely time consuming, any new technology from the lab requires many years before it is introduced into the market. Take for example the next generation high energy density materials that have been closely watched by everyone, the U.S Argonne National Laboratory recently announced publicly that these new inventions will be introduced into the market within the next decade. Although LFP battery is the mainstream of development in the market, we are unable to discount the possibility that there will be any new breakthrough in battery technology in the short term.

The R&D of our materials is oriented toward helping customers enhance the C/P ratio of their products, develop long lasting battery technologies, drive the development of electric vehicle and energy storage applications, With the maturity and widening of the industry supply chain, the industry practices being formed will help extend the cycle life of LFP batteries and lower the impact from new technologies. Also, our Group is also investing significant R&D resources and integrating resources from external academic circles to carry out long term research on new type of lithium battery materials. We hope to be able to maintain our leadership position in the field of new type battery materials, and ensure the sustainable growth of the enterprise. Hence, changes in technology and industry should not affect the financial operation of our Group in any major way.

6. Changes in corporate image resulting in impact to the crisis management of the Company in the recent fiscal year and as at the printing date of this annual report and its countermeasures

   With the management philosophy of "Safety of Mankind and Environmental Friendliness", our Group is always actively seeking improvements to pursue the most optimal and people-oriented management model. Our Group has brought in talented individuals from all the major institutions in Taiwan to serve within our Group. We are focused in establishing our industry competiveness, and have applied Six Sigma as the review basis of our productivity management in the Group. Finally, we share our business results and contribute back to shareholders and the society. Since the establishment of our Group, we have built an excellent corporate image of youth and innovation. There are currently no changes to the corporate image that will result in any corporate crisis to emerge.

7. Expected benefits and possible risks of ongoing mergers and acquisitions in the recent fiscal year and as at the printing date of this annual report and its countermeasures

   There have been no mergers and acquisitions in the recent fiscal year and as at the printing date of this annual report, and there are no ongoing mergers and acquisitions or any plans of such. In the event that the Group discovers any potential acquisition targets of companies or groups, an attitude of caution and care shall be applied to the assessment and consideration be given with regards to the combined effect of the merger, and relevant professionals shall be consulted and reasonable terms shall be formulated promptly to process the acquisition decision, so as to secure the overall rights of the shareholders.

8. Expected benefits and possible risks of plant expansion in the recent fiscal year and as at the printing date of this annual report and its countermeasures

   The Group has originally planned to set up the production line in Taiwan when its electric bus goes into the stage of mass production, however due to market uncertainties and to prevent the possible risk of production oversupply, we do not plan to expand our plant at this moment, and shall integrate with our partnering vendors to apply JIT system to achieve risk control. Aleees Eco Ark (Taiwan) will control the quality and delivery dates to prevent stagnation of facilities and plant in the event of market changes. The next generation of electric buses shall also be actively developed to make them even more energy efficient and be able to travel longer distances, while striking a balance on safety functionalities as well as reducing the costs of electric buses and enabling the electric buses to go-to-market swiftly.

9. Possible risks associated with concentration of inbound stock and product sales in the recent fiscal year and as at the printing date of this annual report and its countermeasures

   (1) Risk associated with concentration of inbound stock:

   The raw materials of the cathode materials for LFP batteries produced by the Group are made up mainly of lithium compounds and phosphorous acid, and have no highly unique properties. As for the electric buses, the main materials are batteries, body parts of the bus and electromechanical parts. The source of market supply does not come from a single source or is being monopolized. The top 10 suppliers of our inbound stock in 2012 and 2013 make up 77.86% and 74.90% respectively, among which the inbound stock ratios of the largest supplier is respectively 14.21% and 20.93%. There has been no obvious situation of concentration and as the company continues to increase qualification and certification of suppliers and development of its electric bus and battery charging/swap station business, there should be no risk in concentration of inbound stock.

(2) Risk associated with concentration of product sales:
Our top 10 customers by product sales amount made up 90.70% and 82.88% of total sales in 2012 and 2013 respectively. Among which the largest customer by ratio of product sales amount over total sales is 28.88% and 26.16% respectively. The reason for the concentration is that the cathode materials for LFP batteries developed by the Group is mainly used in the applications of energy storage batteries, hybrid fuel cell electric vehicle and electric buses. As the aforementioned product applications of the battery materials require the consideration of safety and stability, the certification period is relatively time consuming. Since the start of mass production by the company since Nov 2008 to date, with the long certification time and adding to the fact that the production of cathode materials for LFP batteries belongs to a new industry category, except for a few battery makers with actual mass production capabilities, most of the vendors are producing relatively small volumes and some are still in the trial production phase. Therefore, the product sales of the group are concentrated on some customers due to the industry characteristics, long product certification time and the upkeep of excellent relationship with the major battery makers.

10. Significant share ownership transfer or share swap executed by directors, supervisors or major shareholders holding more than 10% of total company issued shares in the recent fiscal year and as at the printing date of this annual report and its countermeasures

There has been no significant share ownership transfer or share swap executed by directors, supervisors or major shareholders holding more than 10% of total company issued shares in the recent fiscal year and as at the printing date of this annual report

11. Impact and risks associated with change in management of the Company in the recent fiscal year and as at the printing date of this annual report and its countermeasures

In the recent fiscal year and as at the printing date of this annual report, there has been no change of management in the Company. The Company has already reinforced various governance measures and inducted independent directors, form an audit committee to enhance the assurance of securing shareholders' interest as a whole. Also, the routine management of the company relies mostly on professional managers, and the current professional management team is strong and has significant level of contribution, and should be able to continue receiving the support of shareholders in the future. There should be no major negative impact on the company in the different categories of management and operational strengths if there is any change in management.

12. Lawsuit or non-litigation incidents shall clearly state the company name and company directors, supervisors, CEO (GM), actual person-in-charge, major shareholders holding more than 10% of total company issued shares and subsidiary company, and indicate if ruling has been passed down or litigation is ongoing in a major lawsuit, non-litigation or administrative procedure; where its outcome could have major impact on shareholders' interest or securities pricing; the facts of the dispute, amount, litigation start date, litigants to the case and the status of proceedings in the recent fiscal year and as at the printing date of this annual report:

(1) Our subsidiary, Aleees Taiwan, signed a "Supplier Agreement" and "Purchase Order" with HOTBLUE Thermal Science & Technology Co., Ltd. (here after referred to as "HOTBLUE Company") in July 2009, agreeing that Aleees Taiwan will place an order for a relevant set of high temperature oven (rotary oven) with HOTBLUE Company where the listed price is USD262,500. Separately on Sep 10, 2009, our Company placed another relevant set of small sized rotary test lab oven with HOTBLUE Company where the listed price was USD16,400 (the aforementioned supply agreement and purchase order are collectively referred to as "Disputed Agreements"). On Aug 14, 2009 and Oct 26, 2009, Aleees Taiwan paid the amount of USD246,090 to HOTBLUE Company for the equipment according to the disputed agreements and HOTBLUE Company delivered the equipment according to

the disputed agreements. However, after assembly, multiple quality issues have occurred which resulted in the equipment failing the equipment inspection and acceptance process, and despite many occasions of servicing, the quality standards were not met which resulted in the equipment being unable to be operated normally. As the flaws and servicing of the equipment have affected the production schedule of Aleees Taiwan and caused damages in manpower and resources, Aleees Taiwan proceeded to notify HOTBLUE Company on Nov 18, 2010 with regards to the invalidation of the agreement and request for the prepaid amount of USD246,090 for the equipment to be refunded, as well as to compensate for the physical inspection costs, business trips and test materials cost amounting to NTD6,182,589, and the legal expenses of RMB100,000. This case has already been entrusted to our lawyer in Shanghai for assistance and on May 19, 2011, an arbitration application was filed with the Shanghai Taiwan-Related Arbitration Center, requesting for the refund of the prepaid amount and compensation of damages. The first arbitration session was convened on Dec 7, 2011, and as at the printing date of this annual report, both parties have completed the signing of the settlement agreement. The scope of the settlement agreement requires that HOTBLUE Company carry out equipment servicing and technical training for the Company and the Company is not required to pay the balance amount of the equipment payment. Concurrently, the requested compensation amount at the arbitration court against HOTBLUE Company is rescinded and the request was made to the arbitration court to provide an arbitration document according to the settlement agreement which the arbitration court agreed on Jul 9, 2013. The proceedings of this case have already been completed. This case has not resulted in any major impact on Company shareholders' interest or securities pricing.

(2) The subsidiary of our Company, Aleees SH, entered an agreement with Shandong Haiba Battery Co., Ltd. and Yantai Haiba Energy Battery Co., Ltd. (hereafter referred to as "Both Litigants") on Mar 14, 2011, agreeing that both litigants shall complete the payment of overdue accounts in the amount of RMB1,080,000 before Mar 31, 2011. Aleees SH agrees to supply LFP materials valued at RMB810,000 to both litigants once again on the payment term basis of AMS 30 days. Subsequently, Aleees SH supplied the materials according to the agreement but both litigants have not made payment on the AR as stipulated in the agreement. Aleees SH has requested according to relevant laws with Shanghai Arbitration Commission to start arbitration proceedings for the collection of the accounts receivable amount of RMB810,000 from both litigants. On Jan 10, 2012, the arbitration court ruled on this case in the absence of a party as follows: 1. Both litigants shall make the payment for the goods which is RMB810,000. 2. Both litigants shall pay the penalties for breach of agreement (Calculated as RMB810,000 principal sum, among which RMB 675,000 is subjected to interest calculated from May 1, 2011 to the date of the arbitration ruling; while RMB 135,000 is subjected to interest calculated from Jun 1, 2011 to the date of the arbitration ruling, according to the interest rate charged by People's Bank of China during the same period under the same category). 3. The arbitration fees of RMB22,813 for this case shall be borne by both litigants. 4. All other arbitration requests of this company shall not be supported. As of the printing date of this annual agreement, Aleees SH has according to this arbitration award proceeded with enforcement procedures through Shandong Province Haiyang City People's Court to formally file its case (Case no. (2012) Haizhi no. 60854). A lawyer has been appointed to handle relevant matter and there has been no clear outcome yet. Aleees SH has assessed and determines the possibility of payment by both litigants to be low, and has provisioned the full amount as bad debts in 2011. This case has not resulted in any major impact on the Company finances, businesses and shareholders' interest.

(3) Lawsuit or non-litigation incidents shall clearly state the company name and company directors, supervisors, CEO (GM), actual person-in-charge, major shareholders holding more than 10% of total company issued shares and subsidiary company, and indicate if ruling has been passed down or litigation is ongoing in a major lawsuit, non-litigation or administrative procedure; where its outcome could have major impact on shareholders' interest or securities pricing; the facts of the dispute, amount, litigation start date, litigants to the case and the status of proceedings in the recent fiscal year and as at the printing date of this annual report: Please see the following chart

Litigant	Case	Litigant Parties	Reason and Summary of Lawsuit	Impact on the Company
Chung-Ho Tai	Compensation of damages	uPI Semiconductor Corp. Powerchip Technology Corp.	The plaintiff , Richtek Technology Corp. (Legal representative - Chung-Ho Tai), requests to dismiss the patent infringement of uPI Semiconductor Corp. and Powerchip Technology Corp. and requests for the defendant to assume joint compensation of damages due to the joint infringement.	The case is currently under appeal, this is a case belonging to Richtek Technology Corp. and has no impact on shareholders' interest and securities pricing.
Chung-Ho Tai	Compensation of damages	uPI Semiconductor Corp.	The defendant, Richtek Technology Corp. (Legal representative - Chung-Ho Tai), has the intention of defaming the plaintiff, disseminated false information to the plaintiff's customers; and further disseminated false information on MOPS and the news media. This has restricted or obstructs fair competition.	Judgment on this case has been made on Dec 9, 2011. This is a case belonging to Richtek Technology Corp. and has no impact on shareholders' interest and securities pricing.

13. Other major risks and countermeasures in the recent fiscal year and as at the printing date of this annual report:

(1) Patent infringement and lawsuit risk

Cathode materials for LFP batteries were officially presented in 1996 by the battery laboratory of University of Texas and were officially commercialized since 2004. Due to the endless lawsuits on cathode materials for LFP batteries, international brand name battery makers have not actively invested in large-scale development of LFP batteries, electric vehicle makers in the EU, U.S and Japan have adopted a conservative approach on using LFP batteries. Many electric vehicle makers have expressed that if the patent dispute cannot be effectively resolved, the market of cathode materials for LFP batteries will not be able to open up swiftly.

Countermeasures:

Since the establishment of the Group, we have been actively developing our own patents, and have progressively received many patents for manufacturing processes and patents, and since its mass production to date, the Group has not encounter any patent infringement cases. We deeply know that if we are unable to thoroughly eliminate the patent concerns of customers, reduce the risk of lawsuits, the industry of cathode materials for LFP batteries will not be able to grow rapidly. Hence on July 4, 2011, our Group officially signed the patent licensing agreement with LiFePO4+C Licensing AG, a company formed by Hydro-Québec, University of Montreal, French CNRS, and Süd-Chemie from Germany. This patent licensing could reduce the risk of litigation and open up the EU and U.S market, and has practical help to the Group in developing the next generation technology.

Even so, the effectiveness of two patents (China patent- CN 100421289 and EU patent - EP 0904607) within the aforementioned patent licensing agreement are still being deliberated in a lawsuit fought in the court, and Valence previously filed a patent dispute against Phostech (Patent licensor – wholly-own subsidiary of Süd-Chemie) and won the lawsuit. Hence the two aforementioned patents of the Group may be ruled ultimately to be invalid or we cannot dismiss the possibility that there will be other companies in the future asserting part of the patents owned by the Group to be invalid or have infringed on its intellectual property right. As a technology company, such risks are unavoidable.

(2) Plant in Canada needs to be completed by Jul 4, 2015

Our Group officially completed the signing of the patent licensing agreement with LiFePO4+C Licensing AG, a company formed by Hydro-Québec, University of Montreal, French CNRS, and Süd-Chemie from Germany, on Jul 4, 2011. One of the original requirements within the agreement was for our Company to set up a plant in Quebec, Canada, to manufacture cathode materials for LFP batteries within three years of signing the agreement. The production scale of the plant when completed would reach 1,000 tons annually. If our Group fails to complete construction of the plant as agreed and do not remediate within 90 days upon receiving the written notification of the licensor, the licensor may terminate the licensing agreement through written notification. . In consideration of the market demand in the EU and U.S failing to reach expectations, our Group has completed a second addendum to the patent licensing agreement with LiFePO4+C Licensing AG on Aug 26, 2013. Both parties agree that the deadline for the plant construction be extended for 12 months and that the Group shall complete the construction and operate a plant with the industrial scale of producing 1,000 tons of licensed products annually. If our Group fails to complete the plant construction by Jul 4, 2015, LiFePO4+C Licensing AG shall have the rights to assert a payment of USD300,000 in extension fees and may terminate the patent licensing agreement. Failure to complete the obligations of this agreement may affect the patent licensing rights and may generate major impact on the businesses and finances of the Group.

Countermeasures:

In order to honestly abide by the obligations of the agreement and take into consideration the control of financial risks, our Group shall complete the production line with 1,000-ton annual production capacity of LFP cathode materials on schedule to fulfill our agreement obligations. As the implications of this case are critical, our Group has formed a project team in 2013 and has already completed the planning schedule for the plant construction. The land area for the plant shall be leased from an existing factory and the investment of relevant plant facilities has been proposed to the board of directors on Jun 6, 2013 and been approved to set up the planning along the direction of a brand new production facility, The search for a factory location and planning of the production set-up all ongoing, the risk of construction delay and breach of agreement is low. Even though our total orders from customers in the EU and U.S is still low, our Company has already been actively carrying out product certification with major LFP battery makers in the North American region through the 12-month extension of the plant construction schedule. In order to honestly abide by the obligations of the agreement and take into consideration the control of financial risks, our Group shall complete the production line with 1,000-ton annual production capacity of LFP cathode materials on schedule to fulfill our agreement obligations.

As the shipment volume in the EU and US market is lagging far behind the production capacity design of the Canadian plant, without consideration of revenue stream from new customers and other special expenditures, the initial operating period shall generate losses annually. Also, should the Canadian plant reaches a certain period of overly low production scale after the mass production technology is in place, there may be concerns of asset impairment to the invested plant facilities. However, if the orders in the EU and U.S market are sufficient to support the fixed operating costs of the Canadian plant, it may increase our capacity utilization rate continuously, this will subsequently have no major impact on the operations of the Group as a whole.

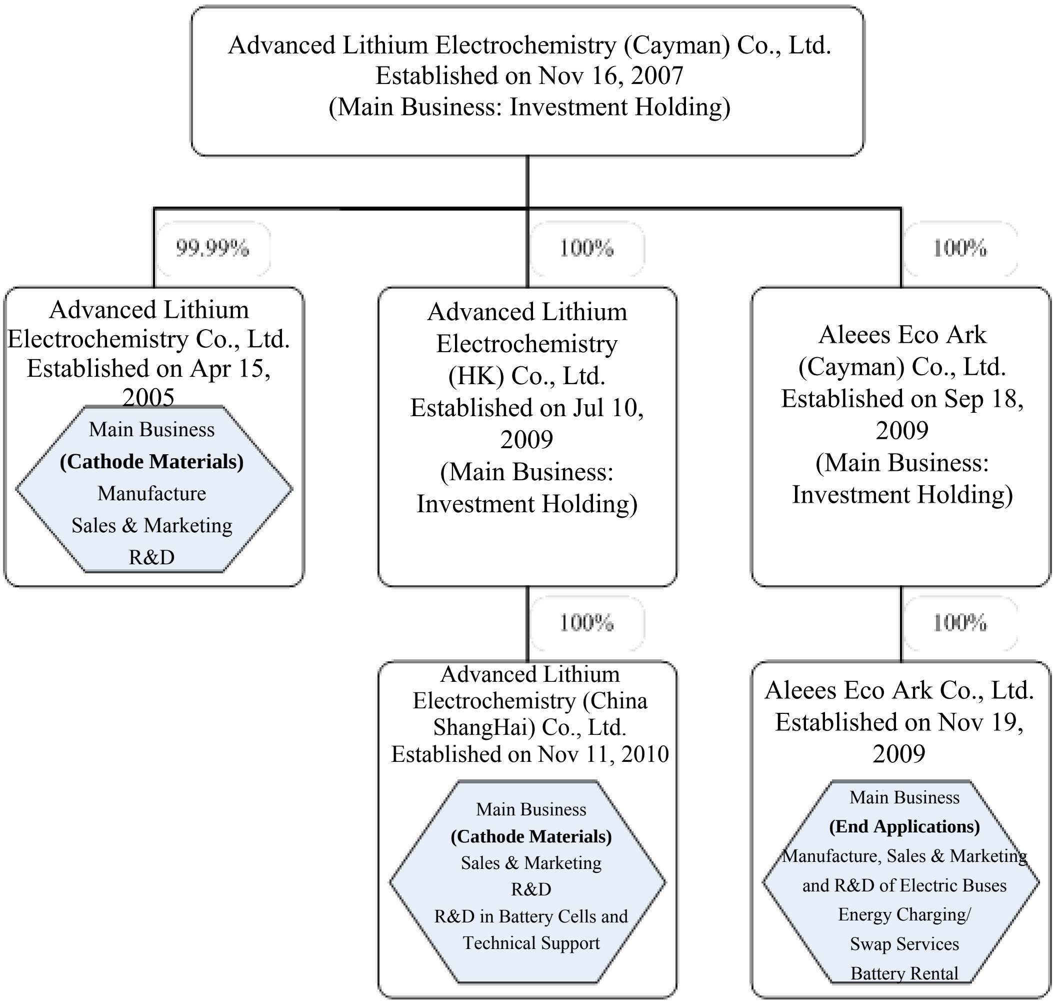
7. Other major matters

None

VIII. Special Matters of Record

1. Relevant information of related companies in the preceding year

(i) Organization chart of related companies:



(ii) Basic Information of the Various Related Companies:

As of Apr 25, 2014 Unit: K NTD

Name of Related Companies	Date of Establishment	Address	Paid-in Capital	Main business or production item
Advanced Lithium Electrochemistry Co., Ltd.	2005.4.15	No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan	NTD837,000	Production, R&D and sales & marketing of cathode materials for LFP batteries.
Advance Lithum Electrochemistry (HK) Co., Ltd	2009.7.10	Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong	USD 5,530	Investment holding, reinvestment in Aleees SH.
Aleees Eco Ark (Cayman) Co., Ltd	2009.9.18	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	USD 32,450	Investment holding, reinvestment in Aleees Eco Ark (Taiwan).
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	2010.1.11	1st, Building 53, No.1089, Qinzhou North Road, Xuhui District, Shanghai, China	USD5,500	(1) Sales and marketing of cathode materials for LFP batteries (2) Establishment of battery laboratory, provides customers with technical support.
Aleees Eco Ark Co., Ltd.	2009.11.19	No.72, Youlian St., Bade City, Taoyuan County, Taiwan	NTD307,000	(3) Manufacture, R&D and sales & marketing of electric buses (4) Battery rental and battery charging/swap businesses

(iii) Determined as having control and identical shareholder information with its subsidiary: None.

(iv) The industries covered in the business operations of its subsidiaries as a whole. In the event that the business operations of respective related companies have interconnectivity, the situation of its dealings and work distribution shall be explained:

The industries covered in the business operations of its subsidiaries as a whole mainly include: Production, R&D and marketing & sales of cathode materials for LFP batteries, manufacturing, R&D and marketing & sales of electric buses, and battery rental and charging/swap businesses, re-investment and international trading business.

Work distribution situation with related companies:

(5) Our Company is an investment holding company and is responsible for management and development strategies.

(6) Aleees Taiwan engages mainly in the manufacturing, R&D and marketing & sales of cathode materials for LFP batteries, and works through Aleees SH as a sales and marketing point for the Mainland China market.

(7) Aleees Eco Ark (Taiwan) engages mainly manufacturing, R&D and marketing & sales of electric buses, and battery rental and charging/swap businesses.

(v) Information of Director, Supervisor and CEO(GM) of the Various Related Companies:

As of Apr 25, 2014

Name of Related Companies	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding rate
Advanced Lithium Electrochemistry Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Hsi-Chi Cheng	—	—
Advance Lithum Electrochemistry (HK) Co., Ltd	Director	Sheng-Shih Chang	—	—
Aleees Eco Ark (Cayman) Co., Ltd	Director	Sheng-Shih Chang	—	—
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Hsi-Chi Cheng	—	—
Aleees Eco Ark Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Ching-Wen Wu	—	—

(vi) Business Operating Status of the Various Related Companies:

As of Dec 31, 2013 Unit: K NTD

Name of Related Companies	Paid-in Capital	Total assets	Total liabilities	Net amount	Operating Revenues of this period	Operating loss of this period	Gain/loss of the current year (After tax)	Earning per share($) (After tax)
Advanced Lithium Electrochemistry Co., Ltd.	NTD 837,000	NTD 1,112,719	NTD 277,723	NTD 834,996	NTD 527,456	NTD (125,481)	NTD (128,283)	NTD ($1.53)
Advance Lithum Electrochemistry (HK) Co., Ltd.	USD 1,515	NTD (22,056)	NTD 43	NTD (22,099)	NTD-	NTD (80)	NTD (22,957)	N/A
Aleees Eco Ark (Cayman) Co., Ltd.	USD 2,450	NTD 594,424	NTD-	NTD 594,424	NTD-	NTD (209)	NTD (253,013)	N/A
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	USD 1,500	RMB 58,281	RMB 62,908	RMB (4,327)	RMB 93,210	RMB (6,610)	RMB (4,637)	Note 1
Aleees Eco Ark Co., Ltd.	NTD 247,000	NTD 818,750	NTD 505,105	NTD 313,645	NTD 66,025	NTD (236,854)	NTD (257,223)	NTD ($10.41)

Note 1: Limited liability company and has no quantity of shares:

(vii) Consolidated financial statements of related companies: Similar to the consolidated financial statements of parent-subsidiary companies, please refer from page 133 to page 212.

2. Capital raised through securities in the recent fiscal year and as at the printing date of this annual report

None.

3. Shares of the Company held or disposed by its subsidiary in the recent fiscal year and as at the printing date of this annual report

None.

4. Other matters necessary to be supplemented with explanation

At the time of its GTSM listing application, the Company gave an undertaking on the following items and their execution status is as follows:

(i) The Company promised to add the following items under its "Operational Procedures Governing Acquisition and Disposal of Assets", and should the said operational procedures be amended, the information shall be published on MOPS under disclosure of major information, and a written notification shall be provided to the GreTai Securities Market for verification.

(1) The Company shall not forfeit its rights to increase capital in Advanced Lithium Electrochemistry Co., Ltd., Advanced Lithium Electrochemistry (HK) Co., Limited, ALEEES ECO ARK(CAYMAN) CO., LTD., Emerald Battery Technologies Co., Ltd. and Empire Energy Co., Ltd. in all future fiscal years; Advanced Lithium Electrochemistry (HK) Co., Ltd. shall not forfeit its rights to increase capital in Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd. in all future fiscal years; ALEEES ECO ARK(CAYMAN) CO., LTD. shall not forfeit its rights to increase capital in ALEEES ECO ARKCO., LTD. in all future fiscal years.

(2) Under the consideration of strategic alliance or as agreed by GreTai Securities Market in the future, should the company must forfeit its rights to increase capital or disposed off shares of the aforementioned companies, a special resolution must be approved by the board of directors. Also, should the said operational procedures be amended, the information shall be published on MOPS under disclosure of major information, and a written notification shall be provided to the GreTai Securities Market for verification.

(ii) Current Execution Status: Up to date, the Company has not forfeited the rights to increase capital in the aforementioned companies, and the Company is requesting for the Shareholders' Meeting to pass the resolution on amending the operational procedures governing acquisition and disposal of assets and add on the above item.

5. Explanation on major differences of regulations governing the protection of domestic shareholders' interest

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
1. The Shareholders' Meeting shall be held	With regards to the part on the convening of

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
within the territory of the Republic of China. Where the Shareholders' Meeting is held outside of the Republic of China, the board of directors shall passed the resolution or a shareholder may obtain the convening permit from the competent authority and apply within two days with the GreTai Securities for consent. 2. Shareholders holding more than 3% of total company issued shares continuously for more than a year may propose agenda items and state the reason in writing and request the board of directors to convene an Extraordinary Shareholders' Meeting. Within 15 days after submission of meeting proposal, where the board of directors has not issued a notice of convening, the shareholder may report to the competent authority and convene the meeting on the said shareholder's own accord upon receiving the permit from the competent authority.	Shareholders' Meeting at the shareholder's own accord, as this act by a shareholder does not require approval of the local competent authority according to the Company Act of the Cayman Islands, hence, Chapter 47 of the Company Articles of Incorporation has not stipulated such a requirement of the shareholder to obtain the permit from the competent authority before convening the Extraordinary Shareholders' Meeting. Also, if the shareholder is convening the Shareholders' Meeting outside of the Republic of China, as the approval of the local competent authority in Cayman Islands is not required for convening of Shareholders' Meeting at a shareholder's accord, while Chapter 47 of the Company Articles of Incorporation stipulates – "The requesting shareholder shall have to convene the Shareholders' Meeting in the same manner (as close as possible) as that of the board of directors, for the Shareholders' Meeting convened at the said shareholder's accord", that should be according to the stipulation under Article 46 of the Company Articles of Incorporation ("Once the shares is listed on GTSM, should the board of directors decide to hold the Shareholders' Meeting outside of the Republic of China, the company shall apply to the GreTai Securities Market for approval within two days after the resolution has been passed at the board of directors meeting."), report in advance to the GreTai Securities Market for approval, and not as stated in the requirements of the Checklist of Shareholders Right Protection Items – "a shareholder may obtain the convening permit from the competent authority and apply within two days with the GreTai Securities for consent."
When convening the Shareholders' Meeting, the Company may adopt paper or electronic voting for casting of votes; however if the Shareholders' Meeting is held outside of the Republic of China, the shareholder shall be given the choice of paper or electronic voting to exercise the shareholder's vote. Where the voting is carried out by written or electronic voting to exercise the vote, the method adopted shall be stated clearly in the shareholder's meeting notice. Shareholders	With regards to the part on the shareholder being given the choice of paper or electronic voting to exercise the shareholder's vote, according to the explanation of the lawyer from the Cayman Islands pertaining to – "Shareholders exercising the right to vote by either paper or electronic voting shall be deemed to have attended in person", the shareholder's voting either by paper or electronic voting cannot be deemed as the

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
exercising the right to vote either by paper or electronic voting shall be deemed to have attended in person. However, the extempore motion and amendment to the original proposal of this Shareholders' Meeting shall be deemed as being forfeited.	shareholder having attended in person, according to the laws of the Cayman Islands. The suggestion is that at such time, it shall be deemed as the chairperson of the Shareholders' Meeting being authorized to cast the vote on behalf; however the chairperson of the Shareholders' Meeting cannot be authorized to represent more than 3% of total shareholdings to vote on behalf. As such, Article 62 of the Company Articles of Incorporation shall be stipulated as "In accordance to the aforementioned stipulation, the exercising of the shareholder's vote either by paper or electronic voting at the voting of the Shareholders' Meeting shall be deemed as entrusting the chairperson of the Shareholders' Meeting to cast the voting on behalf according to the stated instructions within the contents of the written or electronic document", and not as stipulated in the Checklist of Shareholders Right Protection Items – "Shareholders exercising the right to vote either by paper or electronic voting shall be deemed to have attended in person", and as in Article 72 of the Company Articles of Incorporation stipulating that the chairperson of the Shareholders' Meeting cannot be authorized to represent more than 3% of total shareholdings to vote on behalf.
The following proposals involve major shareholders' interest, and shall be represented by more than two-thirds of all company issued shares in attendance, and more than 50% of shareholders must vote to agree. Where the shareholders in attendance do not meet the aforementioned threshold of shares in total, the shareholders in attendance must represent more than 50% of all shares represented by shareholders in attendance. Consent of more than two-thirds of the shares represented by shareholders in attendance being cast in the voting is required: 1. The conclusion, amendment or termination pertaining to the agreement, assignment in full or main parts of the leasing all operations, entrustment of management or joint management by others in relation to its business or assets, assignment of all businesses or assets to others, thereupon	1. Regarding the method of resolution at Shareholders' Meeting, besides the domestic laws of normal resolution and majority resolution, Article 1 of the Company Articles of Incorporation is stated with the definition of "Special Resolution" under the Company Act of the Cayman Islands, which is – "Under the stipulation of the Company Act, Article 60 under the Company Act must be passed, resolution must be agreed by more than two-thirds of all company issued shares represented by shareholders in attendance voting in person or proxy (if permitted to entrust) at the Shareholders' Meeting (Meeting notice must clearly state the said proposal must be passed by a special resolution). 2. According to the stipulations of the Company Act of the Cayman Islands, the

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
having major impact on company operations 2. Amendment to Articles of Incorporation 3. Where the amendment to the Articles of Incorporation impairs the rights of preferred stock shareholders, a separate preferred stock shareholders' Meeting shall be convened to pass the proposal 4. Distribution of share dividend or bonus through issuance of new shares in full or part 5. Proposed resolution on dissolution, merger or division 6. Issuance of new employee restricted shares	following items shall be adopted through special resolution: (1) Amendment to the Articles of Incorporation According to the laws of the Cayman Islands, Amendment to the Articles of Incorporation shall be passed through a special resolution according to the company Act of the Cayman Islands. Article 68 of the Company Articles of Incorporation has not been amended according to the Checklist of Shareholders Right Protection Items requiring the change of majority resolution item under the laws of our country. In addition, According to Article 17 of the Company Articles of Incorporation – "Should any amendment or changes to the Company Articles of Incorporation impair the preferential rights of any type of shares, Besides the relevant amendments and changes requiring the adoption of special resolution, the shareholders of the share type being impaired shall convene a separate Shareholders' Meeting to pass the special resolution. (2) Dissolution According to the stipulations under the laws of the Cayman Islands, if the company is unable to repay its debt obligations when due and adopts the resolution for voluntary liquidation and dissolution; its dissolution must be approved by the Shareholders' Meeting. However, if the Company voluntarily liquidates and dissolves under reasons other than the above, its dissolution shall be approved by a special resolution as stipulated by the laws of the Cayman Islands. Article 70 of the Company Articles of Incorporation pertaining to the resolution threshold of the company on liquidation and dissolution has not been amended to the majority resolution items under the laws of Taiwan according to the Checklist of

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
	Shareholders Right Protection Items. (3) Merger As the Company Act of the Cayman Islands has mandatory regulations for voting method of mergers carried out as defined under the Company Act of the Cayman Islands, Article 69 (e) of the Company Articles of Incorporation has been enacted that mergers shall be approved by majority resolution and to fulfill with the legal definition of "merger" under the Company Act the Cayman Islands, the Shareholders' Meeting shall approve through a special resolution. The difference between the aforementioned item and the Checklist of Shareholders Right Protection Items is that the Checklist of Shareholders Right Protection Items requires the resolution item to be approved by majority resolution, while in the Company Articles of Incorporation, it is being governed separately under majority resolution item and special resolution item. As this difference is generated by the stipulation of the laws of the Cayman Islands, and the Articles of Incorporation of the Company has already clearly listed the respective majority resolution items and special resolution items defined under Shareholders Right Protection Item, the impact to shareholders' interest on this part of the Company Articles of Incorporation is limited.
1. The company has established supervisors and is voted by the Shareholders' Meeting. At least one of the supervisors must live in Taiwan. 2. The tenure of the supervisor shall not exceed 3 years and may be re-elected for appointment. 3. When the supervisors are collectively discharged from their appointment, the board of directors shall convene an Extraordinary Shareholders' Meeting within 60 days. 4. Supervisors shall monitor the execution of the company's business and investigate the company's business and financial situation	The laws of the Cayman Islands do not have the equivalent concept of supervisors, and the company has already established an audit committee. Hence the Company Articles of Incorporation has no relevant stipulation on supervisors relating to Shareholders Right Protection Item.

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
and audit the documents at any time, and may request for the board of directors or managers to provide any reports. 5. Board supervisors shall review all documents prepared by the board of directors for the Shareholders' Meeting, and report its opinion at the Shareholders' Meeting. 6. When carrying out audit duties, board supervisors may represent the Company to appoint accountants and lawyers to engage in audit reviews. 7. Board supervisors shall attend board meetings and state their opinions. Board of directors or directors found to have violated laws, articles of incorporation or Shareholders' Meeting shall be reported by the supervisor to the board of directors immediately or inform the board of directors to cease such acts. 8. Board supervisors may individually exercise its supervisory rights. 9. Supervisors may not concurrently be appointed as director, manager or other employee of the company.	
1. Shareholders who have held more than 3% of total company issued shares for more than a year may request the supervisor in writing to bring forth any lawsuit on behalf of the company against any director, and the Taiwan Taipei District Court shall be the non-exclusive court of first instance. 2. Thirty days after the shareholder has submitted the request and the supervisor has not bring forth any lawsuit, the shareholder may bring forth the lawsuit on behalf of the company, and the Taiwan Taipei District Court shall be the non-exclusive court of first instance.	The laws of the Cayman Islands do not have the equivalent concept of supervisors. Article 94-1 of the Company Articles of Incorporation stipulates that – "Within the confines permitted by the laws of the Cayman Islands, shareholders who have held more than 3% of total company issued shares for more than a year may bring forth a lawsuit on behalf of the company against any director and the Taiwan Taipei District Court shall be the non-exclusive court of first instance." And different from the stipulation in the Checklist of Shareholders Right Protection Items which states that prior written request must be submitted to the supervisor to bring forth any lawsuit on behalf of the company against any director, and where supervisor has not bring forth any lawsuit after thirty days, the shareholder may bring forth the lawsuit on behalf of the company. According to the opinion of the lawyer from the Cayman Islands, the Cayman Company Act does not allow minority shareholders to bring forth specifically defined legal proceedings of derivative suit against directors in the Cayman Court. Also, the Company Articles of

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
	Incorporation is not an agreement between the shareholder and the director, but an agreement between the company and the company, which is to say, even though the Articles of Incorporation allow minority shareholders to bring forth derivative suits, 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) regardless of its shareholdings ratio or shareholdings period shall have the rights to bring forth derivative suits (including lawsuit against the directors). Once the shareholder has brought forth the lawsuit, the Cayman Court shall have the authority to decide if the shareholder may proceed with the lawsuit. In other words, even though the Articles of Incorporation stipulates that minority shareholders (or shareholders with the required shareholdings or shareholdings period) may represent the company to bring forth a lawsuit against the director, the ultimate decision lies with the Cayman Court if the lawsuit is able to proceed. According to relevant judgments made by the Cayman Court, when the Cayman Court reviews the derivative lawsuit to assess if it should proceed, the applicable criterion is whether the Cayman Court believes and accepts the request of the plaintiff brought forth on behalf of the company has substance on the surface and the unlawful act asserted is that of an individual with the ability to control the actions of the company, and that this controlling individual has the ability to stop the company from bringing forth a lawsuit against him/her. The Cayman Court shall rule according to the facts of each individual case (even though the court may refer to the stipulation of the Company Articles of Incorporation, it is not a determining factor).
1. The company director shall honestly execute its duty and fulfill the obligations of due care as a manager. In the event that any violations result in damages being incurred by the Company, the company director shall be liable for compensation. If the action is the act of oneself or other individuals, the Shareholders' Meeting shall decide and	Article 110-1 of the Company Articles of Incorporation has been amended accordingly to the Shareholders Right Protection Items, however the part on supervisor has not established. According to the opinion of the lawyer from the Cayman Islands, the responsibilities of the director toward the Company under Cayman

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
deem this act as belonging to that of the Company. 2. In the event that the execution of duties by the company director has any violations that result in damages incurred by others, the director shall assume joint liability with the company toward the victim. 3. Managers and supervisors of the company shall be subjected to similar compensation liability as company directors when executing job duties.	laws can be separated to responsibilities under the Common Law (i.e. professional capabilities, focus and due diligence) and obligations of due care. However, the director has legally stipulated obligations according to various laws, and under specific circumstances, the director has obligations toward a third party (such as creditors). The director shall consider the interest of creditors when the Company has no ability or concerns in its ability to make debt repayment. As the Company Articles of Incorporation is an agreement made between the shareholders and the Company, the director is not a party to the Company Articles of Incorporation, which is, all assertions against the director for compensation of damages for violation of due care in fulfillment of obligation shall be defined in the service agreement. Under Cayman laws in general, the manager or supervisor will not assume similar responsibilities to that of directors toward the company or shareholders However the acts of the manager or supervisor under authorization on behalf of senior management shall be of similar obligations as that of company directors. To avoid any confusion, companies in Cayman generally define the responsibilities and obligations of the manager or supervisor toward the company and shareholders within the service agreement. Similarly, as the Company Articles of Incorporation is an agreement between the shareholders and the company, the manager and supervisor are not parties to the Company Articles of Incorporation, which is, all assertions against the manager and supervisor for compensation of damages for violation of due care in fulfillment of obligation shall be defined in the service agreement. Also, with regards to the stipulation deeming the interest of the directors as belonging to that of the Company, the lawyer from the Cayman Islands considers such stipulation to have uncertainties and overly broad and has doubts if it is exercisable. For example, should the violation of the director's obligations be handed to the court for final decision and to determine the boundaries of interest (and the

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
	receiving period of interest)? The lawyer from the Cayman Islands considers this clause to be non-binding on the responsibilities of the director. The director still has various legally stipulated responsibilities and obligation of due care according to Cayman laws.

6. Major event as prescribed under Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Law with impact on shareholders' equity or securities pricing as a result

None

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

<u>Report of Independent Accountants</u>

PWCR13000397

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

We have audited the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparations of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

March 25, 2014

The accompanying 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 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.

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2013		December 31, 2012		January 1, 2012	
	ASSETS	Notes	Amount	%	Amount	%	Amount	%
	Current Assets							
1100	Cash and cash equivalents	6(1)	$ 821,767	30	$ 246,146	12	$ 200,260	12
1150	Notes receivable, net		22,262	1	10,951	1	13,198	1
1170	Accounts receivable, net	6(3)	136,469	5	149,380	7	114,764	7
1180	Accounts receivable, net - related parties	6(3) and 7	-	-	-	-	454	-
1200	Other receivables		11,453	1	16,763	1	7,074	-
1220	Current income tax assets	6(24)	47	-	27	-	10	-
130X	Inventories	6(4)	314,072	11	203,339	10	167,866	10
1410	Prepayments		82,581	3	48,295	2	32,024	2
1470	Other current assets	8	38,228	1	58,916	3	57,862	3
11XX	**Total Current Assets**		1,426,879	52	733,817	36	593,512	35
	Non-current assets							
1523	Available-for-sale financial assets – non current	6(2)	-	-	-	-	1,408	-
1550	Equity investments under the equity method	6(5)	68,492	3	72,722	3	94,998	5
1600	Property, plant and equipment	6(6)(26) and 8	966,961	35	866,817	43	649,465	38
1780	Intangible assets	6(7)	244,137	9	275,666	14	303,522	18
1840	Deferred income tax assets	6(24)	11,445	-	12,169	1	13,545	1
1900	Other non-current assets	6(8)	36,384	1	64,605	3	49,591	3
15XX	**Total non-current assets**		1,327,419	48	1,291,979	64	1,112,529	65
1XXX	**Total assets**		$ 2,754,298	100	$ 2,025,796	100	$ 1,706,041	100

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
	Current Liabilities							
2100	Short-term borrowings	6(9)	$ 91,194	3	$ 106,557	5	$ 37,491	2
2150	Notes payable		24,187	1	-	-	-	-
2170	Accounts payable		71,871	3	49,541	3	57,156	3
2180	Accounts payable - related parties	7	10,965	-	5,480	-	2,081	-
2200	Other payables	6(10)	147,101	5	186,380	9	96,485	6
2250	Provisions for liabilities - current	6(11)	14,210	1	23,210	1	14,474	1
2300	Other current liabilities	6(12) and 7	88,042	3	94,430	5	71,416	4
21XX	**Total Current Liabilities**		447,570	16	465,598	23	279,103	16
	Non-current liabilities							
2540	Long-term borrowings	6(12)	45,999	2	98,938	5	127,875	8
2570	Deferred income tax liabilities	6(24)	-	-	724	-	2,100	-
25XX	**Total Non-current Liabilities**		45,999	2	99,662	5	129,975	8
2XXX	**Total Liabilities**		493,569	18	565,260	28	409,078	24
	Equity Attributable to Owners of Parent							
	Share capital	6(15)						
3110	Common shares		1,420,737	52	1,129,537	56	1,030,813	60
	Capital surplus	6(16)						
3200	Capital surplus		1,201,118	43	517,581	25	577,656	34
	Retained earnings	6(17)(23)						
3350	Accumulated deficit		(362,809)	(13)	(177,495)	(9)	(311,504)	(18)
	Other equity	6(18)						
3400	Other equity		1,673	-	(1,817)	-	-	-
3500	Treasury shares	6(15)	-	-	(7,273)	-	-	-
31XX	**Equity attributable to owners of the parent**		2,260,719	82	1,460,533	72	1,296,965	76
36XX	**Non-controlling interest**		10	-	3	-	(2)	-
3XXX	**Total Equity**		2,260,729	82	1,460,536	72	1,296,963	76
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
	Significant disaster loss	10						
	Total liabilities and equity		$ 2,754,298	100	$ 2,025,796	100	$ 1,706,041	100

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
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXPECT FOR LOSS PER SHARE)

			For the years ended December 31,			
			2013		2012	
		Notes	Amount	%	Amount	%
4000	**Operating revenue**	7	$ 577,069	100	$ 653,251	100
5000	**Operating costs**	6(4)(22) and 7	(546,821)	(95)	(440,852)	(68)
5900	**Gross profit**		30,248	5	212,399	32
	Operating expenses	6(22)				
6100	Selling expenses		(134,800)	(23)	(175,638)	(27)
6200	General & administrative expenses		(150,296)	(26)	(114,760)	(17)
6300	Research and development expenses		(150,482)	(26)	(108,977)	(17)
6000	**Total Operating Expenses**		(435,578)	(75)	(399,375)	(61)
6900	**Operating loss**		(405,330)	(70)	(186,976)	(29)
	Non-operating income and expenses					
7010	Other income	6(19)	10,745	2	5,962	1
7020	Other gains and losses	6(20)	(547)	-	(17,754)	(2)
7050	Finance costs	6(21)	(4,778)	(1)	(5,345)	(1)
7060	Share of loss of associates and joint ventures accounted for under equity method	6(5)	(8,450)	(2)	(18,393)	(3)
7000	**Total Non-operating income and expenses**		(3,030)	(1)	(35,530)	(5)
7900	**Loss before income tax, net**		(408,360)	(71)	(222,506)	(34)
7950	Income tax expense	6(24)	-	-	(464)	-
8200	**Net loss for the year**		($ 408,360)	(71)	($ 222,970)	(34)
	Other comprehensive income, net					
8310	Cumulative translation differences of foreign operations	6(18)	$ 3,490	1	($ 1,817)	-
8500	**Total comprehensive loss for the year**		($ 404,870)	(70)	($ 224,787)	(34)
	Loss attributable to:					
8610	Equity holders of the Company		($ 408,358)	(71)	($ 222,967)	(34)
8620	Non-controlling interest		(2)	-	(3)	-
	Total		($ 408,360)	(71)	($ 222,970)	(34)
	Comprehensive loss attributable to:					
8710	Equity holders of the Company		($ 404,868)	(70)	($ 224,784)	(34)
8720	Non-controlling interest		(2)	-	(3)	-
	Total		($ 404,870)	(70)	($ 224,787)	(34)
	Basic loss per common share	6(25)				
9750	**Basic loss per share**		($ 3.36)		($ 2.05)	

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

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent									
			Capital surplus								
	Notes	Common share	Paid-in capital in excess of par value	Treasury stock transactions	Others	Accumulated deficit	Cumulative translation differences of foreign operations	Treasury stock	Total	Non-controlling interest	Total equity
For the year ended December 31, 2012											
Balance at January 1, 2012		$ 1,030,813	$ 573,246	$ -	$ 4,410	($ 311,504)	$ -	$ -	$ 1,296,965	($ 2)	$ 1,296,963
Capital issued for cash	6(15)	100,000	300,000	-	-	-	-	-	400,000	-	400,000
Capital surplus used to offset accumulated deficit	6(17)	-	(360,717)	-	-	360,717	-	-	-	-	-
Purchase of treasury shares	6(15)	-	-	-	-	-	-	(7,273)	(7,273)	-	(7,273)
Cancellation of treasury shares	6(15)	(1,276)	(578)	1,220	-	-	-	-	(634)	-	(634)
Changes in share of associates and joint ventures accounted for under equity method	6(5)	-	-	-	-	(3,741)	-	-	(3,741)	-	(3,741)
Net loss		-	-	-	-	(222,967)	-	-	(222,967)	(3)	(222,970)
Other comprehensive loss	6(18)	-	-	-	-	-	(1,817)	-	(1,817)	-	(1,817)
Changes in non-controlling equity		-	-	-	-	-	-	-	-	8	8
Balance at December 31, 2012		$ 1,129,537	$ 511,951	$ 1,220	$ 4,410	($ 177,495)	($ 1,817)	($ 7,273)	$ 1,460,533	$ 3	$ 1,460,536
For the year ended December 31,2013											
Balance at January 1, 2013		$ 1,129,537	$ 511,951	$ 1,220	$ 4,410	($ 177,495)	($ 1,817)	($ 7,273)	$ 1,460,533	$ 3	$ 1,460,536
Capital issued for cash	6(15)	291,200	905,452	-	-	-	-	-	1,196,652	-	1,196,652
Capital surplus used to offset accumulated deficit	6(17)	-	(223,044)	-	-	223,044	-	-	-	-	-
Purchase of treasury shares	6(15)	-	-	-	-	-	-	(895)	(895)	-	(895)
Net loss		-	-	-	-	(408,358)	-	-	(408,358)	(2)	(408,360)
Other comprehensive income	6(5)(18)	-	-	-	-	-	3,490	-	3,490	-	3,490
Compensation related to share-based payment	6(14)(15)	-	343	786	-	-	-	8,168	9,297	-	9,297
Changes in non-controlling equity		-	-	-	-	-	-	-	-	9	9
Balance at December 31, 2013		$ 1,420,737	$ 1,194,702	$ 2,006	$ 4,410	($ 362,809)	$ 1,673	$ -	$ 2,260,719	$ 10	$ 2,260,729

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
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years end December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax for the year		($ 408,360)	($ 222,506)
Adjustments to reconcile loss before tax to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(6)(22)	147,980	103,396
Amortization	6(7)(22)	35,906	34,277
Reversal of allowance for doubtful accounts	6(3)	-	(1,288)
Interest expense	6(21)	4,778	5,345
Interest income	6(19)	(582)	(452)
Compensation cost of share-based payment	6(14)(15)(23)	1,129	-
Impairment loss of financial assets	6(2)(20)	-	1,408
Loss on disposal of property, plant and equipment	6(6)(20)	245	3,691
Property, plant and equipment transferred to expenses	6(6)	-	1,279
Share of loss of associates and joint ventures accounted for under equity method	6(6)	8,450	18,393
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(11,311)	2,247
Accounts receivable	6(3)	16,245	(36,214)
Accounts receivable - related parties	6(3)	-	454
Other receivables		5,522	(6,478)
Inventories	6(4)	(189,311)	(95,595)
Prepayments		(34,286)	(16,271)
Other current assets		20,688	(1,054)
Net changes in liabilities relating to operating activities			
Notes payable		24,187	-
Accounts payable		22,330	(7,615)
Accounts payable - related parties		5,485	3,399
Other payables	6(10)	15,229	29,819
Provisions for liabilities - current	6(11)	(9,000)	8,736
Other current liabilities		14,145	27,912
Cash used in operations		(330,531)	(147,117)
Receipt of interest		582	452
Interest paid		(5,257)	(5,345)
Income tax paid	6(24)	-	(465)
Net cash used in operations		(335,206)	(152,475)

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years end December 31, 2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) other non-current assets	6(8)	$ 24,947	($ 10,558)
Acquisition of property, plant and equipment	6(6)	(212,232)	(223,807)
Proceeds from disposal of property, plant and equipment	6(6)	308	9,787
Increase in refundable deposits	6(8)	(8,801)	(337)
Acquisition of intangible assets	6(7)	(4,377)	(3,724)
Net cash used in investing activities		(200,155)	(228,639)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(9)	330,101	331,816
Decrease in short-term borrowings	6(9)	(345,464)	(262,749)
Decrease in long-term borrowings	6(12)	(73,472)	(33,834)
Acquisition of treasury shares	6(15)	(895)	(7,907)
Proceeds from issurance of common shares	6(15)	1,196,652	400,000
Treasury shares purchased by employees	6(15)	8,168	-
Net cash provided by financing activities		1,115,090	427,326
Effect of changes in foreign currency exchange		(4,108)	(326)
Increase in cash and cash equivalents		575,621	45,886
Cash and cash equivalents at beginning of year		246,146	200,260
Cash and cash equivalents at end of year		$ 821,767	$ 246,146

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

ADVANCED LITHIUM ELECTROCHEMISTRY
(CAYMAN) CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. (The “Company”)

The Company was established in Cayman Islands on November 16, 2007. As of December 31, 2013, the number of shares authorized amounted to 200,000,000 shares with a par value of $10 (in dollars) per share, and the paid-in capital was $1,420,737.

The Company underwent an organizational restructuring by applying several times to the Investment Commission, Ministry of Economic Affairs to approve transfers of 11,999,000 shares in Advanced Lithium Electrochemistry Co., Ltd. on December 27, 2007, January 2, 2008 and January 9, 2008, and the transfers were approved on January 2, January 8 and January 11, 2008, respectively. The Company obtained 99.99% shares of Advanced Lithium Electrochemistry Co., Ltd., and remitted paid-in capital by cash to original stockholders of Advanced Lithium Electrochemistry Co., Ltd. on January 9 and January 15, 2008.

The Company and its subsidiaries (the “Group”) are mainly engaged in: (1) research, manufacturing and sale of materials for Lithium Iron Phosphate Nano Co-crystalline Olivine (LFP-NCO) and key materials of Olivine-type structure lithium battery; (2) manufacturing and distribution of batteries, cars and peripherals; (3) manufacturing and installation of electricity generation, transmission and distribution machinery.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 25, 2014.

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”)

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

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

A.IFRS 9, "Financial Instruments: Classification and measurement of financial instruments"

(a) The International Accounting Standards Board ("IASB") published IFRS 9, "Financial Instruments", in November, 2009, which will take effect on January 1, 2013 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), "Financial Instruments: Recognition and Measurement" reissued in 2009.

(b) IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

(c) The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on our preliminary evaluation, the IFRS 9 adoption might not have significant impact.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparers received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	loss. (That determination is made at initial recognition and is not reassessed subsequently.)	
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters shall apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exist any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes - recovery of revalue non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IAS 27, 'Separate Financial Statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated Financial Statements'.	January 1, 2013
IAS 28,'Investments in Associates and Joint Ventures'(as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint Arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurements'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service costs will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognized in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognized as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognized amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, “Financial instruments”, and IAS 20, “Accounting for government grants and disclosure of government assistance”, prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define ‘Investment Entities’ and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
IFRIC 21, ‘Levies’	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognized in accordance with IAS 37, ‘Provisions, contingent liabilities and contingent assets’.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	hedging instrument that is being novated complies with specified criteria.	
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in ‘other comprehensive income’.	November 19, 2013 (Not mandatory)
Services related contributions from employees or third-party (amendments to IAS 19)	The amendment allows contributions from employees or third-party that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

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

A. These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

B. In the preparation of the balance sheet of January 1, 2012 (the Group's date of transition to IFRSs) ("the opening IFRS balance sheet"), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Group's financial position, operating results and cash flows.

(2) Basis of preparation

A. Except for available-for-sale financial assets at fair value through profit or loss, these consolidated financial statements have been prepared under the historical cost convention.

B.The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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. Basis for preparation of consolidated financial statements

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(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) Components of profit and loss and other comprehensive income are attributable to owners of the parent company and non-controlling interest; total amount of comprehensive income are also attributable to owners of the parent company and non-controlling interest, even if non-controlling interest became deficit.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of Investor	Name of Subsidiary	Main Business Activities	December 31, 2013	December 31, 2012	January 1, 2012	Description
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	99.99	99.99	99.99	Note1
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.	Trading	-	-	100	Note 2
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	100	Note 3
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Investment holdings	100	100	100	Note 4
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Research and development, trading	100	100	100	Note 5
Aleees Eco Ark (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	100	Note 6

Note 1: The Company underwent an organizational restructuring by applying several times to the Investment Commission, Ministry of Economic Affairs to approve transfers of 11,999,000 shares in Advanced Lithium Electrochemistry Co., Ltd. on December 27, 2007, January 2, 2008 and January 9, 2008, and the transfers were approved on January 2, January 8 and January 11, 2008, respectively. The Company obtained

99.99% shares of Advanced Lithium Electrochemistry Co., Ltd., and remitted paid-in capitol by cash to original stockholders of Advanced Lithium Electrochemistry Co., Ltd. on January 9 and January 15, 2008, and consolidated Advanced Lithium Electrochemistry Co., Ltd. The subsidiary was established in April 2005, and the subsidiary ended its development stage on January 1, 2009 and started to produce significant revenue.

Note 2: The Company established Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. through an investee on July 9, 2008 and consolidated it in the financial statements. The subsidiary has applied for liquidation during 2011. On September 12, 2012, Shanghai Administration for Industry & Commerce has approved the cancellation of registration, and the financial and statistic registration were cancelled on September 14, 2012.

Note 3: The Company established Advanced Lithium Electrochemistry (HK) Co., Ltd. through an investee on July 10, 2009 and consolidated it in the financial statements.

Note 4: The Company established Aleees Eco Ark (Cayman) Co., Ltd. through an investee on September 18, 2009 and consolidated it in the financial statements.

Note 5: The Company has invested through Advanced Lithium Electrochemistry (HK) Co., Ltd. to establish Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd. on January 11, 2010 and consolidated Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd. in the financial statements.

Note 6: The Company has invested through Aleees Eco Ark (Cayman) Co., Ltd. to establish Aleees Eco Ark Co., Ltd. on November 19, 2009 and consolidated Aleees Eco Ark Co., Ltd. in the financial statements. The subsidiary ended its development stage on December 27, 2012 and started to produce significant revenue.

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

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

E. The restrictions on fund remittance from subsidiaries to the parent company: 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, 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 recognized 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 recognized 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 recognized 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 recognized 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 and associates 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 exchange rate prevailing at the dates 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 recognized in other comprehensive income.

(5) Classification of current and non-current items

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 realized, 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 realized 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 pay off 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 paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off 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.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. And any changes in the fair value of these financial assets are recognized in other comprehensive income.

(8) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(9) Impairment of financial assets

A.The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's ooriginal effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) 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; however, the Group has not retained control of the financial asset.

(11) Leases (lessor)

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

(12) Inventories

Inventories are recorded under the perpetual inventory system and stated at the lower of cost and net realisable value. Inventories are recorded at standard costing, standard costing is set in consideration of normal capacity, and difference incurred during the period is amortised to cost of goods sold at the end of the period.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. 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.

(13) 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 recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

C. When changes in an associate’s equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group’s ownership percentage of the associate, the Group recognises change in ownership interests in equity of 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. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group’s ownership percentage of the associate but maintains significant influence on the associate, then ‘capital surplus’ and ‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset’s carrying amount or recognized 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 derecognized. 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	3～25 years
Machinery and equipment	3～8 years
Testing equipment	6～10 years
Office equipment	3～4 years
Others	2～8 years

(15) Leases (lessee)

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

(16) Intangible assets

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

(17) 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 recognized 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, 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 recognized.

(18) Borrowings

A. Borrowings are recognized 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 recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) 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 recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Provisions

Provisions (including warranties, warrant contracts, sales returns and discounts, etc.) are recognized 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 recognized as interest expense. Provisions are not recognized for future operating losses.

(22) 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 recognized as expenses in that period when the employees render service.

B. Pensions - Defined contribution plans

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

C. Employees’ bonus and directors’ and supervisors’ remuneration

Employees’ bonus and directors’ and supervisors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees’ bonus and directors’ and supervisors’ remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders’ meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(23) 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 recognized 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 recognized is based on the number of equity instruments that eventually vest.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 10% tax is levied on the unappropriated retained earnings of domestic subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, 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 income tax is not accounted for if it arises from initial recognition of goodwill or 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 nor loss. Deferred income 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized 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, unrecognized and recognized deferred income tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) 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 tax) 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.

(26) 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.

(27) Revenue recognition

A. The Group manufactures and sells battery powders and electric buses. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The 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. The information is addressed below:

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

Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

In principle, sales revenues are recognized when the earning process is completed. The Group estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically. As of December 31, 2013, provisions for returns amounted to $9,544.

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

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C. Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of December 31, 2013, the Group recognized deferred income tax assets amounting to $11,445.

D. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2013, the carrying amount of allowance of inventory for decline in market value and loss for obsolete and slow-moving inventories was $90,154.

6. DETAILS OF SIGNIFICANTACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and petty cash (revolving funds)	$ 97	$ 187	$ 103
Checking accounts and demand deposits	821,670	245,959	200,157
	$ 821,767	$ 246,146	$ 200,260

A. The Group transacts with a variety of financial institutions. All are 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. Information about the cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

(2) Available-for-sale financial assets

Items	December 31, 2013	December 31, 2012	January 1, 2012
Non-current items:			
Unlisted stocks	$ 7,847	$ 7,847	$ 7,847
Accumulated impairment	(7,847)	(7,847)	(6,439)
	$ -	$ -	$ 1,408

The Group has invested in stocks of an unlisted company - Rubicon & Tech Co., Ltd., and investment was impaired due to poor operation of Rubicon & Tech Co., Ltd. The Group has recognized the full amount of investment as impairment loss. The Group recognized impairment loss amounting to $0 and $1,408 for the years ended December 31, 2013 and 2012, respectively.

(3) Accounts receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable – third parties	$ 140,453	$ 153,155	$ 119,983
Accounts receivable – related parties	-	-	454
	140,453	153,155	120,437
Less: allowance for bad debts	(3,984)	(3,775)	(5,219)
	$ 136,469	$ 149,380	$ 115,218

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2013	December 31, 2012	January 1, 2012
Group 1	$ 43,684	$ 27,883	$ 30,685
Group 2	7,753	-	243
	$ 51,437	$ 27,883	$ 30,928

Note:

Group 1: Credit quality assessed high rating.

Group 2: Others.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Up to 30 days	$ 25,416	$ 68,117	$ 29,842
31 to 90 days	30,715	24,605	20,891
91 to 180 days	12,668	28,775	24,104
Over 181 days	16,233	-	9,453
	$ 85,032	$ 121,497	$ 84,290

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group's accounts receivable that were impaired amounted to $3,984, $3,775 and $5,219, respectively.

(b) Movements on the Group provision for impairment of accounts receivable are as follows:

	2013		
	Individual provision	Group provision	Total
At January 1	$ 3,775	$	$ 3,775
Foreign currency translation adjustments	209	-	209
At December 31	$ 3,984	$ -	$ 3,984

	2012		
	Individual provision	Group provision	Total
At January 1	$ 3,794	$ 1,425	$ 5,219
Reversal of impairment	-	(1,288)	(1,288)
Foreign currency translation adjustments	(19)	(137)	(156)
At December 31	$ 3,775	$ -	$ 3,775

D. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

E. The Group holds letters of credit amounting to RMB$4,620 thousand and acceptance bill of RMB$4,526 thousand as security for accounts receivable.

(4) Inventories

	December 31, 2013		
	Cost	Allowance for value decline and obsolescence	Book value
Merchandise	$ 1,689	($ 1,689)	$ -
Raw materials	113,056	(64,450)	48,606
Materials	189	(6)	183
Work in process	72,907	(8,114)	64,793
Semi-finished goods	13,629	(1,036)	12,593
Finished goods	204,445	(16,548)	187,897
Total	$ 405,915	($ 91,843)	$ 314,072

	December 31, 2012		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	$ 104,654	($ 5,521)	$ 99,133
Materials	275	(7)	268
Work in process	70,066	(3,458)	66,608
Semi-finished goods	17,653	(6,791)	10,862
Finished goods	29,277	(2,809)	26,468
Total	$ 221,925	($ 18,586)	$ 203,339

	January 1, 2012		
	Cost	Allowance for value decline and obsolescence	Book value
Merchandise	$ 17,689	($ 3,586)	$ 14,103
Raw materials	61,858	(5,170)	56,688
Materials	337	-	337
Work in process	67,085	(7,260)	59,825
Semi-finished goods	14,727	(8,696)	6,031
Finished goods	37,807	(6,925)	30,882
Total	$ 199,503	($ 31,637)	$ 167,866

Expenses and losses incurred on inventories for the years:

	For the years ended December 31,	
	2013	2012
Cost of inventories sold	$ 388,050	$ 382,479
(Gain on reversal of) loss in market value decline and obsolete and slow-moving inventories	73,145	(12,855)
Loss on scrapping inventory	17,355	27,455
Unallocated fixed overhead cost	62,999	43,773
Others	5,272	-
	546,821	440,852
Other gains and losses		
Disaster loss	-	6,196
	$ 546,821	$ 447,048

The increase in net realisable value was caused by the Group’s recognition of impairment loss on inventories when the related inventory items were scrapped or sold in 2012.

(5) Investments accounted for using equity method

	December 31, 2013	December 31, 2012	January 1, 2012
Emerald Battery Technologies Co., Ltd.	$ 64,766	$ 68,800	$ 82,446
Empire Energy Co., Ltd.	3,726	3,922	12,552
	$ 68,492	$ 72,722	$ 94,998

A. The financial information of the Group's principal associates is summarized below:

	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest held
December 31, 2013					
Emerald Battery Technologies Co., Ltd.	$ 281,270	$ 11,410	$ 45,191	($ 34,389)	24.00%
Empire Energy Co., Ltd.	$ 209,145	$ 191,496	$ 59,753	($ 4,295)	21.11%

	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest held
December 31, 2012					
Emerald Battery Technologies Co., Ltd.	$ 300,013	$ 13,346	$ 30,098	($ 66,042)	24.00%
Empire Energy Co., Ltd.	$ 72,206	$ 53,627	$ 56,089	($ 10,643)	21.11%

	Assets	Liabilities	% Interest held
January 1, 2012			
Emerald Battery Technologies Co., Ltd.	$ 353,921	$ 10,396	24.00%
Empire Energy Co., Ltd.	$ 61,467	$ 2,007	21.11%

The Group recognized investment loss for investment in associates amounting to $8,450 and $18,393 for the years ended December 31, 2013 and 2012, respectively.

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Office equipment	Construction in progress and equipment to be inspected	Others	Total
At January 1, 2013								
Cost	$ 147,910	$ 99,045	$ 476,009	$ 104,294	$ 37,036	$ 55,278	$ 200,527	$ 1,120,099
Accumulated depreciation	-	(25,726)	(136,625)	(34,427)	(16,399)	-	(40,105)	(253,282)
	$ 147,910	$ 73,319	$ 339,384	$ 69,867	$ 20,637	$ 55,278	$ 160,422	$ 866,817
2013								
Opening net book amount	$ 147,910	$ 73,319	$ 339,384	$ 69,867	$ 20,637	$ 55,278	$ 160,422	$ 866,817
Additions	-	5,609	13,088	5,746	3,047	120,549	9,563	157,602
Disposals	-	-	(17)	(343)	(29)	-	(164)	(553)
Reclassifications	-	3,895	106,323	2,712	550	(138,043)	115,207	90,644
Depreciation charge	-	(6,706)	(69,686)	(13,442)	(7,666)	-	(50,480)	(147,980)
Net exchange differences	-	-	-	321	56	-	54	431
Closing net book amount	$ 147,910	$ 76,117	$ 389,092	$ 64,861	$ 16,595	$ 37,784	$ 234,602	$ 966,961
At December 31, 2013								
Cost	$ 147,910	$ 108,549	$ 595,338	$ 110,787	$ 40,513	$ 37,784	$ 325,187	$ 1,366,068
Accumulated depreciation	-	(32,432)	(206,246)	(45,926)	(23,918)	-	(90,585)	(399,107)
	$ 147,910	$ 76,117	$ 389,092	$ 64,861	$ 16,595	$ 37,784	$ 234,602	$ 966,961

	Land	Buildings	Machinery and equipment	Testing equipment	Office equipment	Construction in progress and equipment to be inspected	Others	Total
At January 1, 2012								
Cost	$ 147,910	$ 84,418	$ 344,823	$ 89,974	$ 26,229	$ 33	$ 119,671	$ 813,058
Accumulated depreciation	-	(19,771)	(89,599)	(25,168)	(11,148)	-	(17,907)	(163,593)
	$ 147,910	$ 64,647	$ 255,224	$ 64,806	$ 15,081	$ 33	$ 101,764	$ 649,465
2012								
Opening net book amount	$ 147,910	$ 64,647	$ 255,224	$ 64,806	$ 15,081	$ 33	$ 101,764	$ 649,465
Additions	-	4,494	54,887	19,422	9,504	169,913	25,885	284,105
Disposals	-	(80)	(4,092)	(8,972)	(37)	-	(896)	(14,077)
Reclassifications	-	10,257	82,734	6,933	2,145	(114,668)	63,883	51,284
Depreciation charge	-	(5,999)	(49,370)	(11,837)	(5,974)	-	(30,216)	(103,396)
Net exchange differences	-	-	-	(484)	(82)	-	2	(564)
Closing net book amount	$ 147,910	$ 73,319	$ 339,383	$ 69,868	$ 20,637	$ 55,278	$ 160,422	$ 866,817
At December 31, 2012								
Cost	$ 147,910	$ 99,045	$ 476,0093	$ 104,294	$ 37,036	$ 55,278	$ 200,527	$ 1,120,099
Accumulated depreciation	-	(25,726)	(136,625)	(34,427)	(16,399)	-	(40,105)	(253,282)
	$ 147,910	$ 73,319	$ 339,384	$ 69,867	$ 20,637	$ 55,278	$ 160,422	$ 866,817

A. Amount of interest capitalised to property, plant and equipment were both $0 for the years ended December 31, 2013 and 2012.

B. The Group's buildings 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 collaterals is provided in Note 8.

(7) Intangible assets

A. The Group signed a license contract for reauthorization with LiFeP04+C Licensing AG on July 4, 2011. Under the contract, the Group may not authorize license to others except for affiliates. Authorization 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 recognized 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 recognized as expenses 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 recognized royalty as expenses amounting to $65,479 and $76,658 for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, unpaid royalty was $21,690 and $17,565, 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, 2013 to July 4, 2015.

	License fees	Computer software	Total
At January 1, 2013			
Cost	$ 302,314	$ 28,214	$ 330,528
Accumulated amortisation	(40,073)	(14,789)	(54,862)
	$ 262,241	$ 13,425	$ 275,666
2013			
Opening net book amount	$ 262,241	$ 13,425	$ 275,666
Additions	-	4,377	4,377
Amortisation charge	(25,585)	(10,321)	(35,906)
Closing net book amount	$ 236,656	$ 7,481	$ 244,137
At December 31, 2013			
Cost	$ 302,314	$ 31,880	$ 334,194
Accumulated amortisation	(65,658)	(24,399)	(90,057)
	$ 236,656	$ 7,481	$ 244,137

	License fees	Computer software	Total
At January 1, 2012			
Cost	$ 302,314	$ 21,106	$ 323,420
Accumulated amortisation	(14,488)	(5,410)	(19,898)
	$ 287,826	$ 15,696	$ 303,522
2012			
Opening net book amount	$ 287,826	$ 15,696	$ 303,522
Additions	-	3,725	3,725
Reclassifications	-	2,696	2,696
Amortisation charge	(25,585)	(8,692)	(34,277)
Closing net book amount	$ 262,241	$ 13,425	$ 275,666
At December 31, 2012			
Cost	$ 302,314	$ 28,214	$ 330,528
Accumulated amortisation	(40,073)	(14,789)	(54,862)
	$ 262,241	$ 13,425	$ 275,666

	For the years ended December 31,	
	2013	2012
Selling expenses	$ 25,585	$ 25,585
Administrative expenses	10,321	8,692
	$ 35,906	$ 34,277

(8) Other non-current assets

	December 31, 2013	December 31, 2012	January 1, 2012
Prepayment for equipment	$ 20,646	$ 51,258	$ 47,210
Refundable deposits	11,519	2,718	2,381
Others	4,219	10,629	-
	$ 36,384	$ 64,605	$ 49,591

(9) Short-term borrowings

Type of borrowings	December 31, 2013	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings	$ 91,194	1.80%~2.48%	Note 8

Type of borrowings	December 31, 2012	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings	$ 106,557	1.321%~4.6%	Note 8

Type of borrowings	January 1, 2012	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings	$ 37,491	1.87%~5.75%	Note 8

(10) Other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Payables on equipment	$ 27,159	$ 81,789	$ 21,491
Salary and bonus payables	32,419	18,801	18,067
Royalty payables	21,690	17,565	16,068
Expendable expenses	7,164	10,881	7,900
Others	58,669	57,344	32,959
	$ 147,101	$ 186,380	$ 96,485

(11) Provisions

	Provisions for sale returns and discounts	Warranty liabilities	Total
At January 1, 2013	$ 20,515	$ 2,695	$ 23,210
Recognized during the year	-	2,510	2,510
Used during the year	-	(539)	(539)
Unused amounts reversed	(10,971)	-	(10,971)
At December 31, 2013	$ 9,544	$ 4,666	$ 14,210

	Provisions for sale returns and discounts	Warranty liabilities	Total
At January 1, 2012	$ 14,474	$ -	$ 14,474
Recognized during the year	6,041	2,695	8,736
Unused amounts reversed	-	-	-
At December 31, 2012	$ 20,515	$ 2,695	$ 3,210

Analysis of total provisions:

	December 31, 2013	December 31, 2012	January 1, 2012
Current	$ 14,210	$ 23,210	$ 14,474
Non-current	$ -	$ -	$ -

A. Provisions for sale returns and discounts

The Group's provision of allowance for sale returns and discounts is related to sales of products, and is estimated based on the historical sale returns and discounts of the products.

B. Warranty liabilities

The Group recognized expenses in the period of sales for repair obligation within warranty period or under conditions, according to appropriation of after-service cost for sales during the period.

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2013
Taiwan Cooperative bank secured borrowings	Jul. 31, 2008 ~ Jul. 31, 2018, repay interest monthly, and repay the principal in 120 installments starting from Aug. 31, 2008.	2.07%	Land and plant	$ 58,009
				58,009
Less: current portion				(12,010)
				$ 45,999

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2012
Taiwan Cooperative bank secured borrowings	Jul. 30, 2008 ~ Jul. 30, 2013, repay interest monthly, and repay the principal in 60 installments starting from Aug. 30, 2008.	2.17%	Land and plant	$ 4,184
"	Jul. 31, 2008 ~ Jul. 31, 2018, repay interest monthly, and repay the principal in 120 installments starting from Aug. 31, 2008.	2.07%	Land and plant	70,935
"	Mar. 7, 2011 ~ Mar. 7, 2016, repay interest monthly, and repay the principal in 60 installments starting from Apr. 7, 2011.	2.336%	Equipment	56,362
				131,481
Less: current portion				(32,543)
				$ 98,938

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral		January 1, 2012
Taiwan Cooperative bank secured borrowings	Jul. 30, 2008 ~ Jul. 30, 2013, repay interest monthly, and repay the principal in 60 installments starting from Aug. 30, 2008.	2.17%	Land and plant	$	9,841
"	Jul. 31, 2008 ~ Jul. 31, 2018, repay interest monthly, and repay the principal in 120 installments starting from Aug. 31, 2008.	2.07%	Land and plant		82,612
"	Mar. 7, 2011 ~ Mar. 7, 2016, repay interest monthly, and repay the principal in 60 installments starting from Apr. 7, 2011.	2.336%	Equipment		72,862
					165,315
Less: current portion				(	37,440)
				$	127,875

The Group has the following undrawn borrowing facilities:

	December 31, 2013		December 31, 2012		January 1, 2012	
Floating rate:						
Expiring within one year	$	387,491	$	436,635	$	275,874
Expiring beyond one year		300,000		-		-
	$	687,491	$	436,635	$	275,874

(13) 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 subsidiaries, Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd., have 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 22% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were $9,022 and $6,439, respectively.

(14) Share-based payment

A. As of December 31, 2013, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
First cash capital increase reserved for employee pre-emption in 2013	2013.6.6	1,500 thousand shares	None	Vested immediately
Second cash capital increase reserved for employee pre-emption in 2013	2013.12.2	856 thousand shares	None	Vested immediately

For the year ended December 31, 2012: None.

B. Details of the share-based payment arrangements are as follows:

	For the year ended December 31, 2013	
	Number of shares (In thousand)	Weighted-average exercise price (in dollars)
Outstanding at beginning of the year		$ -
Granted	2,356	41.82
Exercised	(1,376)	41.82
Invalid	(980)	41.82
Outstanding at end of the year	-	-
Exercisable at end of the year	-	-

C. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant 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 unit (in dollars)
First cash capital increase reserved for employee pre-emption in 2013	2013.6.6	$ 37.52	$ 40	27.62%	0.021	-	0.43%	$ 0.034
Second cash capital increase reserved for employee pre-emption in 2013	2013.12.2	$ 44.53	$ 45	37.42%	0.008	-	0.87%	$ 0.4006

Note：Estimation based on the daily closing price of the comparing company within the latest month.

D. Expenses incurred on share-based payment transactions are shown below:

	For the years ended December 31, 2013	2012
Equity-settled	$ 343	$ -

(15) Share capital

A. As of December 31, 2013, the Company’s authorized capital was $2,000,000, consisting of 200,000 thousand shares of ordinary stock, and the paid-in capital was $1,420,737 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows:

	2013	2012
At January 1	112,953,654	103,081,251
Cash capital increase	29,120,000	10,000,000
Shares retired	-	(127,597)
At December 31	142,073,654	112,953,654

B. The Board of Directors has resolved at their meeting on May 4, 2012 to issue new shares to increase capital by cash. The new share issuance was effective on June 5, 2012; with new shares amounting to 10,000,000 shares with par value of NT$40(in dollars) per share and paid-in capital was $400,000.

C. The Board of Directors has resolved at their meeting on June 6, 2013 to issue new shares to increase capital by cash. The new share issuance was effective on June 21, 2013, with new shares amounting to 15,000 thousand shares with par value of NT$40(in dollars) and paid-in capital was $600,000.

D. The Board of Directors has resolved at their meeting on September 16, 2013 to issue new shares to increase capital by cash in 2013 for securities underwriting to apply for primary listing of securities in R.O.C. The number of shares issued through capital increase was 14,120 thousand shares with par value of NT$10(in dollars) per share and issuing price of NT$45(in dollars). The amount of fund that can be raised was NT$706,000. The capital increase was approved by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C. to be effective on November 5, 2013.

E. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2013	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	-	$ -

		December 31, 2012	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	488,877	$ 7,273

No transaction for treasury shares as of January 1, 2012.

(b) i. The Company may buy back its shares including redeemable shares according to conditions and method resolved by the Board of Directors, as long as the Company does not violate any law or the Company's Articles of Incorporation.

ii. The Company should immediately eliminate all shares buyback, redeemed or obtained (through return of share or other methods), or transfer to employees or held as treasury stock in accordance with the Board of Directors' resolution.

iii. The Company may not distribute or receive any dividend for treasury stocks held, or obtain the Company's other assets (in cash or other ways) (including assets attributed to stockholders when liquidating).

(c) The Board of Directors have resolved to buyback treasury stocks in 2012 on March 29, 2012, and the Company has bought back 500,000 shares to transfer to employees between April 10 and May 15, 2012. The actual amount of treasury stocks bought back by the Company during the buyback period was 52,508 shares, with the purchase price of

$773.

(d) The Board of Directors have resolved to buyback treasury stocks for the second time in 2012 on March 29, 2012, and the Company has bought back 150,000 shares to retire between May 16 and June 30, 2012. The actual amount of treasury stocks bought back by the Company during the buyback period was 127,597 shares, with the purchase price of $634.

(e) The Board of Directors have resolved to buyback treasury stocks for the third time in 2012 on May 31, 2012, and the Company has bought back 500,000 shares to transfer to employees between June 1 and June 30, 2012. The actual amount of treasury stocks bought back by the Company during the buyback period was 416,619 shares, with the purchase price of $6,212.

(f) The Board of Directors have resolved to buyback treasury stocks for the fourth time in 2012 on October 4, 2012, and the Company has bought back 19,750 shares to transfer to employees between October 5 and October 31, 2012. The expected price for buyback shares was US$0.5 (or equivalent NTD amount) to encourage employees and retain outstanding employees. The actual amount of treasury stocks bought back by the Company during the buyback period was 19,750 shares, with the purchase price of $288.

(g) The Board of Directors have resolved to buyback treasury stocks for the fifth time in 2012 on December 25, 2012, and the Company has bought back 33,752 shares to transfer to employees between December 26, 2012 and January 25, 2013. The expected price for buyback shares was US$0.5 (or equivalent NTD amount) to encourage employees and hold outstanding employees. The actual amount of treasury stocks bought back by the Company on January 14, 2013 was 33,752 shares, with the purchase price of $488.

(h) The Board of Directors have resolved to buyback treasury stocks for the first time in 2013 on September 16, 2013, and the Company has bought back 27,502 shares to transfer to employees between September 17 and October 16, 2013. The expected price for buyback shares was US$0.5 (or equivalent NTD amount) to encourage employees and retain outstanding employees. The actual amount of treasury stocks bought back by the Company on September 17, 2013 was 27,502 shares, with the purchase price of $407.

(i) The Board of Directors have resolved to transfer all buyback treasury stocks amounting to 550,131 shares to employees on September 16, 2013. The expected transfer price was US$0.5 (or equivalent NTD amount). As of December 31, 2013, the cumulative buyback shares amounted to 677,727 shares with a total price of $8,802, accumulated amount of retired shares was 127,597 shares with a total price of $634, and shares transferred to employees amounted to 550,131 shares.

(j) The fair value of treasury stocks transferred to employees measured using the Black-Scholes pricing model is as follows:

Type of arrangement	Grant date	Share price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected life (year)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Treasury stock transferred to employees	2013.9.16	$ 16.30	$ 14.82	24.40% (Note)	0.03	-	0.01%	$ 1.43

(k) The related compensation costs arising from the treasury stock transferred to employees is as follows:

	For the years ended December 31,	
	2013	2012
Equity-settled	$ 786	$ -

(16)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.

(17)Retained earnings (accumulated deficits to be covered)

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) the current year's earnings are to offset prior year's operating losses;

(b) 10% of the remaining amount shall be set aside as legal reserve, until the legal reserve equals the total capital stock balance;

(c) set aside as legal reserve in accordance with regulations governing listed companies or requests of the competent authority;

(d) after setting aside in accordance with (a) through (c) stated above, use amount appropriated under the Company's Articles of Incorporation in the reserve accounts (including share price premium and capital redemption reserve) and other capital that can be provided for dividend appropriation under regulations, along with partial of prior years' or all accumulated undistributed earnings ("remaining profit"):

i. appropriate no more than 1% of the remaining profit as directors' and supervisors' remuneration;

ii. appropriate 1%~10% of the remaining profit as bonus of employees of the Group.

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 propriation. 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 dividend should not be less than 10% of the total dividends.

B. The deficit compensation of 2012 and 2011 had been resolved at the stockholders' meeting on April 16, 2013 and June 19, 2012, respectively. Details are summarised below:

	For the years ended December 31,	
	2013	2012
Deficit offset by capital surplus	$ 223,044	$ 360,717

The deficit offsets for 2012 and 2011 are the same as that proposed by the Board of Directors on March 14, 2013 and May 31, 2012, respectively.

C.The Company had accumulated deficit in both years ended December 31, 2013 and 2012, thus, the Company did not recognize employees' bonus and directors' and supervisors' remuneration.

D. Information about the appropriation of employees' bonus 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.

(18)Other equity items

	Currency translation
At January 1, 2013	($ 1,817)
Currency translation differences:	
–Group	3,490
At December 31, 2013	$ 1,673

	Currency translation
At January 1, 2012	$ -
Currency translation differences:	
–Group	(1,817)
At December 31, 2013	($ 1,817)

(19)Other income

	For the years ended December, 31	
	2013	2012
Interest income:		
Interest income from bank deposits	$ 582	$ 452
Miscellaneous income	10,163	5,510
	$ 10,745	$ 5,962

(20)Other gains and losses

	For the years ended December, 31	
	2013	2012
Net currency exchange gains (losses)	$ 25,671	($ 2,199)
Gains (losses) on disposal of property, plant and equipment	(245)	(3,691)
Impairment loss on financial assets	-	(1,408)
Miscellaneous expenditure	(25,973)	(10,456)
	($ 547)	($ 17,754)

(21)Finance costs

	For the years ended December, 31	
	2013	2012
Interest expense:		
Bank borrowings	$ 4,778	$ 5,345

(22)Expenses by nature

	For the years ended December, 31	
	2013	2012
Employee benefit expense	$ 271,507	$ 183,283
Depreciation charges on property, plant and equipment	147,980	103,396
Amortisation charges on intangible assets	35,906	34,277
	$ 455,393	$ 320,956

(23)Employee benefit expense

	For the years ended December, 31	
	2013	2012
Wages and salaries	$ 232,629	$ 157,316
Employee stock options	1,129	-
Labour and health insurance fees	19,775	13,849
Pension costs	8,126	6,439
Other personnel expenses	9,848	5,679
	$ 271,507	$ 183,283

(24)Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December, 31	
	2013	2012
Current tax:		
Current tax on profits for the year	$ -	$ -
Prior year income tax (over) underestimation	-	464
Income tax expense	$ -	$ 464

(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

	For the years ended December, 31	
	2013	2012
Tax calculated based on profit before tax and statutory tax rate	$ -	$ -
Effects from items disallowed by tax regulation	724	1,376
Effect from investment tax credit	-	-
Effect from net operating loss carryforward	(724)	(1,376)
Prior year income tax (over) underestimation	-	464
Income tax expense	$ -	$ 464

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	For the year ended December 31, 2013				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December, 31
Temporary differences:					
－Deferred tax assets:					
Net operating loss carryforward	$ 12,169	($ 724)	$ -	$ -	$ 11,445
－Deferred tax liabilities:					
Unrealized exchange gain	($ 724)	$ 724	$ -	$ -	$ -
Total	$ 11,445	$ -	$ -	$ -	$ 11,445

	For the year ended December 31, 2012				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December, 31
Temporary differences:					
－Deferred tax assets:					
Net operating loss carryforward	$ 13,545	($ 1,376)	$ -	$ -	$ 12,169
－Deferred tax liabilities:					
Unrealized exchange gain	($ 2,100)	$ 1,376	$ -	$ -	($ 724)
Total	$ 11,445	$ -	$ -	$ -	$ 11,445

D. According to the Statute for Upgrading Industries (before its abolishment), details of the amount the Group is entitled as investment tax credit and unrecognized deferred tax assets are as follows:

December 31, 2013: None.

	December 31, 2012		
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Final year tax credits are due
Research and development	$ 3,708	$ 3,708	2013
Employees' training	548	548	2013

January 1, 2012			
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Final year tax credits are due
Research and development	$ 7,345	$ 7,345	2012~2013
Machinery and equipment	2,347	2,347	2012
Employees' training	631	631	2012~2013

E. Expiration dates of unused net operating loss carryfoward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2013				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2005	$ 3,988	$ 678	$ 678	2015
2006	24,255	4,123	4,123	2016
2007	85,372	14,513	14,513	2017
2008	107,746	18,317	18,317	2018
2009	79,794	13,565	13,565	2019
2010	70,096	11,916	11,916	2020
2011	160,195	27,233	27,233	2021
2012	269,195	45,763	45,763	2022
2013	299,245	50,872	39,427	2023
	$ 1,099,886	$ 186,981	$ 175,536	

December 31, 2012				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2005	$ 3,988	$ 678	$ 678	2015
2006	24,255	4,123	4,123	2016
2007	85,372	14,513	14,513	2017
2008	107,746	18,317	18,317	2018
2009	79,794	13,565	13,565	2019
2010	70,096	11,916	11,916	2020
2011	160,195	27,233	27,233	2021
2012	269,195	45,763	33,594	2022
	$ 800,641	$ 136,109	$ 123,940	

January 1, 2012				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Usable until year
2005	$ 3,988	$ 678	$ 678	2015
2006	24,255	4,123	4,123	2016
2007	85,372	14,513	14,513	2017
2008	107,746	18,317	18,317	2018
2009	79,794	13,565	13,565	2019
2010	70,096	11,916	11,916	2020
2011	160,195	27,233	13,688	2021
	$ 531,446	$ 90,346	$ 76,801	

F. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences	$ 19,605	$ 5,965	$ 5,197

G. Advanced Lithium Electrochemistry Co., Ltd.'s and Aleees Eco Ark Co., Ltd.'s income tax returns through 2011 both have been assessed and approved by the Tax Authority.

(25) Losses per share

	For the year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 408,358)	121,560	($ 3.36)

	For the year ended December 31, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 222,967)	108,784	($ 2.05)

(26)Non-cash transactions

Investing activities with partial cash payments:

	For the years ended December 31,	
	2013	2012
Purchase of fixed assets	$ 157,602	$ 284,105
Add: opening balance of payable on equipment	81,789	21,491
Less: ending balance of payable on equipment	(27,159)	(81,789)
Cash paid during the year	($ 212,232)	($ 223,807)

7. RELATED PARTY TRANSACTIONS

(1)Parent and ultimate controlling party: None.

(2)Significant related party transactions and balances:

A. Sales of goods:

	For the years ended December 31,	
	2013	2012
Sales of goods:		
－Associates	$ 50,200	$ 56,233

Prices for related parties were approximately the same as for third parties, and terms for related parties are 30 days from the first day of the month following the month of sales. Collection terms for third parties are either before sales or less than 60 days from the first day of the month following the month of sales. If prices and terms are determined in accordance with mutual agreement, there is no similar counterparty for comparison.

B. Purchases of goods:

	For the years ended December 31,	
	2013	2012
Purchases of goods:		
－Associates	$ 12,216	$ 4,832

Prices for related parties were the same as for third parties, and terms for related parties are approximately 60 days from the first day of the month following the month of purchase, while terms for third parties are 90 days from the first day of the month following the month of purchase.

C. Accounts payable:

	December 31, 2013	December 31, 2012
Accounts payable – related parties:		
－Associates	$ 10,965	$ 5,480

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

D. Sales revenue received in advance (shown as "Other current liabilities")

	December 31, 2013	December 31, 2012
Sales revenue received in advance – related parties:		
－Associates	$ 65,637	$ 1,560

E. Other transactions:

	For the years ended December 31,	
	2013	2012
Processing fees		
－Associates	$ 10,786	$ 4,829
Repair expenses		
－Associates	$ 3,794	$ 119

(3)Key management compensation

	For the years ended December 31,	
	2013	2012
Salaries and other short-term employee benefits	$ 7,692	$ 8,011
Termination benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 7,692	$ 8,011

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value			
Pledged asset	December 31, 2013	December 31, 2012	January 1, 2012	Purpose
Bank deposits (shown as "Other current assets")	$ 36,736	$ 43,235	$ 45,707	Guarantee for banks' credit lines and letters of credit
Bank deposits (shown as "Other current assets")	2,496	2,494	2,003	Guarantee for pledge at customs and provisional execution
Property, plant and equipment	309,317	320,228	275,086	Long-term borrowings
	$ 348,549	$ 365,957	$ 322,796	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Contingencies

A.The Company's subsidiary - Advanced Lithium Electrochemistry Co., Ltd. ("Aleees (Taiwan)") has ordered premix machine, mix tank, rolling machine, buffer tank of slurry, NMP recovery system, 5 filter PUMP, and vacuum oven and other equipment from NETWORK Appliance Limited ("NAL company") for US$185,985 on April 28, 2008, and agreed that NAL company hand over equipment on August 15, 2008 and Aleees (Taiwan) pay 25% of down payment after the contract is signed and stamped with the company's seal. Maxtiger Co., Ltd. ("Maxtiger Company") is the guarantor of the contract. After the contract was signed, Aleees (Taiwan) has paid US$46,496 on June 10, 2008 to NAL Company's appointed payee Maxtiger Company under the contract terms. However, as of September 25, 2008, NAL Company has not yet again handed over the equipment, even after a legal confirmation letter has been mailed. Aleees (Taiwan) has again mailed a legal confirmation letter to notify NAL Company for order cancellation and request for a return of down payment, and also notified Maxtiger Company about the issue. However, both NAL Company and Maxtiger Company ignored the notification and since Maxtiger Company is the guarantor, Aleees (Taiwan) has filed for return of payments after a request of the court mediation in July 2010 failed. An Administrative Judgement of Taiwan Taoyuan District Court, (100 Su Tsu No. 197 (2011)) has ruled that Aleees (Taiwan) won the first instance on December 20, 2011. However, Maxtiger Company disagreed with the judgement and appealed, and on July 13, 2011, the Taiwan High Court dismissed the appeal and sustained the original ruling, along with Maxtiger Company paying Aleees (Taiwan)'s lawyer fees for the second instance.

Maxtiger Company has filed an appellate brief for the third instance to the Supreme Court on January 23, 2013. An Administrative Judgement of the Supreme Court (102 Tai-Shang-Zhi No. 2088 (2013) ruled and dismissed the appeal on November 6, 2013.

B.The Company’s subsidiary - Advanced Lithium Electrochemistry Co., Ltd. (“Aleees (Taiwan)”) has signed a ‘supplier agreement’ and a ‘purchase order list’ with HOTBLUE Thermal Science & Technology Co., Ltd. (“HOTBLUE Company”) in July 2009, which stated that Aleees (Taiwan) purchase one set of high temperature furnace (rotating furnace) amounting to US$262,500 from HOTBLUE Company. Furthermore, on September 10, 2009, Aleees (Taiwan) ordered one set of small-scale experimental furnace for rotary-kiln incinerator amounting to US$16,400 (abovementioned supplier agreement and purchase order list are collectively referred herein as the ‘disputed contract’) from HOTBLUE Company. On August 14 and October 26, 2009, Aleees (Taiwan) has paid equipment of US$246,090 to HOTBLUE Company and HOTBLUE Company has also handed over the equipment in accordance with the disputed contract. However, many quality problems occurred after installation and the inspection of equipment failed. Although the equipment was repaired many times, it still did not achieve the quality standard and resulted in malfunction. Production arrangements of Aleees (Taiwan) were affected and certain personnel and materials expenses were incurred due to the defective equipment and repair. Thus, on November 18, 2010, Aleees (Taiwan) has notified HOTBLUE Company to cancel the disputed contract, and requested HOTBLUE Company to return the paid equipment payments of US$246,090, to compensate for cost of inspection, travel expenses and inspection materials amounting to NT$6,182 thousand, and to compensate lawyer fees of RMB$100,000. Aleees (Taiwan) has appointed lawyers in Shanghai, and has applied for arbitration for request of return of prepayments and damage compensations to Shanghai Arbitration Commission on May 19, 2011. On July 9, 2013, Shanghai Arbitration Commission has completed a mediation based on mutual agreement, and the details are as follows: 1. The applicant (Aleees (Taiwan)) may send technicians to the respondent’s (HOTBLUE Company) to train for equipment function and repair, and technicians’ dispatch and training expenses are paid by the respondent; 2. The applicant agrees not to claim for compensation and the respondent agrees not to collect the final payment of the disputed contract; 3. For components of maintenance and repair of equipment under the disputed contract, the respondent agrees to sell at cost, and guarantee for 1 year from the date of delivery of the components.

C. The Company’s subsidiary - Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd. (“Aleees SH”) has signed an agreement with Shandong Hipower Battery Co., Ltd. and Yantai Hipower Energy Battery Co., Ltd. (collectively referred to herein as “the two respondents”) for requesting the two respondents to pay in full of unpaid inventory payments of RMB$1,080,000 before March 31, 2011, then Aleees SH agreed to supply Lithium iron phosphate amounting to RMB$810,000 to the two respondents, with the payment term of 30 days from the first day of the month following the month of purchase. Aleees SH has supplied in accordance with the agreement, while the two respondents failed to pay for inventory before the agreed upon date. Aleees SH has applied for arbitration in accordance with related regulations to Shanghai Arbitration Commission for request of payment of accounts receivables of RMB$810,000 from the two respondents. A default award is ruled for this case by Shanghai Arbitration Commission on January 10, 2012 as follows: 1. The two respondents should pay for inventory of RMB$810,000 to Aleees SH; 2. The two respondents should pay late payment penalty (RMB$810,000 as the principle, with the interest of RMB$675,000 calculated from May 1, 2011 until the date when arbitration award is complete, and the interest of remaining RMB$135,000 calculated from June 1, 2011 until the date when arbitration award is complete, and the interest is accrued with the borrowing rate in the same period and range of People’s Bank of China); 3. The arbitration expenses of RMB$22,813 are to be paid by the two respondents; 4. The arbitration award does not support the Company’s arbitration applications other than the aforementioned. As of March 25, 2014, Aleees SH has proceeded with compulsory execution procedure in accordance with the arbitration award. Haiyang People's Court in Shandong Province, Mainland China has placed the case on file (2012 Hai Zhi Zi No.60854) and lawyers are appointed to take care of the case.

(2)Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Property, plant and equipment	$ 5,946	$ 25,641	$ 210

B. The Group has signed significant long-term leasing contracts for leasing offices and plants. The summary of rent payable in the future is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within 1 year	$ 30,303	$ 10,058	$ 9,297
Over 1 year	216,094	9,618	11,589
	$ 246,397	$ 19,676	$ 20,886

10. SIGNIFICANT DISASTER LOSS

The plants of the Company’s subsidiaries – Advanced Lithium Electrochemistry Co., Ltd. (“Aleees (Taiwan)”) and Aleees Eco Ark Co., Ltd. (“Aleees Eco ARK (Taiwan)) in Taoyuan experienced a flood on June 12, 2012 and certain inventories, equipment and plant were damaged. Because the damaged inventories, equipment and plant were insured with typhoon and flood insurance, as of December 31, 2012, damages of inventories and equipment of $6,196 and plant of $25,133 were recognized as other gain and loss – miscellaneous expenditure. The subsidiaries have completed the negotiation on damages from flood with insurance companies during October 2012, and the compensation of $14,394 that was confirmed was recognized as a deduction of other gain and loss – miscellaneous expenditure.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. The Board of Directors of the Company's subsidiary – Aleees Eco Ark Co., Ltd. has resolved on December 23, 2013 to increase capital by issuing new shares of 6,000,000 shares, with par value of NT$10(in dollars) per share and shares issued at premium of NT$45(in dollars) per share. The total amount raised was $270,000 and the registration of capital increase was completed in January 2014.

B. The Board of Directors of the Company's subsidiary – Aleees Eco Ark Co., Ltd. has resolved to appoint related parties – Yun Yang Construction Co., Ltd. (潤陽營造股份有限公司) and Ruentex Engineering & Construction Co., Ltd. to repair plant "Aleees Innovation & Technology Center (Taiwan)" for operating needs. Aleees Eco Ark Co., Ltd. has signed construction contracts separately with Yun Yang Construction Co., Ltd. (潤陽營造股份有限公司) and Ruentex Engineering & Construction Co., Ltd. on January 6 and January 17, 2014, with the contracts amounting to $22,496 and $102,758, respectively.

C.The Company has approved to offset deficit for 2013 on March 25, 2014, with the accumulated deficit amounting to $362,808 to be offset in subsequent years.

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 the 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, 2013, December 31, 2012 and January 1, 2012 were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total borrowings	$ 149,203	$ 238,038	$ 202,806
Less: cash and cash equivalents	(821,767)	(246,146)	(200,260)
Net debt	(672,564)	(8,108)	2,546
Total equity	2,260,719	1,460,533	1,296,965
Total capital	1,588,155	1,452,425	1,299,511
Gearing ratio	(42.35%)	(0.56%)	0.20%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and deposits received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

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 above-mentioned 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. Group treasury identifies, evaluates and hedges financial risks in close co-operation 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, JPY and RMB. Foreign exchange risk arises from future commercial transactions, recognized 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 recognized 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, 2013		
	Foreign currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 45,697	29.805	$ 1,361,999
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD: NTD	$ 26,488	29.805	$ 789,475
Non-monetary items: None.			

	December 31, 2012		
	Foreign currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 23,915	29.04	$ 694,492
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD: NTD	$ 20,255	29.04	$ 588,205
JPY: NTD	71,468	0.3364	24,042
Non-monetary items: None.			

	January 1, 2012		
	Foreign currency Amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 15,792	30.28	$ 478,182
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD: NTD	$ 13,875	30.28	$ 420,135
Non-monetary items: None.			

	For the year ended December 31, 2013		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 13,620	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 7,895)	$ -

	For the year ended December 31, 2012		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 6,945	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 5,882)	$ -
JPY: NTD	1%	(240)	-

Price risk

The Group is not exposed to significant price risk of products nor of investment in equity instruments.

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, 2013 and 2012, the Group's borrowings at variable rate were denominated in NTD and USD.

ii. At December 31, 2013 and 2012, if interest rates on NTD-denominated and USD-denominated borrowings had been 0.25% higher with all other variables held constant, post-tax profit for the years ended December 31, 2013 and 2012 would have been $373 and $595 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(c)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 includes outstanding receivables.

ii. No credit limits were exceeded during the reporting years.

iii. The credit quality information of financial assets that are neither past due nor impaired, past due but not impaired and impaired is provided in the statement for each type of financial assets in Note 6.

(d)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 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
December 31, 2013		
Short-term borrowings	$ 91,194	$ -
Notes payable	24,187	-
Accounts payable	82,836	-
Other payables	114,682	-
Long-term borrowings (including current portion)	12,010	45,999

Non-derivative financial liabilities:	Within 1 year	Over 1 year
December 31, 2012		
Short-term borrowings	$ 106,557	$ -
Accounts payable	55,021	-
Other payables	167,579	-
Long-term borrowings (including current portion)	35,380	108,543

Non-derivative financial liabilities:	Within 1 year	Over 1 year
January 1, 2012		
Short-term borrowings	$ 37,491	$ -
Accounts payable	59,237	-
Other payables	78,418	-
Long-term borrowings (including current portion)	41,067	142,965

(3) Fair value estimation

The Group's available-for-sale financial assets are financial instruments not traded in active market, and assessment information cannot be obtained through observable market information. Details are provided in Note 6(2).

13. SUPPLEMENTARY DISCLOSURES

The disclosure of investee companies were based on financial statements audited by independent auditors 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 are translated with average rate of USD: NTD = 1: 29.66325 and USD: NTD = 1: 29.805 for the year ended December 31, 2013 and as of December 31, 2013, respectively.

(1) Significant transactions information

A. Loans to others:

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2013	Balance at December 31, 2013 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing （Note 6）	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Other receivables - related parties	Y	$ 89,415	$89,415	$ 44,708	-	Short-term financing	$ -	Working capital financing	$ -	None	$ -	$ 904,288	$904,288	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivables - related parties	Y	312,953	223,538	223,538	-	Short-term financing	-	Working capital financing	-	None	-	904,288	904,288	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivables - related parties	Y	104,318	-	-	-	Short-term financing	-	Working capital financing	-	None	-	335,046	335,046	

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 lending 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 installments 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.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the year ended December 31, 2013	Outstanding endorsement/ guarantee amount during the year ended December 31, 2013	Actual amount drawn down (Note 4)	Amount of endorsement/ 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
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(4)	$ 904,288	$ 365,000	$ 365,000	$ 365,000	-	16%	$ 904,288	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	(2)	335,046	59,610	59,610	59,610	-	18%	335,046	N	Y	N	

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:

(1)Have 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 40% of the Company’s net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling of the Company and its subsidiaries’ guarantee to other companies and individual entity is 40% of the Company’s net assets based on the latest financial statements audited or reviewed by accountants.

Note 4: The amount drawn down is the actual credit line endorsees/ guarantees obtained from banks.

C. Holding of marketable securities at the end of the year

				As of December 31, 2013				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership%	Fair value	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Rubicon & Tech Co., Ltd.	None	Available-for-sale financial assets - non-current	1,000,000	$ -	17.35	$ -	

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital

					Balance as at January 1, 2013		Addition		Disposal				Balance as at December 31, 2013		
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Footnote
Advanced Lithium Electrochemistry (Cayman)Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Long-term equity investment accounted for under the equity method	None	None	73,699,000	$ 564,082	10,000,000	$ 400,000	-	$ -	$ -	$ -	83,699,000	$ 834,997	Note
Advanced Lithium Electrochemistry (Cayman)Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Long-term equity investment accounted for under the equity method	None	None	11,550,000	225,978	20,900,000	621,888	-	-	-	-	32,450,000	594,424	Note
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Long-term equity investment accounted for under the equity method	None	None	15,950,000	221,297	8,750,000	350,000	-	-	-	-	24,700,000	313,645	Note

Note: includes adjustment of gain and loss on investment and cumulative translation

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:

			Transaction				Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes / accounts receivable (payable)	Footnote
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	An affiliate	Sales	($ 459,169)	(91%)	120 days from the first day of the month following the month of sales.	Note	Note	$ 297,336	90%	

Note: The transaction terms are determined in accordance with mutual agreement and are approximate to normal transactions. The collection term for third parties is collection in advance or no more than 60 days from the first day of the month following the sales, while 120 days from the first day of the month following the sales to related parties.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2013 (Note 1)	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.	An affiliate	$ 297,336	2.15	$ -	Collect after the balance sheet date	$ 82,284	$ -

I. Derivative financial instruments undertaken during the year ended December 31, 2013: None.

J. Significant inter-company transactions during the year ended December 31, 2013:

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	1	Other receivables	$ 24,920	In accordance with license reauthorisation contract	1
0	Advanced Lithium Electrochemistry (Cayman) Co.,Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	1	Other receivables	44,708	Note 4	2
0	Advanced Lithium Electrochemistry (Cayman) Co.,Ltd.	Aleees Eco Ark Co., Ltd.	1	Other receivables	223,538	Note 4	8
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	3	Accounts receivable	297,336	Collection term is 120 days from the first day of the month following the month of sales.	11
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	3	Sales	459,169	Collection term is 120 days from the first day of the month following the month of sales.	80
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	3	Other receivables	144	Collection term is 120 days from the first day of the month following the month of sales.	-

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 year to consolidated total operating revenues for income statement accounts. Amount lending to subsidiaries by the parent company.

Note 4: Amount lending to subsidiaries by the parent company.

Note 5: No further disclosure of counterparty transactions

(2) Information on investees

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2013	Initial investment amount: Balance as at December 31, 2012	Shares held as at December 31, 2013: Number of shares	Shares held as at December 31, 2013: Ownership (%)	Shares held as at December 31, 2013: Book value	Net profit (loss) of the investee for the year ended December 31, 2013	Investment income (loss) recognized by the Company for the year ended December 31, 2013	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	$ 1,677,000	$ 1,277,000	83,699,000	99.99	$ 834,997	($ 128,283)	($ 128,281)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investment	48,883	48,883	1,515,000	100	(22,099)	(22,957)	(22,957)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Emerald Battery Technologies Co., Ltd.	Taiwan	Manufacturing and distribution of battery and electrical components	60,000	60,000	6,000,000	24	64,766	(34,389)	(8,254)	Equity method
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Empire Energy Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	9,500	9,500	950,000	21.11	3,726	(4,295)	(196)	Equity method (Note)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Cayman Islands	Various types of investment	974,947	353,060	32,450,000	100	594,424	(253,013)	(253,013)	Subsidiary
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	China	Design of battery and trading	47,655	47,655	-	100	(22,168)	(22,882)	(22,882)	Indirect subsidiaries
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	697,000	347,000	24,700,000	100	313,645	(257,223)	(257,223)	Indirect subsidiaries

Note: Unrealised gain on downstream transactions was eliminated.

(3) Information on investments in Mainland China

A. Basic information：

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, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Net income of investee as of December 31, 2013	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2013 (Note 2)	Book value of investment in Mainland China as of December 31, 2013	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Design of battery and trading	$ 47,655	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	$ -	$ -	$ -	$ -	($ 22,882)	100	($ 22,882)	($ 22,168)	$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	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) Co., Ltd. (Note 1)	$ -	$ -	$ -

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, which then invested in the investee in Mainland China. Thus, the investment amount is not applicable for disclosure.

Note 2: Information based on financial statements audited by the parent company's accountants.

B.Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to Note 13(1) J.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed 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 summarized in Notes 4 and 5.

B. The Group has some supporting sales and services that did not reach the quantitative threshold for reportable segments and thus, were not included in the reportable segments. Their operating results are disclosed collectively under ‘other segments’.

C. 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:

For the year ended December 31, 2013:

	Battery powders	Electric buses	Others	Eliminations	Total
Inter-segment revenue - external customers	$ 978,086	$ 66,025	$ -	($ 467,042)	$ 577,069
Total segment revenue	($ 157,917)	($ 236,854)	($ 10,559)	$ -	($ 405,330)

For the year ended December 31, 2012:

	Battery powders	Electric buses	Others	Eliminations	Total
Inter-segment revenue - external customers	$ 1,004,860	$ 55,740	$ -	($ 407,349)	$ 653,251
Total segment revenue	($ 233,638)	($ 59,741)	($ 11,571)	$ 117,974	($ 186,976)

(4) Reconciliation for segment income (loss)

The reconciliation for segment income (loss) for the year and Company's profit (loss) is as follows:

A. Revenue：

	For the years ended December 31,	
	2013	2012
Consolidated revenue of reportable segments	$ 1,044,111	$ 1,060,600
Eliminations	(467,042)	(407,349)
Consolidated revenue of the Company and its subsidiaries	$ 577,069	$ 653,251

B. Profit/ (Loss):

	For the years ended December 31,	
	2013	2012
Consolidated profit (loss) of reportable segments	($ 394,771)	($ 293,379)
Profit (loss) of other non-reportable segments and undistributed profit (loss)	(10,559)	(11,571)
Eliminations	-	117,974
Consolidated operating profit (loss) of the Company and its subsidiaries	($ 405,330)	($ 186,976)

(5) Information on products and services

Revenue from external customers is from sale of materials for Lithium Iron Phosphate Nano Co-crystalline Olivine (LFP-NCO) and key materials of olivine-type structure lithium battery, services for charge or change battery of electric vehicles and manufacturing and sale of electric vehicles.

Details of income balance are as follows:

	For the years ended December 31,	
	2013	2012
Battery powders	$ 511,044	$ 597,511
Electric buses	66,025	55,740
	$ 577,069	$ 653,251

(6) Geographical information

Geographical information for the years ended December 31, 2013 and 2012 is as follows:

	For the years ended December 31,							
	2013				2012			
	Revenue		Non-current assets		Revenue		Non-current assets	
Asia	$	563,404	$	1,235,963	$	631,473	$	1,204,371
Others		13,665		-		21,778		-
	$	577,069	$	1,235,963	$	653,251	$	1,204,371

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2013 and 2012 is as follows:

	For the years ended December 31,					
	2013			2012		
	Revenue		Segment	Revenue		Segment
B	$	150,934	Battery powders	$	188,659	Battery powders
C		41,021	Battery powders		120,324	Battery powders
A		38,518	Battery powders		67,112	Battery powders

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group’s financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, ‘Share-based Payment’, retrospectively to equity instruments/liabilities that were vested/settled arising from share-based payment transactions prior to the transition date.

B. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, ‘The Effects of Changes in Foreign Exchange Rates’.

C. Designation of previously recognized financial instruments

The Group has elected to designate investments, which were originally measured at cost, as ‘available-for-sale financial assets’.

D. Borrowing costs

The Group has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, ‘Borrowing Costs’, amended in 2007 and apply IAS 23 from the transition date.

E. Business combinations

The Group has elected not to apply the requirements in IFRS 3, ‘Business Combinations’, retrospectively to business combinations that occurred prior to the date of transition to IFRSs (“the transition date”). This exemption also applies to the Group’s previous acquisitions of investments in associates.

(2) Except for hedge accounting to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, ‘Financial Instruments: Recognition and Measurement’ shall be applied prospectively to transactions occurring on or after January 1, 2004.

C. Non-controlling interest

Requirements of IAS 27 (amended in 2008) that shall be applied prospectively are as follows:

(a) Requirements concerning total comprehensive income (loss) attributed to owners of the parent and non-controlling interest, even which results in a loss to non-controlling interest;

(b) Requirements that change in interest ownership of the parent in a subsidiary while control is retained is accounted for as an equity transaction with the parent; and

(c) Requirements concerning the parent’s loss of control over a subsidiary.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that an entity should prepare reconciliations for equity, comprehensive income and cash flows for the comparative periods. The Group’s initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliations for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 200,260	$ -	$ 200,260	
Notes receivable	13,198	-	13,198	
Accounts receivable	100,744	14,474	115,218	(a)
Other receivables	7,074	-	7,074	
Current income tax assets	-	10	10	(g)
Inventories	167,866	-	167,866	
Prepayments	32,034	(10)	32,024	
Other current assets	57,862	-	57,862	
Total current assets	579,038	14,474	593,512	
Non-current assets				
Available-for-sale financial assets - non-current	-	1,408	1,408	(b)
Financial assets measured at cost - non-current	1,408	(1,408)	-	(b)
Investments accounted for under equity method	94,998		94,998	
Property, plant and equipment	694,324	(44,859)	649,465	(f)(i)
Intangible assets	303,522	-	303,522	
Deferred income tax assets - non-current	11,445	2,100	13,545	(g)
Deposit-out	2,381	-	2,381	
Deferred charges	2,350	(2,350)	-	(h)
Other non-current assets	-	47,210	47,210	(f)
Total non-current assets	1,110,428	2,101	1,112,529	
Total assets	$ 1,689,466	$ 16,575	$ 1,706,041	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 37,491	$ -	$ 37,491	
Accounts payable	59,237	-	59,237	
Other payables	93,692	2,793	96,485	(c)
Receipts in advance	32,748	-	32,748	
Provisions for liabilities - current	-	14,474	14,474	(a)
Other current liabilities	38,668	-	38,668	
Total current liabilities	261,836	17,267	279,103	
Non-current liabilities				
Long-term borrowings	127,875	-	127,875	
Deferred income tax liabilities - non-current	-	2,100	2,100	(g)
Total non-current liabilities	127,875	2,100	129,975	
Total Liabilities	389,711	19,367	409,078	
Equity attributable to owners of the parent				
Share capital				
Common shares	1,030,813	-	1,030,813	
Capital surplus	623,893	(46,237)	577,656	(e)
Retained earnings				
Accumulated deficits	(360,717)	49,213	(311,504)	(c)(d)(e)
Other equity				
Currency translation differences	5,768	(5,768)	-	(d)
Non-controlling interest	(2)	-	(2)	
Total equity	1,299,755	(2,792)	1,296,963	
Total liabilities and equity	$ 1,689,466	$ 16,575	$ 1,706,041	

B. Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 246,146	$ -	$ 246,146	
Notes receivable	10,951	-	10,951	
Accounts receivable	128,865	20,515	149,380	(a)
Other receivables	16,780	(17)	16,763	(g)
Inventories	203,339	-	203,339	
Current income tax assets	-	27	27	(g)
Prepayments	48,305	(10)	48,295	(g)
Other current assets	58,916	-	58,916	
Total current assets	713,302	20,515	733,817	
Non-current assets				
Investments accounted for under equity method	72,722	-	72,722	
Property, plant and equipment	911,780	(44,963)	866,817	(f)(h)
Intangible assets	275,666	-	275,666	
Deferred income tax assets - non-current	11,445	724	12,169	(g)
Deposit-out	2,718	-	2,718	
Deferred charges	16,924	(16,924)	-	(h)
Other non-current assets	-	61,887	61,887	(f)
Total non-current assets	1,291,255	724	1,291,979	
Total assets	2,004,557	21,239	2,025,796	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 106,557	$ -	$ 106,557	
Accounts payable	49,541	-	49,541	
Accounts payable - related parties	5,480	-	5,480	
Other payables	183,665	2,715	186,380	(c)
Receipts in advance	11,590	-	11,590	
Provisions for liabilities - current	-	23,210	23,210	(a)
Other current liabilities	85,535	(2,695)	82,840	(a)
Total current liabilities	442,368	23,230	465,598	
Non-current liabilities				
Long-term borrowings	98,938	-	98,938	
Deferred income tax liabilities - non-current	-	724	724	(g)
Total non-current liabilities	98,938	724	99,662	
Total Liabilities	541,306	23,954	565,260	
Equity attributable to owners of the parent				
Share capital				
Common shares	1,129,537	-	1,129,537	
Capital surplus	560,077	(42,496)	517,581	(e)
Retained earnings				
Accumulated deficits	(223,044)	45,549	(177,495)	(c)(d)(e)
Other equity				
Currency translation differences	3,951	(5,768)	(1,817)	(d)
Treasury stock	(7,273)	-	(7,273)	
Non-controlling interest	3	-	3	
Total equity	1,463,251	(2,715)	1,460,536	
Total liabilities and equity	$ 2,004,557	$ 21,239	$ 2,025,796	

C. Reconciliation for comprehensive income for the year ended December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 653,251	$ -	$ 653,251	
Operating costs	(440,852)	-	(440,852)	
Gross profit	212,399	-	212,399	
Operating expenses				
Selling expenses	(175,638)	-	(175,638)	
General & administrative expenses	(114,837)	77	(114,760)	(c)
Research and development expense	(108,977)	-	(108,977)	
Operating loss	(187,053)	77	(186,976)	
Non-operating revenue and expenses				
Other income	5,962	-	5,962	
Other gains and losses	(17,754)	-	(17,754)	
Finance costs	(5,345)	-	(5,345)	
Share of loss of associates and joint ventures accounted for under equity method	(18,393)	-	(18,393)	
Loss before income tax	(222,583)	77	(222,506)	
Income tax expense	(464)	-	(464)	
Loss for the year	(223,047)	77	(222,970)	
Other comprehensive loss				
Currency translation differences	-	(1,817)	(1,817)	
Total comprehensive loss for the year	($ 223,047)	($ 1,740)	($ 224,787)	

Reasons for reconciliation are outlined below:

(a) The appropriated allowance of sale returns and discounts is recognized under accounts receivable based on its nature under R.O.C. GAAP and under provisions in accordance with IAS.

(b) In accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” before amendment on July 7, 2011, unlisted stocks and emerging stocks held by the Group were measured at cost and recognized as ‘Financial assets measured at cost’. However, in accordance with IAS 39, ‘Financial Instruments: Recognition and Measurement’, investments in equity instruments without an active market but with reliable fair value measurement should be measured at fair value. In accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” amended on December 22, 2011, the Group has designated financial assets measured at cost as available-for-sale financial assets on the date of transition to IFRSs (“the transition date”).

(c) R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognises such costs as expenses upon actual payment. However, IAS 19, ‘Employee Benefits’, requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

(d) The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, ‘The Effects of Changes in Foreign Exchange Rates’.

(e) Where an investee issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a decrease in the Company’s ownership percentage but maintains significant influence on the investee, increase or decrease in net equity of investment should be adjusted to capital surplus and long-term equity investments under R.O.C. GAAP. In accordance with IAS 28, ‘Investments in Associates’, increase in equity should be adjusted as acquisition of investment, while decrease in equity should be adjusted as disposal of investment and the Company should recognise gain or loss of disposal.

(f) Prepayment for acquisition of property, plant and equipment is presented in ‘Property, plant and equipment’ in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”. However, such prepayment should be presented in ‘Other non-current assets’ based on its nature under IFRSs.

(g) In accordance with IFRSs, current income tax assets and liabilities are offset when there is a legally enforceable right to offset the deferred amounts. The Company does not have a legally enforceable right to offset current income tax asset against current income liabilities, thus, recognized amounts cannot be offset.

(h) In accordance with the presentation under IFRSs endorsed by the Financial Supervisory Commission and “Rules Governing the Preparation of Financial Statements by Securities Issuers”, the Company has reclassified certain accounts. As a result, the Company has reclassified deferred expenses to property, plant and equipment.

(i) In accordance with R.O.C. GAAP, the Company’s property that is leased to others is presented in ‘Other assets’ account. However, since the property does not meet the definition of investment property under IAS 40, ‘Investment Property’, the property is reclassified under ‘Property, plant and equipment’.

D.Major adjustments for the consolidated statement of cash flows for the year ended December 31, 2012:

(a) The transition for R.O.C. GAAP to IFRSs has no effect on the Group’s cash flows reported.

(b) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group’s cash flows reported.