



# **Advanced Lithium Electrochemistry (Cayman) Co., Ltd.**

## **Annual Report 2014**

Annual Report Enquiry Website: <http://newmops.twse.com.tw>

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

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N/A

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

## 7. List Company board of directors:

As of Apr 14, 2015

Title	Name	Nationality	Academic Qualifications/Experience
Chairman	Sheng-Shih Chang	ROC	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	ROC	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	ROC	EMBA, National Taiwan University Representative, QVT Asia Pacific Ltd. VP, SinoPac Management Consulting Co., Ltd. VP, FIH Regent Group
Director	Chung-Ho Tai	ROC	MBA, Tamkang University Founder, Acer Group
Director	Chang Chuen Investment Co., Ltd Representative: Chi-Chuen Chen	ROC	MBA, National Taiwan University Asst. Supervisor, Yongfeng Paper Co. Ltd. Supervisor, Ruentex Development Co. Ltd. VP, Kwang Hua Securities
Director	Yi Tai Fund Co.,Ltd.. Representative: Cheng-Wei Ma	ROC	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	ROC	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 (Note)	ROC	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	ROC	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

Note: Resigned on December 24, 2014 while he served as a public servant of the government.

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# I. Shareholders' Report

The mean daily concentration value of carbon dioxide of the earth atmosphere in 2014 already broke through the threshold of 400ppm, formally announced that human beings would encounter a dangerous zone of a new sustained survival. Meanwhile, during this year, CHAI Ching, a former reporter of China Central Television, was shooting the program of “Under the Sky”, audaciously and profoundly disclosed the black curtain of haze, shocking the whole world.

Chinese officials have early known the serious situation of the environment. Under the premise of causing no public anxiety and taking the economic development into consideration, therefore, during these years, alternative energy and new energy vehicles have been actively promoted. Meanwhile, it also has led the entire related industries to rapidly develop. The products of Advanced Lithium Electrochemistry – the lithium ferrous phosphate material and electric bus, are among the industries with major support.

## 2014 results

In accompany with the new energy policy led by the new leader in China, under the initiation of solid power, the consolidated revenue of Advanced Lithium Electrochemistry in 2014 is NT\$864,823,000, with a growth of about 50% than that in 2013.

In 2014, Advanced Lithium Electrochemistry established Bade Innovative R&D Park, and signed a cooperation memorandum with SONY Co. of Japan, formally developing the R&D of lithium ferrous phosphate (referred to as LFP) battery, the key core technology of electric bus, energy storage system; in 2014, the electric bus through cooperation between Advanced Lithium Electrochemistry and its suppliers was formally admitted to enter into the market of China, becoming the first manufacturer among the ones with foreign capital which was approved to be admitted into the market of China.

Advanced Lithium Electrochemistry formally established a corporate social responsibility committee; following the “Taiwan Corporate Sustainability Awards” granted by R.O.C., Advanced Lithium Electrochemistry further was granted with such awards of “2014 Taiwan Corporate Sustainability Awards (TCSA)” as

- \*Gold award of “Large Enterprise Technology Electronic Manufacturing Industry” of Taiwan Top 50 Corporate Sustainability Report Awards
- \*Growth through Innovation Awards

Advanced Lithium Electrochemistry also completed such requirements as sustainable operation environment, caring shareholders' equity, a friendly response to employees, suppliers, government, non-government organizations and community members, etc., to create a more favorable operation environment, upgrade operation performance and crate the corporate value.

## Overview of implementation of operation plan

Extending China's 12th five-year plan and 13<sup>th</sup> five-year plan, the new energy subsidy policy would continue till 2021. In view of the perspective of the future 1~3 years, Advanced Lithium Electrochemistry would, following the green energy policy promotion direction, continue to expand its market share ratio and, in the material R&D direction, move toward the anode material R&D of high circulation life and high energy density, to be applied to battery, energy storage system. In the development of electric car industry, it attempts to engage in R&D of the new generational multifunctional vehicle system, manufacture, R&D and sales of charging/swap system, and integrate the cooperation partners of up/middle/down streams, to jointly create the maximum niche.



### The impact of changes in foreign/domestic policies and laws resulting

The initial developmental stage of lithium batteries and electric vehicle industries requires multiple policy support from governments, these industries will be keep 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. 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.

### Financial income and expenses and profitability analysis

		Unit: K NTD	
	Item	2014	2013
Financial Income and Expenses	Operating revenues	864,823	577,069
	Gross Operating Profit	42,938	30,248
	Net Operating Profit	(577,425)	(405,330)
Profitability	Gross Profit %	5%	5%
	Net Profit %	-67%	-70%

Note: Prepared according to IFRS.

### Future growth strategy of the Company

- (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) Manufacture、R&D and sales of Electric buses, battery and charging/swap system
  - ① It is scheduled to fulfill the development and safety test for 10.5-ton electric truck, 10.5-ton electric garbage truck.
  - ② It is scheduled to fulfill the development and safety test for 18m articulated bus.
  - ③ It is scheduled to fulfill the development and safety test for high-speed long-range electric bus.

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, research & development and sales of electric buses, batteries and battery charging/swap systems, which all falls under the emerging industry of new energy technologies.

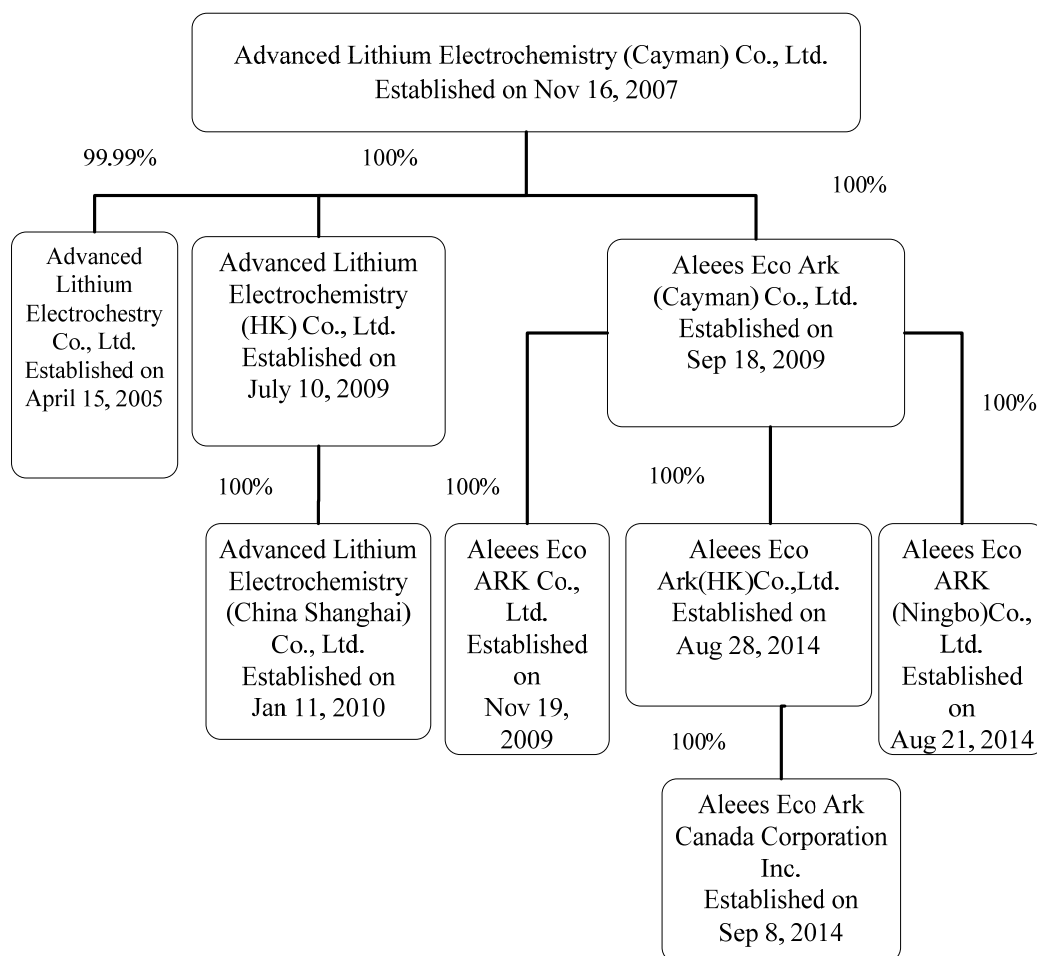
The Group started out with its foothold in Aleees Taiwan which was established on Apr 15, 2005. Since its establishment, we have been relentlessly developing olivine-structured cathode materials which are a critical driving force in the positioning of lithium-ion batteries, and setting our development 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 the manufacture, research & development and sales of electric buses, batteries and charging/swap systems.

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:

<b>(1) Cathode Powders Business</b>		
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.

<b>(2) Manufacture, research &amp; development and sales of electric buses, batteries and charging/swap systems</b>		
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) Manufacture, research & development and sales of batteries and battery charging/swap systems.
Aleees Eco Ark (HK)	Hong Kong	Investment in holding, outward investment in Aleees Eco Ark (Canada).
Aleees Eco Ark (Canada)	Canada	(1) Demo business operation for electric buses, battery charging/swap systems exhibition centers in the United States and Canada. (2) Sales of electric buses oriented batteries in North America. (3) Joint venture development for electric network storage system markets in Europe, the United States and entire America. (4) Sales of cathode materials for LFP batteries and provision of relevant technological services to customers in Europe, the United States and entire America. (5) System integration, technical development and joint venture in test-runs for electric buses and energy storage systems in Europe, the United States and entire America.
Aleees Eco ARK (Ningbo)	Mainland China	(1) Manufacture, research & development and sales of electric buses (2) Manufacture, research & development and sales of batteries and battery charging/swap systems.

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

Aleees Eco ARK (Ningbo) Co., Ltd. Tel: (86) 21-6420-1418  
 Address: No. 175 and No.177, Anshan Rd., Downtown Dist.,  
 Yuyao City, Zhejiang Province, China

Aleees Eco ARK Canada Corporation Inc.

Address: 1000-1255 RUE Peel Montréal Québec H3B2T9 Canada

### 3. Investment Holding Subsidiaries

ALEEEES 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

Aleees Eco ARK(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 $\text{LiFePO}_4 \cdot z\text{M}'\text{O}$ 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 $\text{LiFePO}_4\text{+C}$ 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).

Date	Major Events
Mar 2012	Aleees Taiwan passed through the TS16949:2009 certification (Automotive Supplier Quality Management System)
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.
May 2014	Aleees Taiwan was invited to participate in the “LFP Batteries Recycled Use League” to manufacture secondary storage use of vehicular batteries.
June 2014	The vehicular batteries manufactured by Aleees Taiwan were on official displays in Kinmen and adopted to team up with Chung-Shan Institute of Science & Technology to jointly promote the “Community Oriented Recycled Energy Storage Systems”
June 2014	The Aleees Group participated in the International Battery Tech Expo XI, believed the world’s top scale exhibition of its like, to display the highest level specifications cathode materials for LFP batteries, applicable to electric buses and integrated usage in other regions (including energy storage).

Date	Major Events
July 2014	The low floor pure electric buses manufactured by Aleees Eco Ark (Taiwan) were put into commercial run in Hualien County in eastern Taiwan, to create a brand new backyard for Taiwan.
July 2014	The Aleees Group sponsored “Green Industry Forum of Both Sides of Taiwan Strait 2014”.
July 2014	The Aleees Group teamed up with Long Hua Motors Co., Ltd.—the largest vehicles manufacturer in Heilongjiang, China and signed the Letter of Intent to deploy the electric bus markets of entire China.
Aug 2014	The Aleees Group officially set up Corporate Social Responsibility Committee
Aug 2014	Aleees Taiwan executed the Memorandum with Japanese counterpart Sony for a joint venture in manufacture of lithium batteries as the very stronghold to manufacture the world’s most advanced level of world.
Aug 2014	The Aleees Group set up Aleees Eco ARK (Ningbo) at Yuyao, Zhejiang, China to officially land in Chinese markets.
Sep 2014	Aleees Eco Ark Canada was officially incorporated.
Nov 2014	Aleees Eco Ark (Taiwan) was invited to co-sponsor the Contemporary Engineering Tech Symposium XXV and to sponsor Sub-Project about the Trends of Sustainable Green Development to promote low carbon and energy conservation deployment toward the entire world.
Nov 2014	Pure electric-powered low-floor battery swappable buses manufactured by Aleees Eco Ark (Taiwan) start to serve the Tarogo National Park, as the new low carbon flagship green energy buses serving national parks in Taiwan.
Nov 2014	The Aleees Group was conferred upon the double honors of “Sustainable Development Report Award among Top 50 in Taiwan”, and further awarded the “Innovative Growth Award”.
Dec 2014	As officially promulgated by the Industry & Information Ministry, People’s Republic of China through Gazette 82, 2014, the pure electric buses manufactured by Aleees through a joint venture with Bailujia Corporation in Jiangxi, China were officially licensed in China and were approved to be marketed in entire Chinese markets.
May 2015	The Aleees Group was awarded the rare honors of being ranked among the top 5% among all enterprises listed on the TSEC/GTSM Listed Companies in Session One.

## 2. Risk Matters

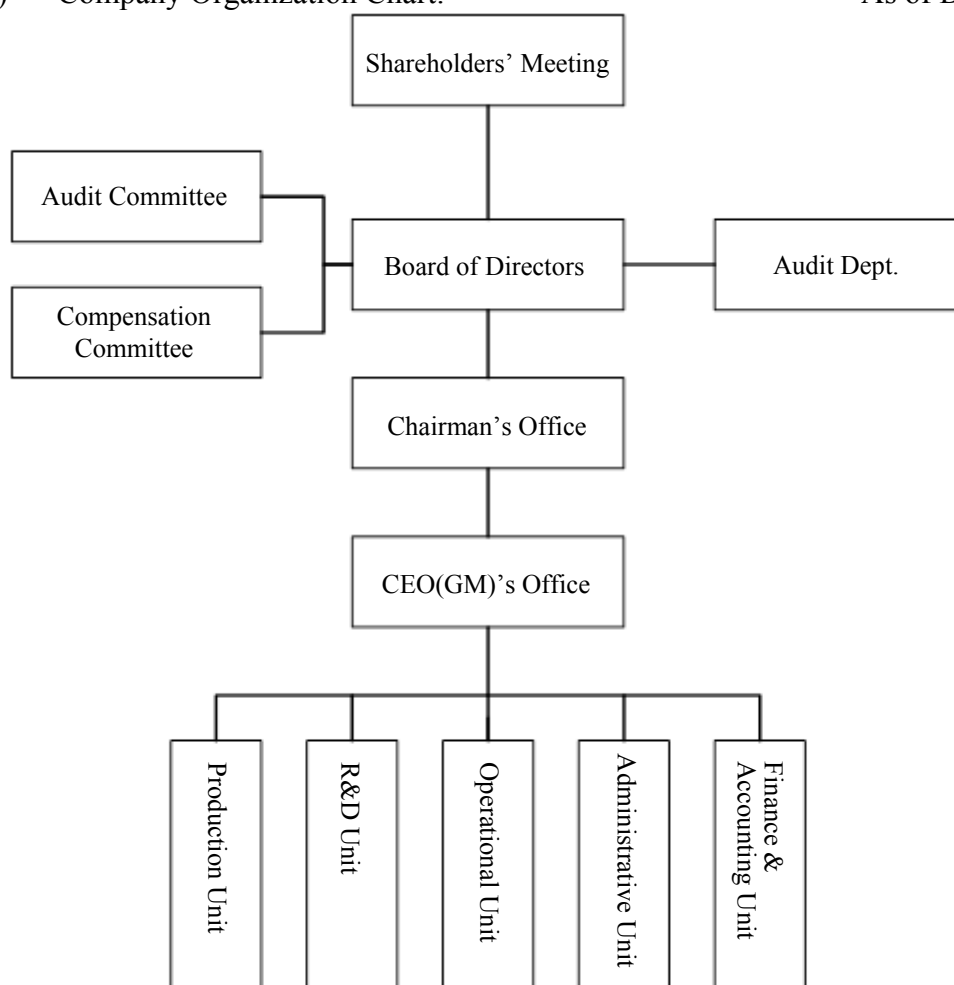
Please refer to the current year annual report from page 129 to page 141.

### III. Corporate Governance Report

#### 1. Management System

(i) Company Organization Chart:

As of Dec 31, 2014



(ii) Main operations of the respective departments:

Department Name	Work Scope
Internal Audit Dept.	<ul style="list-style-type: none"> <li>Take charge of the design and revision of the Company's internal control and internal audit system.</li> <li>Take charge of the drafting and execution of the Company's annual audit plan.</li> <li>Take charge of the improvement of internal control flaws and remediation tracking, as well as planning and implementation of the corporate governance.</li> </ul>
CEO(GM)'s Office	<ul style="list-style-type: none"> <li>All types of operational management and operational analysis, and various project operations within the Company.</li> <li>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&amp;D resources and</li> </ul>



Department Name		Work Scope
		<p>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.</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
Production Units	Aleees Taiwan	<ul style="list-style-type: none"> <li>• Take charge of production for powders. Manufacturing process testing for prevention of quality issues and warehouse management.</li> <li>• Establish quality engineering, continue to achieve high efficiency production through advance manufacturing processes, and attain reasonable cost control to satisfy internal and external requirements.</li> <li>• 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.</li> <li>• Implement the product quality targets/benchmarks of the Company according to nature of organizational functions.</li> <li>• 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.</li> <li>• Supervisory management of shipments and be oriented toward customer services in the handling of customer complaints and product returns regarding quality issues.</li> </ul>
	Aleees Eco Ark (Taiwan)	<ul style="list-style-type: none"> <li>• Take charge of the formulation and execution with regards to the production and production planning of electric buses.</li> <li>• Establish quality engineering; continue to apply quality manufacturing processes to attain reasonable cost control to satisfy internal and external requirements.</li> </ul>
R&D Units	Aleees Taiwan	<ul style="list-style-type: none"> <li>• Development of the Company's improvement methods for all materials and manufacturing processes of batteries and power source management system module.</li> <li>• 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.</li> </ul>
	Aleees SH	<ul style="list-style-type: none"> <li>• Customer pre-sales and after-sales technical services.</li> <li>• Functional testing of all batteries and formula research.</li> <li>• Testing and development of batteries and battery modules.</li> </ul>
	Aleees Eco Ark (Taiwan)	<ul style="list-style-type: none"> <li>• Take charge of the development of electric buses and new product design improvements.</li> <li>• Take charge of data collection and management tasks during the R&amp;D process of electric buses and the acknowledgement of test and test components during the different stages of R&amp;D.</li> <li>• Take charge of the design, planning, R&amp;D and construction of the battery system and battery swap station.</li> </ul>

Department Name		Work Scope
Operational Units	Aleees Taiwan	<ul style="list-style-type: none"> <li>• Take charge of the sales &amp; 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.</li> <li>• Manage and arrangement of all raw materials and materials required for production and cargo shipment matters.</li> <li>• 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.</li> <li>• Gather and collate market data and have a good grasp of global dynamics.</li> <li>• Overall planning of the Company's marketing and market development activities.</li> </ul>
	Aleees SH	<ul style="list-style-type: none"> <li>• Take charge of the sales &amp; marketing of all products and supplier management. Gathering of data and development in new markets.</li> <li>• Manage and arrange cargo shipment matters from Taiwan to Mainland China and end customers.</li> <li>• 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.</li> </ul>
	Aleees Eco Ark (Taiwan)	<ul style="list-style-type: none"> <li>• Responsible for management over electric buses and agents thereof to assure high customer approval rates. °</li> <li>• Responsible for collection and communications for government policies all over.</li> <li>• Responsible for marketing, integration of market updates and domination of the trends throughout the world °</li> <li>• Rendered support to demo operation of electric buses , rendered assistance toward bus companies in switching of charging stations, battery management and such relevant business operation.</li> <li>• Mapped out the overall marketing and market promotion activities.</li> </ul>
	Aleees Eco Ark (Ningbo)	<ul style="list-style-type: none"> <li>• Assumed the responsibility to market electric buses in Yuyao Regions, China, set up charging stations, sell and manage batteries and such relevant business operation.</li> </ul>
	Aleees Eco Ark (Canada)	<ul style="list-style-type: none"> <li>• Demo business operation for electric buses, battery charging/swap systems exhibition centers in the United States and Canada.</li> <li>• Sales of electric buses oriented batteries in North America.</li> <li>• Joint venture development for electric network storage system markets in Europe, the United States and entire America.</li> <li>• Sales of cathode materials for LFP batteries and provision of relevant technological services to customers in Europe, the United States and entire America.</li> </ul>

Department Name		Work Scope
		<ul style="list-style-type: none"> <li>• System integration, technical development and joint venture in test-runs for electric buses and energy storage systems in Europe, the United States and entire America.</li> </ul>
	Administrative Units	<ul style="list-style-type: none"> <li>• Manage general administration, human resource management, educational training, vendor management and supporting operations, asset management and the implementation and filing of DCC.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Provide support to relevant affairs with regards to the electric bus demonstration activities, battery swap stations and battery management.</li> </ul>
	Finance and Accounting Units	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>

## 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 14, 2015

Title	Nation	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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Chairman cum CEO	ROC	Sheng-Shih Chang	2014/06/23	3	2009/02/10	2,903,661	2.04%	2,903,661	1.76%	—	—	—	—	<ul style="list-style-type: none"> <li>• Juris Doctorate, National Taiwan Normal University</li> <li>• Juris Master, National Taiwan Normal University</li> <li>• Asst. Professor, China University of Science and Technology</li> <li>• Tamura Corporation Shanghai Branch -Legal Representative</li> <li>• General Manager of Neso Technology Limited in Greater China, Pou Chen Group</li> <li>• Manager, Pacific Technology Inc.</li> </ul>	Note 1	—	—	—
Director	ROC	Tian-Lai Wang	2014/06/23	3	2007/11/16	12,007,993	8.45%	12,520,993	7.61%	—	—	—	—	<ul style="list-style-type: none"> <li>• Department of Mechanical Drawing, Jui-Fang Industrial High School</li> <li>• Chairman, Fair Electronics Co., Ltd.</li> <li>• Chairman, Waffer Techonology Corp.</li> <li>• Director, Raytrend Technology Co., Ltd.</li> </ul>	Note 2	—	—	—
Director	ROC	Chung-Shih Pien	2014/06/23	3	2007/11/16	197,464	0.14%	197,464	0.12%	—	—	—	—	<ul style="list-style-type: none"> <li>• EMBA, National Taiwan University</li> <li>• BS in Chemical Engineering, National Taiwan University</li> <li>• Representative, QVT Asia Pacific Ltd.</li> <li>• VP, SinoPac Management Consulting Co., Ltd.</li> <li>• VP, FIH Regent Group</li> <li>• LK Tong Group - Director of Planning Office</li> <li>• ProMD Biotech Co., Ltd. - President</li> <li>• Shing Yen Construction Development Co., Ltd. -Vice President</li> </ul>	Note 3	—	—	—
Director	ROC	Chung-Ho Tai	2014/06/23	3	2011/06/27	672,665	0.47%	672,665	0.41%	709,627	0.43%	—	—	<ul style="list-style-type: none"> <li>• MBA, Tamkang University</li> <li>• Founder, Acer Inc.</li> </ul>	Note 4	—	—	—
Director	ROC	Chang Chuen Investment Co., Ltd.	2014/06/23	3	2011/10/31	11,724,111	8.25%	13,209,495	8.03%	—	—	—	—	—	Note 5	—	—	—
		Appointed representative :Chih-Chuan Chen				139,663	0.10%	139,663	0.08%	—	—	—	—	<ul style="list-style-type: none"> <li>Academic Qualifications/Experience of Representative Chih-Chuan Chen</li> <li>•MBA, Graduate Institute of Commerce, National Taiwan University</li> <li>• BS in Chemical Engineering, National Taiwan University</li> <li>•Yuen Foong Paper Co., Ltd. -Vice Director</li> <li>•Ruentex Development Co., Ltd. -Supervisor</li> <li>•Guan Hua Securities Co., Ltd.-Vice President</li> </ul>	Note 6	—	—	—
Director	ROC	Yi Tai Fund Co.	2014/06/23	3	2011/10/31	5,972,898	4.20%	6,729,633	4.09%	—	—	—	—	—	Note 7	—	—	—
		Appointed representative :Cheng-Wei Ma				—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>Academic Qualifications/Experience of Representative Cheng-Wei Ma</li> <li>•Master, Graduate Institute of Finance, National Chung Cheng University</li> <li>•Ruentex Development Co., Ltd. -Financial Junior Manager</li> </ul>	Note 8	—	—	—	

Title	Nation	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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Independent Director	ROC	Wei-Min Sheng	2014/06/23	3	2011/6/27	0	0	0	0	-	-	-	-	<ul style="list-style-type: none"> <li>•Ruentex Cement Co., LTD.- Project Assistant Manager</li> <li>• Ph.D. in Accounting, Purdue University</li> <li>• MS in Accounting, Northwestern University</li> <li>• MBA Finance, Indiana University</li> <li>• BBA in accounting, National Chengchi University</li> <li>• 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</li> <li>•Dean and Associate Professor, Dept. of Accounting, Tunghai University</li> </ul>	Note 9			
Independent Director	ROC	Ming-Teh Wang	2014/06/23	3	2011/6/27	0	0	0	0	-	-	-	-	<ul style="list-style-type: none"> <li>• Ph.D. in Building Management, Department of Civil Engineering, MIT</li> <li>•Master in Geotechnical engineering, Dept. of Civil Engineering, Rensselaer Polytechnic Institute</li> <li>•Master in Transportation Engineering, Dept. of Civil Engineering, National Taiwan University</li> <li>• Vice President of Chung Hua University and dean of the College of Architecture and Design of Chung Hua University</li> <li>• President of the Dispute Resolution Board of the Arbitration Association of the R.O.C</li> <li>•2nd Chairman of Taiwan Construction Law Association</li> <li>•Commissioner of Urban Planning Commission, Taipei County</li> <li>• President of the Taiwan Construction Law Association</li> <li>•Director of Chinese Institute of Civil and Hydraulic Engineering cum Chief Commissioner of International Relationship Committee</li> <li>•Review Member of Council for Economic Planning and Development, Executive Yuan</li> </ul>	Note 10	-	-	-
Independent Director	ROC	Chien-Yuan Lin	2014/06/23	3	2012/6/19	0	0	0	0	-	-	-	-	<ul style="list-style-type: none"> <li>• Ph.D. Transport Engineering, Washington University</li> <li>•Master in Urban Planning, National Taiwan University</li> <li>•BA in Land Economics, National Chengchi University</li> <li>• Deputy Mayor of the Taipei City Government</li> <li>• Commissioner of the Department of Finance of the Taipei City Government</li> <li>• Asst. Professor of the Department of Transportation Technology and Management of National Taiwan University</li> <li>•Associate Professor, Dept. of Transportation Engineering and Management, National Chiao Tung University</li> <li>• Research Engineer of KLD Construction Corp</li> <li>•Technician, Division of Housing and Economic Development, Council for Economic Planning and Development, Executive Yuan</li> </ul>	Note 11			

Note 1 : Concurrent Positions in this Company and other companies: Chairman of Aleees (Taiwan), Chairman of Aleees SH, Chairman of Aleees Eco Ark(Ningbo), Chairman of Aleees Eco Ark (Canada), Director of Aleees Eco Ark(Taiwan), Director of Aleees Eco Ark(HK), 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 10 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 iDesyn Semiconductor Corporation, Director of Airoha Technology 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., for a total of 9 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), Wafer Works Corporation, Fullerton Technology Co., Ltd., Chief Telecom Inc., Capella Microsystems (Taiwan) Inc., D-Link Corporation, ; Legal Representative Director : Wafer Works Optronics Corp., Evest Corporation, MuChip Co., Ltd., Claridy Solutions, Inc., InComm Technologies Co., Ltd. ; Independent Director : NAFCO, Waffer Technology Corp. ; Supervisor : Aleees Eco Ark (Taiwan), Ares International Corp., for a total of 20 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 : Mithra Biotechnology Inc., Mass Solutions Technology Co. Ltd., Global Mobile Corp., Ruentex Biotech Co., Ltd., Ruentex Engineering & Construction Co., Ltd., Diamond BioFund Inc., Ruenhuei Biotech Corp. Inc.;; 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 20 companies.
- Note 7 : Concurrent Positions in this Company and other companies: Director of Diamond BioFund Inc., Supervisor of Hui Hong Investment Co., Ltd., Supervisor of Cotton Field Organic Co., Ltd., for a total of 3 companies.
- Note 8 : Concurrent Positions in this Company and other companies: Financial Director of Hui Hong Investment Co., Ltd.; Legal Representative Supervisor: Global Investment Holdings, Mithra Biotechnology Inc., Mass Solutions Technology Co. Ltd., Ruentex Development Co., Ltd. ;Supervisor: Ruentex Biotech Co., Ltd. Ruentex Resource IntegrationCo.,Ltd.; for a total of 7 companies.
- Note 9 : Concurrent Positions in this Company and other companies: Independent Director of Skymedi Corporation, Independent Director of EPISTAR Corporation, Independent Director of Siliconware Precision Industries Co., Ltd, Professor of Department of Public Finance and Taxation of National Taichung University of Science and Technology, for a total of 4 companies.
- Note 10 : Resigned on December 24, 2014 while he served as a public servant of the government.
- Note 11 : Concurrent Positions in this Company and other companies: Professor of Dept. of Building and Planning of National Taiwan University, Dean of College of Enrironment cum Chair of Dept. of Urban Affairs & Environment Planning of Chinese Culture University, Government Share Director of Taiwan Power Company, Independent Director of Mos Burger, Independent Director of Taiwan Sugar Corporation, Honor Consultant of Urban Development and Environment Educatin Foundation, for a total of 6 companies.

1. Main shareholders of corporate shareholders

Date of data: April 14, 2015

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 14, 2015

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 14, 2015

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

Note 1 : 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.

Note 2 : Resigned on December 24, 2014 while he served as a public servant of the government.



(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 14, 2015

Title	Nation	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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Chairman cum CEO	ROC	Sheng-Shih Chang	2007/11/16	2,903,661	1.76%	—	—	—	—	<ul style="list-style-type: none"> <li>• Juris Doctorate, National Taiwan Normal University</li> <li>• Juris Master National Taiwan Normal University</li> <li>• Juris Asst. Professor, China University of Science and Technology</li> <li>• General Manager of Neso Technology Limited in Greater China, Pou Chen Group</li> <li>• Manager, Pacific Technology Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Aleees (Taiwan)-Chairman</li> <li>• Aleees SH- Chairman</li> <li>• Aleees Eco Ark (Ningbo)- Chairman</li> <li>• Aleees Eco Ark (Canada)- Chairman</li> <li>• Aleees Eco Ark (Taiwan)- Chairman</li> <li>• Empire Energy-Representative of Corporate Director</li> <li>• Emerald Battery Technologies -Representative of Corporate Director</li> </ul>	—	—	—
Manager of Audit Dept. of this Company	ROC	Ya-Ling Chuang	2012/10/04	13,000	0.01%	—	—	—	—	<ul style="list-style-type: none"> <li>• Department of Accounting, Fu Jen Catholic University</li> <li>• Audix Corp.-Audit Staff</li> <li>• Loyalty Founder Enterprise-Accounting Officer</li> <li>• LEE Computer Co., Ltd -Accounting Specialist</li> </ul>	—	—	—	
Manager, Finance & Accounting Dept. of this Company	ROC	An-Pang Huang (Note 3)	2015/04/01	15,000	0.01%	—	—	—	—	<ul style="list-style-type: none"> <li>• Master, Insutitue of Business Administration, University of Missouri of USA</li> <li>• Director, General Administration Division, Chenfull International Co., Ltd.</li> <li>• Director of Finance, Harvatek Corporation</li> <li>• Assistant Manager of Accounting, United Microelectronics Corporation(UMC)</li> <li>• Assistant Officer, PwC Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Financial Affairs Division , Aleees (Taiwan)</li> </ul>	—	—	—
Manager, Finance & Accounting Dept. of this Company	ROC	Hsing-Fang Tsai (Note 4)	2009/12/01	101,497 (Note 2)	0.06%	—	—	—	—	<ul style="list-style-type: none"> <li>• Department of Accounting, Soochow University</li> <li>• Waffer Technology –Manager of Audit Office</li> <li>• Sung Pu Technology-Assistant Manager of Finance &amp; Accounting Dept.</li> <li>• Cosmos Steel Sheet Co., Ltd. - Assistant Manager of Finance &amp; Accounting Dept.</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Financial Affairs Division , Aleees (Taiwan)</li> </ul>	—	—	—
General Manager, Aleees Eco Ark (Taiwan)	ROC	Ching-Wen Wu	2011/03/01	473,295 (Note 2)	0.29%	—	—	—	—	<ul style="list-style-type: none"> <li>• National Taiwan University of Science and Technology - Department of Industrial Management</li> <li>• G-TECH Optoelectronics -Salesman</li> <li>• Jifu Technology- Salesman</li> <li>• Hercules Machinery -Production Engineer</li> </ul>	—	—	—	

Title	Nation	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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
General Manager, Aleees (Taiwan)	ROC	Hsi-Chi Cheng	2014/01/01	71,227 (Note 2)	0.04%	—	—	—	—	<ul style="list-style-type: none"> <li>•Master, Department of Mechanical Engineering, National Cheng Kung University</li> <li>•Coretronic Corp.-Suzhou, Vice President</li> <li>•Jenn Feng Industrial Co., Ltd.- Shanghai, Vice President</li> <li>•Yageo Corporation -Vice President</li> <li>•Sampo Corporation-Vice President</li> </ul>		—	—	—
General Manager of Aleees SH	ROC	Jung-Chun Cheng	2015/01/15	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>•Master, Institute of Environment Engineering, National Taiwan University</li> <li>•General Manager, Changshou WeiBaoYuan Battery Technology Corp.</li> <li>•General Manager, Waffer Technology Corp. (Changshou)</li> <li>•Executive Assistant of General Manager, C&amp;M Technology (Shanghai) Ltd.</li> <li>•QA Manager, Waffer Technology Corp.</li> <li>•Manager, Goldway Rine Engineering Co., Ltd.</li> </ul>	• General Manager, Aleees Eco ARK (Ningbo) Co., Ltd. (Note 5)	—	—	—
Executive Assistant of Chairman Office of Aleees (Taiwan)	Japan	Sato Takemi	2013/06/14	194,000 (Note 2)	0.12%	0	0	0	0	<ul style="list-style-type: none"> <li>• Dept. of Eletrical Engineering, Akita Prefectural Yokote Industrial High School</li> <li>• SONY ENERGY DEVICES CORPORATION - Administrative Manager of Battery Dept., Administrative Manager of New Business Promotion Dept., Administrative Manager of New Business Development Dept.</li> </ul>	• Aleees Eco Ark (Taiwan) - Director (Note 6)	—	—	—
General Manger of Taiwan Region cum Market Division of Aleees Eco Ark (Taiwan)	ROC	Hsiu-Hsiu Su	2014/07/01	360,002 (Note 2)	0.22%	0	0	0	0	<ul style="list-style-type: none"> <li>• UNISA MBA</li> <li>•Samya Technology-Chief of Business Division</li> <li>• City-Net Technology -Business Manager</li> <li>•Chih Po Technology-Sales Assistant Manager</li> </ul>	—	—	—	—

Title	Nation	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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation
Vice President, CEO(GM)'s Office of Aleees Eco Ark (Taiwan)	ROC.	Hui-Chuan Chen	2014/07/01	228,404 (Note 2)	0.14%	0	0	0	0	•Bachelor, Dept. of International Business, Ming Chuan University • Prodisc Technology INC. Manager of Procurement Division	—	—	—	
Vice President, CEO(GM)'s Office of Aleees Eco Ark (Taiwan)	ROC	Ying-Tzu Chiang	2014/07/01	97,000 (Note 2)	0.06%	0	0	0	0	•Royal Roads University EMBA Master •simplo Co., Ltd. Project Manager •STL Technology Co., Ltd. Executive Assistant of Chairman •Sony Taiwan Limited CS Chief	—	—	—	
General Manager, European and American Regions, Aleees Eco Ark (Taiwan)	ROC	Hsiao-Hsu Tu (Note 7)	2014/07/01	0	0	0	0	0	0	•Indiana University Computer Science Master • Taiwan Global Star Chairman •Retail Solutions Director Engineer •Vigilance Director Engineer •ITTech USA Engineer Manager	—	—	—	
General Manager, Greater China Region, Aleees Eco Ark (Taiwan)	ROC	Shih-Ning Chen (Note 8)	2014/07/01	0	0	0	0	0	0	•Master, School of Internation Studies, Peking University •CEO, csrCommunity International Limited •Project Manager, Education Guidance Council, Executive Yuan •Producer, Chinese Public Television Chinese Public Television	—	—	—	
Business Manager of the Operational Unit of this Company	ROC	Chih-Wei Yang (Note 9)	2011/04/01	1,149,991 (Note 2)	0.70%	0	0	0	0	•Tatung University- Department of Materials Engineering (Master) • Fortune Electronics Technology-Engineer • Mecom Industries -Engineer	• Aleees Eco Ark (Taiwan)- Chief of Business Division	—	—	—
Director, R&D Dept., Aleees (Taiwan)	ROC	Han-Wei Hsieh	2012/05/01	433,887 (註 2)	0.26%	39,000 (註 2)	0.02%	—	—	•Master, Department of Environmental Science and Engineering, National Pingtung University of Science and Technology •Hsin Jui Tsun International Corp.-Chemical engineer	—	—	—	

Title	Nation	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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation		
										<ul style="list-style-type: none"> <li>•China Activated Carbon Industries Ltd.-Director of R&amp;D Dept.</li> <li>•Aleees (Taiwan)-Chief of QA Dept.</li> <li>•Aleees (Taiwan)-Engineer of R&amp;D Dept.</li> </ul>						
Director, R&D Dept., Aleees Eco Ark (Taiwan)	ROC	Hsun-Sheng Li (Note 10)	2012/07/01	44,998 (Note 2)	0.03%	—	—	—	—	<ul style="list-style-type: none"> <li>•Dept. of Mechanical Engineering (5-year program college), Ta Hwa University of Science and Technology</li> <li>•Hui Ching Motor Industry Co., Ltd.- Deputy Section Manager</li> <li>•Feng Rong Iron Works Co., Ltd.-Section manager</li> <li>•Bao Jie Motor- Executive Assistant</li> </ul>	—	—	—	—	—	—

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 : Newly appointed on Apr 1, 2015. The information before that date would not be disclosed.

Note 4 : Discharged on Apr 1, 2015 in the wake of reassignment of duties. The information after that date would not be disclosed.

Note 5 : Served concurrently the General Manager of Aleees Eco Ark (Ningbo) starting from Mar 1, 2015.

Note 6 : Assigned to be a director of Aleees Eco Ark (Taiwan) on Jun 23, 2014.

Note 7 : Resigned on Feb 28, 2015. The information after that date would not be disclosed..

Note 8 : Resigned on Feb 28, 2015. The information after that date would not be disclosed..

Note 9 : Resigned on Feb 28, 2015. The information after that date would not be disclosed..

Note 10 : Discharged on May 12, 2014 in the wake of reassignment of duties. The information after that date would not be disclosed.

(iii) Compensation Paid to Directors, Supervisors, CEO (GM) and Vice Presidents in the Most Recent Year (2014)

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								Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (Note 1)	Compensation Received by Concurrent Employees								Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 1)	Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not				
		Compensation (A)		Pension (B)		Compensation from Earnings Distribution (C)		Fees for Performance of Business (D)			Wages, Bonus and Special Disbursement, etc. (E)	Pension (F)		Employee Bonus from Earnings Distribution (G)		Number of Shares Granted under the Share Subscription Warrants for Employees (H)	Number of the Restricted Shares for Employees (I)							
		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	-	-	-	-	-	-	-	-	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Tian-Lai Wang	-	-	-	-	20	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Chung-Shih Pien	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Chung-Ho Tai	-	-	-	-	12.5	12.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Representative of Chang Chuen Investment Co., Ltd.: Chih-Chuan Chen	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Representative of Yi Tai Fund	-	-	-	-	20	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



### 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	629	31,363	—	—	—	4,449	—	—	—	—	—	—	—	—	—	—	—	—
General Manager, Aleees Eco Ark (Taiwan)	Ching-Wen Wu																		
General Manager, Aleees (Taiwan) cum General Manager Aleees SH	Hsi-Chi Cheng																		
Executive Assistant of Chairman Office of Aleees Eco Ark (Taiwan)	Sato Takemi																		
General Manger of Taiwan Region cum Market Division of Aleees Eco Ark (Taiwan)	Hsiu-Hsiu Su																		
Vice President, CEO(GM)'s Office of Aleees Eco Ark (Taiwan)	Hui-Chuan Chen																		
Vice Presidnet, CEO(GM)'s Office of Aleees Eco Ark (Taiwan)	Ying-Tzu Chiang																		

General Manager, European and American Regions , Aleees Eco Ark (Taiwan)	Hsiao-Hsu Tu																	
General Manager, Great China Region, Aleees Eco Ark (Taiwan)	Shih-Ning Chen																	
Sales Manager of the Operational Unit of this Company cum Vice 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	Chih-Wei Yang	Chih-Wei Yang Hui-Chuan Chen
\$2,000,000 (inclusive) ~ \$5,000,000 (exclusive)	—	Ching-Wen Wu, His-Chi Cheng, Hsiu-Hsiu Su, Ying-Tzu Chiang, Hsiao-Hsu Tu, Shih-Ning Chen, Sheng-Shih Chang
\$5,000,000 (inclusive) ~ \$10,000,000 (exclusive)	—	Sato Takemi
\$10,000,000 (inclusive) ~ \$15,000,000 (exclusive)	—	—
\$15,000,000 (inclusive) ~ \$30,000,000 (exclusive)	—	—
\$30,000,000 (inclusive) ~ \$50,000,000 (exclusive)	—	—
\$50,000,000 (inclusive) ~ \$100,000,000 (exclusive)	—	—
Over \$100,000,000	—	—
Total	1	10

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 2013				Year 2014			
	This Company		The consolidated financial statements		This Company		The consolidated financial statements	
	Amount	Amount	Amount	Amount	Amount	%	Amount	%
Director	1,200	—	1,200	—	1,597	—	1,597	—
CEO, General Manager and VP	1,232	—	7,692	—	629	—	30,600	—
Total	2,432		8,892		2,226		32,197	

Note: Losses incurred in 2013 and 2014, 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

In the recent fiscal year and as at the printing date of this annual report, 15 board meetings were convened and the attendance status of all directors is as follows:

As of May 15, 2015

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Chairman	Sheng-Shih Chang	14	1	93%	Reelected on Jun 23, 2014.
Director	Tina-Lai Wang	14	1	93%	Reelected on Jun 23, 2014.
Director	Chung-Shih Pien	13	2	87%	Reelected on Jun 23, 2014.
Director	Chung-Ho Tai	7	3	47%	Reelected on Jun 23, 2014.
Director	Chang Chuen Investment Co., Ltd. Appointed representative : Chih-Chuan Chen	2	7	13%	Reelected on Jun 23, 2014.
Director	Yi Tai Fund Co. Appointed representative : Cheng-Wei Ma	12	1	80%	Reelected on Jun 23, 2014.
Independent Director	Wei-Min Sheng	15	0	100%	Reelected on Jun 23, 2014.
Independent Director	Ming-Teh Wang	8	2	80%	Reelected on Jun 23, 2014. Resigned on Dec 24, 2014 while he served as a public servant of the government.
Independent Director	Chien-Yuan Lin	15	0	100%	Reelected on Jun 23, 2014.

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:
  - (1) 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.
  - (2) On Jun 23, 2014 amidst the discussion on the second item on the agenda on appointment of the Compensation committee members of Session Two, the two nominees, i.e., independent directors Ming-Teh Wang and Wei-Min Shen fulfilled avoidance from conflict of interests by being absent from the voting process.
  - (3) On Jul 3, 2014 amidst the discussion on the first item on the agenda on the remuneration to the Compensation Committee members, independent directors and Wei-Min Shen, Ming-Teh Wang and Chien-Yuan Lin fulfilled avoidance from conflict of interests by being absent from the voting process.
  - (4) On Aug 12, 2014 amidst the discussion on the third item on the agenda for engineering change and addition in the case where Aleees Eco Ark (Taiwan) Co., Ltd. delegated Ruentex Precision Engineering Co., Ltd. to enter Bade R&D Center for refurbishment, Director Chen-Wei Ma of Runtex Group fulfilled avoidance from conflict of interests by being absent from the voting process.
  - (5) On Dec 25, 2014 amidst the discussion on the first item on the agenda for acknowledgement of the loan

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
					borrowed from Director (Shareholder) Tien-Lai Wang, Director Tien-Lai Wang fulfilled avoidance from conflict of interests by being absent from the voting process.
(6)					On Jan 14, 2015 amidst the discussion on the fifth item on the agenda for managers in capital increase through cash injection to subscribe to new shares for Year 2014, Chairman cum CEO Sheng-Shih Chang fulfilled avoidance from conflict of interests by being absent from the voting process.
(7)					On Feb 10, 2015 amidst the discussion on the second item on the agenda about supplementary appointment and for fixing of remuneration for Compensation Committee members. Independent Director Chien-Yuan Lin fulfilled avoidance from conflict of interests by being absent from the voting process.
(8)					On Feb 10, 2015 amidst the discussion on the third item on the agenda about the year-end bonus and performance bonus for department heads of this Company and group enterprises and in 2014, Chairman cum CEO Sheng-Shih Chang fulfilled avoidance from conflict of interests by being absent from the voting process.
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

In the recent fiscal year and as at the printing date of this annual report, 16 board meetings were convened and the attendance status of independent directors is as follows:

As of May 15, 2015

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Independent Director	Wei-Min Sheng	16	0	100%	Reelected on Jun 23, 2014.
Independent Director	Ming-Teh Wang	7	3	70%	Reelected on Jun 23, 2014. Resigned on Dec 24, 2014 while he served as a public servant of the government.
Independent Director	Chien-Yuan Lin	16	0	100%	Reelected on Jun 23, 2014.
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

Contents of evaluation	Operating Status			Status on discrepancy and reasons in relation to the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Remarks in summary	
1. Has the Company duly enacted the Practical Regulations on Corporate Governance in accordance with the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”?	V		Exactly in accordance with the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”, the Company already enacted the Practical Regulations on Corporate Governance as duly resolved by the Board of Directors on July 31, 2013 and the information is disclosed on the corporate website and the Market Observation Post System (MOPS)/corporate governance/corporate rules and regulations.	Nil
2. The Company’s share structure and shareholders’ equity: (1) Has the Company duly enacted internal operating procedures to manage proposals, suspicion, dispute and litigation of shareholders accordingly and duly implemented such procedures?	V		The Company has assigned special personnel and e-mail to manage proposals, dispute and such issues of shareholders. Issues that get involved in legal issues are forwarded to the Legal Department. The Company has managed such issues exactly in accordance with the Procedures.	Nil
(2) Has the Company have the name list of main shareholders and ultimate controlling party of main shareholders in hand?	V		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.	Nil
(3) Has the Company duly set up, executed the risk control and firewall mechanism with related companies?	V		Within the internal control system, the Company has duly enacted ““Management rules on transactions with related parties and Group” as the operating rules in business management, business and financial transactions. The Company has been up to the sound risk control and firewall mechanism.	Nil

Contents of evaluation	Operating Status			Status on discrepancy and reasons in relation to the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Remarks in summary	
(4) Has the Company duly set up internal norms to ban the personnel inside the Company from taking advantage of information that has not been made public in the market to buy, sell negotiable securities?	V		The Company has set up “Regulations Governing Management of Major Internal Information and Prevention of Inside Trading” to strictly ban the personnel inside the Company from taking advantage of information that has not been made public in the market to buy, sell negotiable securities.	Nil
3. The organization and functions of the board of directors (1) Has the board of directors worked out diversified, comprehensive and multifaceted policies for the directors and put the policies into implementation thoroughly?			Under the “Corporate Governance Best-Practice Principles”, the Company has set up the policies to intensify the powers, duties and responsibilities of the board of directors. In the composition of the board of directors members, we have taken into account the genders, ages, citizenship, cultural and professional backgrounds (e.g., laws, accounting, industry, finance, marketing or science and technology), expertise skills and hands-on experiences accumulated in the profession in the diversified, comprehensive and multifaceted aspects. At the moment, the Company’s board of directors members cover different professional backgrounds or fields, well consistent with the diversified, comprehensive and multifaceted policies.	Nil
(2) Other than the Compensation Committee and Audit Committee, has the Company taken the initiative to set up committee(s) of other functions?			Other than the Compensation Committee and Audit Committee, the Company has setup Corporate Social Responsibility Committee.	Nil
(3) Has the Company set up Regulations Governing Evaluation of the Performance of the Board of Directors and conducted		V	To date, the Company has not yet set up Regulations Governing Evaluation of the Performance of the Board of Directors	As the actual requirements may justify, the Company shall manage such issues

Contents of evaluation	Operating Status			Status on discrepancy and reasons in relation to the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Remarks in summary	
evaluation of the performance in each and every year?				exactly in accordance with the “Corporate Governance Best-Practice Principles” and laws and ordinances concerned.
(4) Has the Company evaluated the certifying Certified Public Accountant’s independency on a regular basis?	V		The Company’s Audit Committee already satisfactorily completed the evaluation of the independence of the certifying Certified Public Accountant in Quarter I, 2015 and has further obtained the independency declaration from the Certified Public Accountant. The certifying Certified Public Accountant has been independent without any doubt.	Nil
4. Has the Company set up sound channels to communicate with the stakeholders, and set up in the Company’s website the special zone for the stakeholders? Has the Company further appropriately responded to the stakeholders on the issues of the key corporate social responsibility within the concern of the stakeholders?	V		<p>(1) For sound communications with stakeholders, the Company has set up in the corporate website “special zone for the stakeholders”. Other than the efforts to look into the key issues within their concern through online questionnaire surveys, the Company has provided e-mail <a href="mailto:CSR@alechem.com">CSR@alechem.com</a> and information for communications with stakeholders to provide the stakeholders with sound channels to speak up their opinions.</p> <p>(2) The Company has set up in the corporate website “special zone for investors\corporate governance\corporate rules and regulations” through which the investors may download corporate governance related rules and regulations.</p>	Nil

Contents of evaluation	Operating Status			Status on discrepancy and reasons in relation to the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Remarks in summary	
5. Has the Company delegated a professional shareholder services agent to render services to shareholders?	V		The Company has duly delegated a professional shareholder services agent to render services to shareholders.	Nil
6. Public disclosure of information (1) Has the Company set up a website to disclose facts of the Company's financial standing, business performance, corporate governance and such information?	V		The Company has already set up a corporate website ( <a href="http://www.Aleees.com">www.Aleees.com</a> ) 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.	Nil
(2) Has the Company adopt other methods 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.	V		The Company has set up the website in English, appointed special personnel to collect and disclose information, put into implementation thoroughly spokesman system, put juristic (corporate) person presentation into the Company's website.	Nil
7. Has the Company had other facts that would help better understand the major information of corporate governance (including but not limited to employees' interests, concern toward staff, relationship with investors, relationship of suppliers, interests of stakeholders, 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?	V		(1) The Company has already established the rules for employee bonuses and employee stock options. (2) The Company has arranged for the directors to attend professional development courses on Dec 25, 2014 (as shown in the Appendix Table below). (3) The Company has already taken out liability insurance policies for the directors and managers	Nil



Contents of evaluation	Operating Status			Status on discrepancy and reasons in relation to the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Remarks in summary	
			<p>pertaining to the period of 2014 and 2015.</p> <p>(4) The Company has worked out Corporate Social Responsibility Report which covers extensively the contents regarding employees' interests, concern toward staff, relationship with investors, relationship with suppliers, rights of stakeholders,. For details, please refer to the Corporate Social responsibility Report through website <a href="http://www.Aleees.com">www.Aleees.com</a>.</p>	
8. On corporate governance, has the Company worked out self-assessment reports or delegated another professional institution to work out the corporate governance evaluation report (If yes, please elaborate on the opinions of the board of directors, the outcome of the self-evaluation or outsourced evaluation, major defects and suggestion as well as corrective action completed).	V		<p>The Company has satisfactorily completed evaluation based on the five major targets for corporate governance evaluation of Session one (Safeguarding of shareholders' equity, equal terms toward shareholders, structure and operation of the board of directors, safeguarding of the interests of stakeholders and social corporate responsibility). For the report of the corporate governance assessment, please surf the Market Observation Post System (MOPS) or this Company's website.</p>	Nil

Appendix Table: Professional development courses taken by the directors and independent directors of the Company in 2014 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	(1)Symposiums of Ethical Corporate Management Best Practice Principles and Social Corporate Responsibility for 1 TSEC/GTSM Listed Companies. (2)Entrepreneurial merger/acquisition (M&A) strategies and the best practice	Aug 25, 2014 Dec 5, 2014	3	Yes
Director	Tian-Lai Wang	Securities and Futures Institute	Entrepreneurial merger/acquisition (M&A) strategies and the best practice	Dec 25, 2014	3	Yes
Director	Chung-Shih Pien	Securities and Futures Institute	Entrepreneurial merger/acquisition (M&A) strategies and the best practice	Dec 25, 2014	3	Yes
Director	Chung-Ho Tai	Securities and Futures Institute	Study & analyses on merger/acquisition (M&A) cases for enterprises—On the aspect of corporate governance	Sep 26, 2014	3	Yes
Corporate Director Appointed representative	Chih-Chuan Chen	Securities and Futures Institute	Corporate governance and securities related laws and regulations	Sep 24, 2014	3	Yes
Corporate Director Appointed representative	Cheng-Wei Ma	Securities and Futures Institute	Corporate governance and securities related laws and regulations	Sep 24, 2014	3	Yes
Independent Director	Wei-Min Sheng	Securities and Futures Institute	Evaluation of corporate governance	Dec 29, 2014	3	Yes
Independent Director	Chien-Yuan Lin	Securities and Futures Institute	Symposiums of Ethical Corporate Management Best Practice Principles and Social Corporate Responsibility for TSEC/GTSM Listed Companies.	Aug 25, 2014	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.

Independent director (Committee member) Ming-Teh Wang shifted himself to the government office and resigned on December 24, 2014. The Company’s board of directors supplementarily appointed Director Chien-Yuan Lin to serve as the Compensation Committee member on Feb 10, 2015.

As of Apr 27, 2015

Position (Note 1)	Terms	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	—
Independent Director	Chien-Yuan Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Yes

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 23, 2014 ~ June 22, 2017. In the recent fiscal year and as at the printing date of this annual report, 3 board meetings were convened and the qualifications and participation facts of the Committee members as follow:

Title	Name	Times of Attendance in Person	Times of Attendance by Proxy	Actual Attendance Ratio (%)	Remarks
Convener	Ming-Teh Wang	1	0	100%	Appointed on Jun 23, 2014. Resigned on Dec 24, 2014 while he served as a public servant of the government.
Committee member	Wei-Min Sheng	3	0	100%	Appointed on Jun 23, 2014. Appointed as Chairman on Jan 14, 2015.
Committee member	Yie-Yun Chang	2	1	67%	Appointed on Jun 23, 2014.
Committee member	Chien-Yuan Lin	0	0	0	Appointed on Feb 10, 2015.

Other matters to be noted in the meeting minutes:

1. If the board of directors refuses to accept or 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):

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
1. Put into implementation thoroughly corporate governance (1) Has the Company set up the CSR policies or systems and evaluated the actual performance?	V		The Company has, with reference to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”, duly enacted the “Code of practice governing the CSR practices” which have been promulgated into enforcement after being resolved in the board of directors. The actual performance in the enforcement has been disclosed in the Corporate Social Responsibility Report of the Company of the year.	Nil
(2) Has the Company sponsored CSR oriented educational & training programs on a regular basis?	V		The Company has duly sponsored CSR oriented educational & training programs through internal educational & training programs where the working rules were promulgated as well.	Nil
(3) Has the Company set up special (concurrent) unit(s) to promote CSR, with the board of directors duly authorizing the ranking management to manage the issue and to report to the board of directors about the actual performance?	V		To assure wholesome overall management over CSR, the Company has set up the CSR Committee where the Company’s chairman appointed ranking managers of the Company and subsidiaries to serve as the Committee members. The Committee members study and oversee implementation of a variety of CSR policies and report to the board of directors about the performance of CSR on a regular basis.	Nil
(4) Has the Company set up rational remuneration and salary policies and associated the performance evaluation system with the CSR policies and set up express and effective incentive and penalty systems?	V		The Company has made the working rules well known to all employees through the internal educational & training programs, encouraged employees to participate in public charity of the society as well as energy saving & carbon reduction, evaluated the performance of employees	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
			so as to make sure of employees in their work performance and ethical morality.	
<p>2. Development of sustainable development circumstances</p> <p>(1) Has the Company dedicated itself with maximum possible efficiency to use a variety of resources and the use or recycled materials to minimize the impacts upon environments?</p>	V		<p>Here at Aleees Group, we have designed products in the Cradle to Cradle philosophy so as to accomplish the sustainable “zero waste, 100% recycling” sustainable environment targets and has further put into implementation thoroughly such philosophy onto all life cycles of the products and services.</p> <p>(1) Acquirement of raw materials (green design): We have conducted research &amp; development about lithium battery life cycle and times of lithium battery usages to significantly boost the purity of LFP materials to enhance the effective usage of sources.</p> <p>(2) Manufacture (green factories) : We have promoted green factory and energy saving &amp; carbon reduction programs, inspected use of water source and consumption of energy and, in turn, concretely worked out a variety of programs to conserve energies.</p> <p>(3) Dispatch and sales (green transportation): We have accurately calculated running of each and every electric bus and further calculated the carbon dioxide having been reduced since the electric buses further hit the road use in 2011.</p> <p>(4) Usage (Optimal efficiency) :</p>	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
			<p>We have set up complete and comprehensive charging systems, vehicular operating centers and APP to render hands-on support to customers to assure the optimal benefits in their use and maintenance &amp; repair services of electric buses.</p> <p>(5) Waste recycling (zero waste, 100% recycling): The electric bus bodies should be recycled in full to set up the sound efficiency to reduce battery and retired battery recycling up to 60% into reuse.</p>	
(2) Has the Company set up optimal environmental management systems based on the attributes of its industries?	V		<p>(1) In an attempt to minimize the impact upon environments, put into implementation thoroughly environmental management, develop green products, faithfully assume the environmental protection responsibility and environmental protection awareness and further put into implementation thoroughly sustainable managerial policies, we have put forth maximum possible efforts to minimize the potential impact upon the environments.</p> <p>(2) The Company has satisfactorily passed certification for ISO14001 environmental management system and OHSAS 18001 occupational safety &amp; health management system. To date, the Company has introduced into ISO50001 energy management system.</p>	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
(3) Has the Company noticed the potential impact of climate change upon the operating activities, and implemented greenhouse gas inventory check, set up the Company’s energy saving & carbon reduction and greenhouse gas minimization strategies”	V		(1) On the grounds of the core capability to minimize the potential challenge to air pollution and weather change, we have tried by all means to create the benefits in energy saving & carbon reduction to enable customers to savor the benefits of low carbon materials and transportation services. (2) The Company has satisfactorily passed ISO14064 greenhouse gas inventory check and has introduced into ISO14045 product system ecology evaluation system.	Nil
3. Maintenance of public benefits to the society. (1) Has the Company enacted relevant managerial policies and procedures in accordance with the laws and ordinances concerned and International Human Rights Pacts?	V		(1) Amidst the “Employee Working Regulations” and “Sexual Harassment Prevention Rules”, for instance, we have expressly promulgated the protection of human rights. We expressly ban hiring of child workers. In solicitation, screening/selection process, hiring, evaluation and promotion of job applicants and employees, we assure absolute no discrimination in ethnic races, religions, political parties, genders, ages, marital status, facial appearance, mentally and physically handicapping or the like. We assure absolute equality in human rights. (2) We have faithfully complied with labor related laws and regulations to assure lawful interests of employees, and set up appropriate managerial methods and procedures, as enumerated below:	Nil



Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
			01. Provide employees with a fair salary and bonuses system 02. Conduct educational training for employees. 03. Implement insurance schemes and paid leave system. 04. Allocate pension funds according to the law.	
(2) Has the Company set up sound mechanism and channels through which employees may lodge complaint and then managed their complaint appropriately?	V		Inside the Company, we have set up “mailbox for employees to speak up opinions”, “mailbox for complaint against sexual harassment” and “mailbox for proposals”. Externally, we have, as well, set up “Sunshine/Complaint Mailbox (speak-up@alechem.com) and such substantial and e-mails and have further managed similar disputes in such like.	Nil
(3) Has the Company provided employees with safe and healthy working environments and provided employees with safety & health education on a regular basis?	V		(1) In an attempt to prevent occurrence of potential occupation-oriented calamity, the Company has spared no effort to improve working environments to safeguard employees (including all teammates). The Company has further satisfactorily passed OHSAS 18001 certification on occupational safety & health management systems to provide employees with safe and sound workplaces. (2) The work items relevant to employee safety and health provide by the Company are as follows:	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
			01. Establish a health promotion plan annually. 02. Arrange regular employee health examination annually. 03. Arrange safety and hygiene training courses annually. 04. Conduct half yearly checks on operating environment. 05. Establish diversified channels of communication for employee suggestions and complaints. 06. Establish “Sexual Harassment Prevention Rules”, and provide channels for complaint filing and maintain order of the work environment. 07. Purchase accident and medical insurance plans for employees. 08. Establish disaster and emergency contingency plans, organize half-yearly fire safety talks and drills and regularly organize safety and maintenance meetings.	
(4) Has the Company put 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.	V		(1) The Company has focused on sound channels for communications with employees. For instance, we sponsored close meetings for close communications with employees through daily meeting in the morning, weekly meeting, labor meetings and other communications meetings sponsored from time to time on a nonscheduled basis, to keep	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
			<p>employees informed of the potential changes or impact upon the business operation.</p> <p>(2) The Company has duly convened labor meeting according to law.</p> <p>(3) The Company has set up a variety of e-mails as the sound channels to communicate with employees for instance communications about relevant information.</p>	
(5) Has the Company set up effective occupational competence and developed educational & training programs for employees?	V		<p>(1) In an attempt to help employees upgrade their expertise and managerial capability and to stimulate their potential to maximum to successfully deal with all sorts of challenges, the Company has provided diversified, comprehensive and multifaceted sources to learn for employees. Thanks to such efforts, the Company’s entrepreneurial visions, department targets would get closely associated with employees competence. Through cultivation of learning-oriented organizations, the Company has successfully accomplished the all-people sustained learning targets.</p> <p>(2) To encourage employees to continually learn into sound self-growth, the Company enacted “Regulations Governing On-the-Job Higher Education” in Aug 2012. Under the Regulations, employees would be awarded with subsidies in miscellaneous fees if they prove outstanding in the educational &amp; training programs.</p>	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
(6) Has the Company set up sound policies in research & development, procurement, production, operation and service procedures to safeguard consumer interests and set up sound procedures for complaint?	V		<p>(1) The Company has set up relevant procedures to safeguard the interests of stakeholders.</p> <p>(2) The Company has focused on the feedback from stakeholders. In the websites, we have set up sound points of contact and means of communications. We have provide very sound and readily available channels for complaint.</p> <p>(3) The Company has focused on customer feedbacks. Routinely, our sales personnel of each region take the initiative to visit and interview existent customers and conduct approval-level surveys. In response to negative voices heard from customers, we work out corrective action programs and respond to customers forthwith upon receipt of their proposals. Through such efforts, we have maintained sound long-term cooperative ties.</p>	Nil
(7) Has the Company complied with laws and ordinances concerned and international rules in marketing and labeling of products and services?	V		<p>(1) The Company has expressly remarked the product specifications, performances and important notes of cathode material products onto the analysis report (COA) and substance safety data sheets (MSDS) to enable customers to understand the methods to use the Company’s products. For each and every electric bus, we assure that it must absolutely satisfactorily pass the inspection and tests by the Automotive Research &amp; Testing Center (ARTC). We provide customers with the</p>	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
			<p>safety review certification for the vehicles officially issued by the Ministry of Transportation &amp; Communications.</p> <p>(2) The Company has set up professional quality assurance and inspection center. About marketing and labeling for our products and services, we have faithfully complied with the laws and ordinances concerned and international rules.</p>	
(8) Before transaction with suppliers, has the Company evaluated the suppliers’ previous records in impact upon environments and the society?	V		<p>In terms of the principle to screen/select suppliers, we would first of all look into their full aware of the Company’s environmental protection and occupational safety &amp; health declarations. We demand that they should be exactly consistent with the Company’s environmental protection commitments of raw material products and guarantee clauses. Meanwhile, we closely watch whether the suppliers have set up environmental management systems, provided requirements on environmental management to accomplish the functions of energy saving &amp; carbon reduction. Through such efforts, we team up with suppliers to jointly upgrade the CSR.</p>	Nil
(9) Have the contracts signed by and between the Company and key suppliers contained such clauses that the Company may terminate or rescind the contracts whenever a supplier gets involved in violation of CSR and leads to a significant impact upon environments and society?	V		<p>The contracts signed by and between the Company and key suppliers contain such clauses that the Company may terminate or rescind the contracts whenever a supplier gets involved in violation of CSR and leads to a significant impact upon environments and society.</p>	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
4. Strengthening disclosure of information: Has the Company disclosed the information relevant to the CSR in the relevance and reliability through its website and Market Observation Post System (MOPS)?	V		The Company has set up the special zone of CSR through its website to disclose CSR related information accessible to stakeholders. Further through the Market Observation Post System (MOPS) and annual report, the Company discloses the information of the relevance and reliability.	Nil
5. If the Company has enacted the rules and regulations on the CSR in accordance with the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”, please elaborate on the facts of operations and the discrepancy from the Regulations so enacted: Nil				
6. Other major information helpful to better understand the performance of CSR: For complete and comprehensive information of the Company’s sustainable strategies and the implementation thereof, please refer to the annual CSR report worked out by the Company. To put into implementation thoroughly fulfillment of sustainable strategies, the Company has set up Corporate Social Responsibility Committee (known as CSR Committee) to integrate the resources of the organization and boost efficiency. The CSR Committee represents the organization of CSR inside the Company of the highest level and is chaired by the Chairman of the Board, with the general managers of all business units serving as the CSR Committee members. Exactly in accordance with the “Corporate Governance Best-Practice Principles” and “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”, the CSR Committee has put forth maximum possible efforts to set up the corporate governance system to fulfill the CSR. Inside the Company, the contents of all CSR are briefed below: ☆ Development of sustainable environments: To assure promising future for our next generations in common, here at Aleees, we manufactured products under the philosophy of “sustainable existence for humans and friendly toward environments”. Under no circumstances shall we manufacture products that would become negative burdens upon environments. I. Research & Development : For whole electric buses of new generation, here at Aleees, we make use of patented cathode material technology & know-how in concert with leading flagship Siemens electric & machinery know-how to manufacture electric buses aimed at human safety & security in the top concern and environment-friendly policy. Through such efforts, we fulfill the target to minimize petroleum consumption to assure absolutely zero-pollution, zero-discharge. II. Products and services : 1. The Aleees lithium iron phosphate batteries are known for safety, zero pollution, stable discharge platforms, prolonged service life, for extensive applicability to batteries, electric carriers, electric tools, storage systems, start-stop systems, intellectual networks, uninterruptible				

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
<p>power supplies (UPS) systems, base stations and such storage equipment items. We offer real solution for key power energy.</p> <p>2. The Aleees “electric buses” and “charging/swap operation systems” have virtually replaced the high carbon discharge diesel buses and have successfully controlled the quality and recycling of the batteries. Through such efforts, we have significantly minimized the battery hazards against human safety and environments to thoroughly fulfill our firm commitment of “sustainable existence for humans and friendly to environments”.</p> <p>3. Here at Aleees, we make maximum possible usage of the upstream vehicular manufacturers with their hands-on experiences accumulated in cathode technology &amp; know-how. Through such efforts, we successfully integrated vertically from “key power lithium battery manufacturer” to the terminal “electric bus and charging operation system supplier”. By means of low carbon transportation and green oriented lifestyle, we, bit by bit, fulfill the new horizons of green industries.</p> <p>III. Supply chain management :</p> <p>1. At Aleees, through continued efforts via supply chain system, we fulfill our philosophy to deal with global warming, lowering dependency upon petroleum, minimizing the load upon environments and reducing risks upon occupational safety &amp; health.</p> <p>2. While faithfully assuming the CSR, we Aleees have realized the scope of CSR which has been extended from the enterprises themselves toward the entire supply chains. We call all suppliers to join us all toward entrepreneurial moral, labor safety &amp; health, environmental protection, human rights and such issues. In the concerted efforts, we upgrade the CSR.</p> <p>3. We Aleees try by all means to set up the sustainable management principles for supply chains, including business management on a <i>bona fide</i> basis, put forth maximum possible efforts to safeguard human rights for employees, provide safe and wholesome working environments and encourage suppliers to assume the responsibility to safeguard natural resources to prevent use of hazardous articles.</p> <p>IV. Environmental management:</p> <p>1. To put into implementation thoroughly green plants, we try hard to boost clean manufacturing process, strengthen internal autonomous resource efficiency, upgrade performance of equipment &amp; facilities, minimize pollution sources, substitutes for waste resources. We have satisfactorily passed the official verification of “Clean Production Evaluation System of Green Factory Labels” by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA).</p> <p>2. In the aspect of air pollution, a cathode material plant is not a fixed pollution origin at all. Still, nevertheless, we have put control measures in accordance with the environmental protection rules and regulations. We have set up the <i>up-to-date</i> washing towers to wash the powder production line gas discharge to minimize the air pollution sources like nitrogen oxides, sulfur oxide, particulate matters and the like to achieve the goal free from pollution.</p> <p>3. In terms of sewage disposal, we have newly set up sewerage disposal equipment &amp; facilities to boost treatment volume and minimize the water content. Other than internal minimization, we also bit by bit boost the resource ratio from the waste substances.</p> <p>4. Battery recycling mechanism: For Aleees electric bus batteries, we replace the batteries into brand new ones when the electric bus battery</p>				

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
<p>service life is down to 60%. We put the replaced batteries into cooperation with external units through inspection, grading, division, redo, recondition and such technology &amp; know-how before storing them into energy storage systems. Through such teamwork, we jointly initiate the industrial revolution with secondary battery use.</p> <p>V. Energy saving &amp; carbon reduction:</p> <p>1. Inventory-check of greenhouse gas: We, Aleees, started greenhouse gas management policy in 2012. In accordance with ISO 14064-1, 14064-3 and the inventory-check guides promulgated by the Environmental Protection Administration, the Executive Yuan, we establish and organize greenhouse gas managerial mechanism and strengthen internal verification capability.</p> <p>2. Energy saving &amp; carbon reduction : We Aleees accomplished prominent performance in energy saving &amp; carbon reduction in 2013. Aiming at cathode material plants, we have calculated quantitative power volume up to 2,185,730 KWH, conserving power up to approximately 14.8% and reduced as significantly as 1,140,951 kg. of CO<sub>2</sub>e from discharge.</p> <p>3. Benefits from electric buses in reduction of burden upon environments: Since 2011 when Aleees electric buses hit the roads, we have reduced as significantly as 358.377 KL of diesel consumption and 580.368 M.T. in carbon dioxide discharge, 520.085 kg. in grain pollutants and 8544.846 kg. of nitrogen oxides.</p> <p>◇ Warm concern toward the society:</p> <p>I. Green energy education:</p> <p>1. “Follow Me, Go!”: Our profound Aleees tailpipe-free electric buses: The Public Television Service has produced a unique popular program known as “Follow Me, Go!” aiming at higher grade students of elementary schools. That Program has been awarded as the best and most popular 5-star programs oriented to juveniles. We have sponsored the Public Television to produce such environment education films and guided the juveniles and children into the awareness of zero-discharge electric buses into the gallant green actions.</p> <p>2. Green capsule saloon: On the occasion of National Tsing Hua University Anniversary, we Aleees offered free electric buses rides to enable both the faculty and students to experience the green environmental protection favorites. Meanwhile, we hosted the Green Capsule Saloon Symposium where those enthusiasts interested in green undertakings happily joined the interaction and interchanges. We anticipate more and more enthusiasts co-sharing our same philosophy to join the green innovation.</p> <p>II. Public interests in transportation:</p> <p>1. We sponsored programs for kids to take electric buses, Taiwan High Speed Rail and lantern festivals: The enthusiastic Aleees volunteers elaborately created the picture books into A3 size pearl version and guided kids through “reading</p>				



Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
<p>picture stories” into the awareness of electric buses, enjoying the “fast but quiet” rides toward the Hsinchu Taiwan High Speed Rail Station Zone to savor the Taiwan Lantern Festival 2013.</p> <p>2. Sweet sweet Mothers’ Day: Just on the Mothers’ Day Eve, Aleees electric buses carried “heavyweight passengers” as the seniors from the Nursing Homes of Taipei Veterans General Hospital, Taoyuan Branch. The aggregate total of ages from the seven seniors was up to 650, including the top junior grandma at 85 and the top senior grandpa at 100 years of age. Though they called for the help with wheelchairs, they were in very sound health conditions and high spirit. Accompanied by Aleees volunteers, they joined the Mothers’ Day Programs at the Buddha-Bathing Festival at Dharma Drum Mountain Chaiming Temple.</p> <p>III. Public welfare to the society:</p> <p>1. Blessing starts from volunteer tours: Other than the efforts to ride Aleees electric buses into the public lifestyle to enable the general public to join environmental protection with hands-on acts, we have played a pivotal role in the charity activities every year. We invite underprivileged elements to join us to co-share the blessings and encourage Aleees staff members to join volunteers to perceive the feel while helping the underprivileged elements. On all significant festivals and celebrations, Aleees electric buses are offered to coordinate with the government authorities to put into implementation thoroughly green life policies by rendering shuttle services for general public.</p> <p>2. The warm, sweet gratitude Aleees get-togethers: Through hands-on acts, we Aleees played the warm and sweet role in gratitude events for nursing hours in Taoyuan areas. In 2013, we elaborately arranged the handicapped singers and dancers to join the performances and further invited the nursing hours members, old and young, to perform on stages so that the Aleees colleagues and volunteers all co-shared the feel in helping the needy. On the occasions, we sponsored charity sales where the enthusiastic participants generously joined the charity, offering handsome donations to the underprivileged elements.</p> <p>3. Leisure environmental protection tours to Tiger-Head Mountain at Taoyuan Where all other companies hold annual year-end get-together banquets (known as <i>wei-ya</i> in dialect), Aleees youth volunteers turned to Tiger-Head Mountain at Taoyuan to clean up the environments, picking up garbage instead at the backyard garden of Taoyuan City.</p> <p>4. We Aleees created the blessed homeland Noah’s Ark to “acknowledge, cherish and appreciate blessings”: The Aleees electric buses symbolize the blessed city of Noah’s Ark and function as the most cherishing neighbors. The Noah Nursing Home and Huai Teh Nursing Home are hard-up charity institutions and call for more support. We Aleees just start with the supports with electric buses to pep up more underprivileged elements and clean up the environments.</p>				
7. In the Company’s reports about 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				

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the “Code of practice governing the CSR practices of TWSE/GTSM-listed companies”
	Yes	No	Descriptions in summary	
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:

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
	Yes	No	Descriptions in summary	
<p>1. Enactment of policies and measures of ethical corporate management best practice principles</p> <p>(1) Has the Company expressly promulgated the Ethical Corporate Management Best Practice Principles, policies in the rules and regulations and external documents, and has the board of directors and the management put into implementation thoroughly the firm commitment to the ethical corporate management?</p>	V		<p>(1) Ethical Corporate Management Best Practice Principles represent the very solid foundation for Aleees corporate cultures. In an attempt to strengthen the entire staff members in their moral and professional capability, Aleees has duly enacted “Rules Governing Best Practices of Ethical Corporate Management” and “Rules Governing Code of Ethical Conduct” which function as the governing norms for all directors, managers, entire staff to shoulder significant responsibilities and compliance.</p> <p>(2) Through the Company’s website, we expressly promulgate Aleees’ “Integrity, Transparency and Responsibility as the managerial philosophy” to fulfill our firm commitment for Ethical Corporate Management Best Practice Principles.</p>	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
	Yes	No	Descriptions in summary	
(2)Has the Company enacted any programs to prevent potential dishonest behaviors, and expressly enacted in the programs the operating procedures, behavioral guidelines, complaint and rewarding and punishment system in case of default and put into implementation thoroughly?	V		(1) 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.  (2) For any and all behaviors against the moral and ethical corporate management, disregarding the offenders’ position ranks, the offenders shall receive penalty in accordance with “Regulations Governing Employees in Working Performance” “Regulations Governing Rewarding and Punishment for Employees”. Moreover, the Company has provided sound channels for complaint through which employees may speak up and iron out their opinions of being treated unfairly.	Nil
(3) Has the Company adopted preventive measures against the unfaithful business activities as set forth under Article 7, Paragraph 2 of the “Best Practices Governing Ethical Corporate Management of TWSE/GTSM-listed Companies” or within other business scope?	V		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	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
	Yes	No	Descriptions in summary	
			establishment of such principles and measures, we have definitely prevented the possible occurrence and lower the risk of unethical behavior.	
2. Put into implementation thoroughly Ethical Corporate Management Best Practice Principles: (1) Has the Company evaluated the ethical corporate management records of business counterparts and covered the Ethical Corporate Management Best Practice Principles into the agreements/contracts executed with them?	V		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
(2) Has the Company set up exclusive (concurrent) unit for Ethical Corporate Management Best Practice Principles under the Board of Directors and made it reporting the fact of implementation to the Board of Directors on a regular basis?	V		Under the CSR Committee, the Company has set up Corporate Governance Task Force to enact and oversee the implementation of the ethical corporate management. The Legal Department further reports to the board of directors on a regular basis.	Nil
(3) Has the Company enacted policies to prevent conflicts of interests, provided appropriate channels to speak up and put into implementation thoroughly the implementation?	V		(1) The Company has duly enacted clauses to prevent conflicts of interests in the Regulations Governing Ethical Management over Business Operation, Code of Ethical Conduct, Employment Agreements, Employee Working Regulations as the complete and comprehensive guides for employees about their behaviors.	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
	Yes	No	Descriptions in summary	
			(2) The Company has provided sound and smooth channels to report an offense through the proposing systems inside the Company and the external mailboxes for reporting an offense	
(4) Has the Company set up effective accounting systems, internal control systems to put into implementation thoroughly ethical corporate management, and further conducted audit on a regular basis through internal audit mechanism, or delegated the Certified Public Accountant to conduct audit?	V		The Company has set up accounting systems, internal control systems to assure effective performance in the financial statements and internal control system. The internal audit unit would work out audit programs based on the results of risk evaluation and to conduct the audit operations on a regular basis. Besides, as the actual requirements may justify, we could conduct special audit programs and report the audit results to the Audit Committee and the board of directors.	Nil
(5) Has the Company sponsored ethical corporate management oriented educational & training programs on a regular basis either internally or externally?	V		Here at the Company, the Legal & Intellectual Department sponsors ethical corporate management oriented training programs on a regular basis to assure that all employees would be kept informed of their responsibility to safeguard the Company's intellectual property rights to prevent unnecessarily divulge confidential information and to refrain from engaging in business with unfaithful suppliers or customers. Through such efforts, the entire staff would jointly safeguard the Company's ethical corporate management philosophy.	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
	Yes	No	Descriptions in summary	
3. Performance of the Company's report an offense system . (1) Has the Company enacted concrete systems to report an offense and to encourage such act to report an offense to set up convenient channels to report an offense, and to assign appropriate personnel to entertain the cases to deal with the targets being reported?	V		The Company has duly enacted systems to report an offense and has set up through the internal system "Sunshine/Complaint Mailbox ( <a href="mailto:speak-up@aleees.com">speak-up@aleees.com</a> ) through which the unjustifiable acts conducted by personnel either inside and beyond the Company could be reported in real time. The Legal Department and Independent Audit Department would take legal actions as appropriate in response.	Nil
(2) Has the Company enacted the criteria of investigation over issues being reported in the report an offense system and set up relevant confidentiality protection mechanism?	V		The Company has enacted the standard operational procedures of investigation over issues being reported in the report and set up relevant confidentiality protection mechanism.	Nil
(3) Has the Company adopted appropriate measures to safeguard the personnel who report an offense from inappropriate actions?	V		The Company has provided mailbox for anonymous report of an offense. All personnel dealing with the reported issues are required to keep the reporting personnel, their identities and the contents of their reports in confidentiality to safeguard the reporting personnel from inappropriate actions?	Nil
4. Strengthening disclosure of information Has the Company disclosed the contents of ethical corporate management and the performance of implementation thereof through its own website and Market Observation Post System (MOPS)?	V		Has the Company has disclosed the contents of ethical corporate management through its own website and Market Observation Post System (MOPS) and further disclosed the performance of implementation thereof through annual report,	Nil

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
	Yes	No	Descriptions in summary	
			report on CSR and the like.	
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 major information conducive to better awareness of the performance of ethical corporate management?				
<p>✧ Compliance in moral ethical management: The ethical corporate management is the very grounds of Aleees corporate culture. To strengthen the entire staff in their moral and professional capability, the Company has duly enacted the “Rules Governing Best Practices of Ethical Corporate Management” and “Rules Governing Code of Ethical Conduct” as the sound norms all directors, managers and entire staff should assume the major responsibility.</p> <p>✧ Incorruptible, transparent and responsible corporate philosophy:</p> <ul style="list-style-type: none"> <li>• No offer and acceptance of a bribe.</li> <li>• No offer of unlawful political donation.</li> <li>• No offer of unjustifiable charity donation or contribution.</li> <li>• No offer and acceptance of irrational gift, entertainment or other unjust enrichment.</li> <li>• No offer, commitment, request or acceptance of any unjust enrichment either directly or indirectly, or an act in contravention of faithfulness, law or delegated obligations.</li> <li>• No intent or no gain by taking advantage of the Company’s properties, information or duties.</li> </ul> <p>✧ Management and penalty upon acts in business operation:</p> <p>✧ Here at Aleees, the “Regulations Governing Employees in Business performance” expressly provide that employees shall not accept any gift, extraordinary privileges or other unjust enrichment either directly or indirectly, as the complete and comprehensive guides to employees about their behaviors. Any act in contravention of moral and ethical corporate management should be subject to penalty in accordance with the “Regulations Governing Employees in Business performance” and “Regulations Governing Rewarding and Punishment for Employees” disregarding their ranking. Other than faithful compliance with the moral ethical corporate management, we further demand all suppliers, contractors and any entities in relationship with Aleees group should faithfully comply with the moral ethical corporate management absolutely without any acts in bribe, kickback, commission, unjust enrichment and entertainment. The department heads of the Group should lead by</p>				

Contents of evaluation	Operational Status			Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/GTSM-listed companies
	Yes	No	Descriptions in summary	
personal example to set up sound and decent moral norms.				

(vii) If the Company has enacted Best Practices of Ethical Corporate Management and relevant rules, please disclose the method for inquiry: The Company has already established the “Code of Best Practices in Corporate Governance”, “Rules Governing Code of Ethical Conduct” and “Rules Governing Code of Ethical Conduct”. 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:

Report on the implementation results of the decisions resolved in the regular shareholders’ meeting 2014

1. Acknowledgement of the Company’s Business Report and Financial Statements 2013  
Fact of implementation: Duly resolved exactly as proposed.
2. Acknowledgement of the proposed coverage of the loss incurred in 2013.  
Fact of implementation: Duly resolved exactly as proposed.
3. Approval of the amendment to the Company’s Regulations Governing the Acquisition or Disposal of Assets  
Fact of implementation: Duly resolved exactly as proposed. Implementation was duly completed exactly as resolved in the shareholders’ meeting.
4. Approval of the amendment to the Company’s Regulations Governing Endorsements/Guarantees  
Fact of implementation: Duly resolved exactly as proposed. Implementation was duly completed exactly as resolved in the shareholders’ meeting.
5. Approval of the amendment to the Company’s Regulations Governing Loaning of Funds to Others



Fact of implementation: Duly resolved exactly as proposed. Implementation was duly completed exactly as resolved in the shareholders' meeting.

6. Issue of election: Reelection of nine directors (including three independent directors).

Facts of implementation: List of elected directors: Sheng-Shih Chang, Tien-Lai Wang, Chung-Shih Pian, Chung-He Tai, Changchun Investment Co., Ltd., (representative appointed by juristic person director: Chen Chih-Chuan), Itai Investment Co., Ltd.(representative appointed by juristic person director: Chen-Wei Ma), Wei-Min Shen (independent director), Ming-The Wang (independent director), Chien-Yuan Lai (independent director)

7. Approval of lifting the non-competition pledge obligations upon directors and representatives thereof.

Fact of implementation: Duly resolved exactly as proposed. Implementation was duly completed exactly as resolved in the shareholders' meeting.

(ix) Performance in Internal Control System

1. Declaration of Internal Control

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Declaration of Internal Control System

Date: Mar 23, 2015

Over the Company's internal control system of Year 2014, 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, 2014 (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 23, 2015. Six directors were in attendance (including one proxy 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. 14007204

Enclosed is the declaration pertaining to the effective design and execution of its internal control system issued on Mar 23, 2015 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, 2014 to Dec 31, 2014, 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, 2014 to Dec 31, 2014 has maintained effectiveness in all major aspects. Advanced Lithium Electrochemistry (Cayman) Co., Ltd. has evaluated and issued its statement on Mar 23, 2015. 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 23, 2015

(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 resolved in the regular shareholders' meeting, extraordinary shareholders' meeting convened by the Company in 2014:

<b>Meeting Date</b>	<b>Key Resolutions</b>
Jun 23, 2014 (Regular Shareholders' Meeting)	1. Amendment to the Company's Regulations Governing the Acquisition or Disposal of Assets
	2. Amendment to the Company's Regulations Governing Endorsements/Guarantees Operation
	3. Amendment to the Company's Regulations Governing Loaning of Funds to Others
	4. Overall reelection of directors
	5. Lifting the Non-Competition Pledge Obligations upon Directors and Representatives Thereof
Nov 19, 2014 (Extraordinary Shareholders' Meeting)	1. Handling of Privately Placed Negotiable Securities for Issuance of New Shares

2. Details of key resolutions adopted by the Company board of directors in the past year as at Apr 27, 2015:

<b>Meeting Date</b>	<b>Key Resolutions</b>
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
Jun 23, 2014	1. Election of the Company's chairman for the current session.
	2. Appointment of the Company's Compensation Committee members of Session Two
	3. Appointment of the directors and supervisors of the group enterprise Aleees Eco Ark (Taiwan) Co., Ltd..
Jul 3, 2014	1. Approval of the remuneration to the directors and Compensation Committee members of the Company of the current session.
Aug 12, 2014	1. The Company would invest to set up a subsidiary in

	<p>Canada.</p> <p>2. It is proposed that the group enterprise Aleees Eco Ark (Taiwan) Co., Ltd. delegate “Ruentex Engineering &amp; Construction Co., Ltd.” to proceed with the change and addition of the refurbishment of Bade R&amp;D Center.</p> <p>3. Enactment of the Company’s Corporate Social Responsibility Best-Practice Principles</p>
Sep 25, 2014	<p>1. Signing of the amendment to the Agreement for Patent Re-licensing Agreement.</p> <p>2. Joint venture with Sony Corporation.</p> <p>3. It is proposed that the Company launch private placement of negotiable securities to issue new shares.</p> <p>4. Convening the first Extraordinary Shareholders’ Meeting 2014</p>
Nov 13, 2014	<p>1. Handling of the first capital increase through cash injection to issue common shares in 2014</p> <p>2. It is proposed that in the very premise that the share capital is mentioned in the preceding issue is paid up in full, the Company would participate in the capital increase through cash injection to issue new shares by its subsidiary Advanced Lithium Electrochemistry Co., Ltd..</p>
Dec 12, 2014	<p>1. Participation in the Subsidiary Aleees Eco ARK (Cayman) Co., Ltd. in its capital increase through cash injection US\$6 million.</p> <p>2. Indirect participation in Aleees Eco Ark (Taiwan) Co., Ltd. in its capital increase through cash injection to issue new shares.</p>
Dec 25, 2014	<p>1. Resolution of the business operation plans and budgets of the Company and the group enterprises for Year 2015.</p> <p>2. Resolution of the audit plans of the Company and the group enterprises for Year 2015.</p> <p>3. Evaluation of the independence and eligibility of the Company’s Certified Public Accountant.</p>
Jan 14, 2015	<p>1. Fixing of the actual issuance price and the relevant rights &amp; obligations regarding the Company’s capital increase through cash injection in 2014</p> <p>2. Resolution of the appointment and fixing remuneration for the key heads of the Company’s group enterprises.</p> <p>3. Resolution of the subscription to the issued new shares by the key heads of the Company’s group enterprises 2014.</p>
Feb 10, 2015	<p>1. Amendment to the Company’s participation in capital increase through cash injection to issue new shares by the Company’s Subsidiary Advanced Lithium Electrochemistry Co., Ltd..</p> <p>2. Supplementary appointment of the Compensation Committee members and fixing of the remuneration to them.</p> <p>3. Resolution of the year-end bonus and performance incentive for the heads of the Company and the Group enterprises 2014</p> <p>4. Resolution of the appointment of the heads of the</p>

	Company's group enterprises.
Mar 23, 2015	1. Review of the Company's Business Report and Financial Statements 2014
	2. Amendment of the Company's Articles of Incorporation.
	3. Amendment of the Company's Procedure Rules for Shareholders' Meeting
	4. Amendment of the Company's Regulations Governing Management over Election of Directors
	5. Amendment of the Company's Code of Ethical Conduct
	6. Amendment of the Company's Ethical Corporate Management Best Practice Principles
	7. Amendment of the Company's Corporate Governance Best-Practice Principles
	8. Participation in capital increase through cash injection USD 8,000,000 to the Company's Subsidiary Aleees Eco ARK (Cayman)Co., Ltd.
	9. Indirect participation in Aleees Eco Ark (Taiwan) Co., Ltd. in its capital increase through cash injection to issue new shares
	10. Participation in capital increase through cash injection USD 3,000,000 to the Company's Subsidiary Advanced Lithium Electrochemistry (HK) Co., Limited.
	11. Indirect participation in Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd. in its capital increase through cash injection to issue new shares USD 3,000,000.
	12. By-election of the Company's directors.
	13. Lifting upon the newly appointed directors from the non-competition pledge obligations
	14. Convening regular shareholders' meeting 2015
	15. Lifting upon the heads of the Company's group enterprises from the non-competition pledge obligations
	16. Replacement of the Certified Public Accountants in the wake of the internal reassignment of PricewaterhouseCoopers Taiwan
	17. Evaluation of the Company's certifying Certified Public Accountants 2015 in independence and eligibility
	18. Resolution of the appointment of the Company's new financial, accounting heads.
Apr 27, 2015	1. Amendment to the Company's Articles of Incorporation.
	2. Review over the list of candidates of independent directors nominated by shareholders who hold over 1% of the aggregate total shareholding entertained by the Company's regular shareholders' meeting 2015
	3. Amendment of the target for investment into common shares and the amounts thereof of the Company's first capital increase through cash injection to issue common shares in 2014



(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:

As of May 15, 2015

Position	Name	Date of appointment	Date of discharge	Reasons of discharge
Manager, Finance & Accounting Dept. cum Director, Finance Division of Alees (Taiwan)	Hsing-Fang Tsai	Dec 1, 2009	Apr 1, 2015	Reassignment of position, reassigned to serve a related enterprise

#### 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, 2014~Dec 31, 2014	---

Unit: K NTD

Fee item		Audit fee	Non-audit fee	Total
Amount range				
1	Below \$2,000 thousand		865	865
2	\$2,000 thousand( inclusive )~\$4,000 thousand			
3	\$4,000 thousand( inclusive )~\$6,000 thousand			
4	\$6,000 thousand( inclusive )~\$8,000 thousand	7,270		7,270
5	\$8,000 thousand ( inclusive ) ~ \$10,000 thousand			
6	Over \$10,000 thousand ( inclusive )			
Total		7,270	865	8,135

Unit: K NTD

Name of CPA house	Name of CPA	Audit fees	Non-audit fees				Duration covered in the audit by CPAs
			System design	Commercial registry	Human resources	Others (Note)	
PwC Taiwan	Yu-Kuan Lin Ya-Hui Cheng	7,270	0	55	0	810	Year 2014

- (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

### (1) Information of the former CPAs

Date of change	Year 2015		
Cause and explanation of change	In 2015, the certifying Certified Public Accountants were replaced from Certified Public Accountants Yu-Kuan Lin and Ya-Hui Cheng into Certified Public Accountants Ya-Hui Cheng and Yen-Na Lee in the wake of internal rotation reassignment of PricewaterhouseCoopers Taiwan according to law		
Explanation about whether change resulted from termination by rejection by the Principal or the CPAs	Parties concerned	By CPAs	By Principal
	Facts		
	Termination at discretion?	V	
	Rejection from acceptance (continued retaining)		
Audit report with opinions other than unqualified (unreserved) opinion and the causes in the past two years	N/A		
Opinions different from the Issuer's	Yes		Accounting principles and practices
			Disclosure of financial reports
			Scope or steps of audit
			Others
	No	V	
	Explanation		

Other facts of disclosure (Facts to be disclosed under Article 10, Paragraph 5, Subparagraph 1, Item 4 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	Nil
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(2) About the succeeding CPAs

Name of CPA House	PwC Taiwan
Names of CPAs	CPA Ya-Hui Cheng/CPA Yen-Na Lee
Date of retaining	Since 2015
Contents of consultation and the results on the accounting practices or accounting principles made prior to retaining, and the potential issuance of the financial reports	N/A
Opinions of the succeeding CPAs in writing about the opinions of the former CPAs	N/A

(3) The opinions provided by the former CPAs according to the Article 10 Subparagraph 5 Item 1 & 2-3 Regulations Governing Information to be Published in Annual Reports of Public Companies: 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 2014		As of Apr 30, 2015	
		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	—	—	—	—
Director of this Company	Tian-Lai Wang	—	—	513,000	—
Director of this Company	Chung-Shih Pien	—	—	—	—
Director of this Company	Chung-Ho Tai	—	—	—	—
Director of this Company	Chang Chuen Investment Co., Ltd.	—	—	1,485,384	—
	Representative: Chih-Chuan Chen	—	—	(45,000)	—
Director of this Company	Yi Tai Fund Co.	—	—	756,735	—
	Representative: Cheng-Wei Ma	—	—	—	—
Independent Director of this Company	Wei-Min Sheng	—	—	—	—
Independent Director of this Company	Ming-Teh Wang (Note1)	—	—	—	—
Independent Director of this Company	Chien-Yuan Lin	—	—	—	—
General Manager of Aleees (Taiwan)	Hsi-Chi Cheng	(50,000)	—	(36,000)	—
General Manager of Aleees Eco Ark (Taiwan)	Ching-Wen Wu	(45,000)	—	(27,707)	—
General Manager of Aleees SH cum General Manager of Aleees Eco Ark(Ningbo)	Jung-Chun Cheng (Note2)	—	—	—	—
Business Manager of the Operational Unit of this Company cum VP of Sales Dept. of Aleees (Taiwan)	Chih-Wei Yang (Note3)	(230,000)	—	54,000	—
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 (Note 4)	(68,000)	—	(52,503)	—
Manager, Finance & Accounting Dept. of this Company cum Director, Finance Division of Aleees (Taiwan)	An-Pang Huang (Note 5)	—	—	—	—
General Manger of Taiwan Region cum Market Division of Aleees Eco Ark (Taiwan)	Hsiu-Hsui Su	(32,000)	—	(153,000)	—
Executive Assistant of Chairman Office of Aleees (Taiwan) cum Director of Aleees Eco Ark (Taiwan)	Sato Takemi (Note 6)	—	—	(18,000)	—
Vice President, CEO(GM)'s Office of Aleees Eco Ark (Taiwan)	Hui-Chuan Chen (Note 7)	—	—	124,406	—
Vice Presidnet, CEO(GM)'s Office of Aleees Eco Ark (Taiwan)	Ying-Tzu Chiang (Note 8)	—	—	(12,000)	—

Title	Name	Year 2014		As of Apr 30, 2015	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
General Manager, European and American Regions, Aleees Eco Ark (Taiwan)	Hsiao-Hsu Tu (Note 9)	—	—	(4,500)	—
General Manager, Greater China Region, Aleees Eco Ark (Taiwan)	Shih-Ning Chen (Note 10)	—	—	(22,533)	—
Director of R&D Dept. of Aleees (Taiwan)	Han-Wei Hsieh	—	—	(51,115)	—
Director of R&D Dept. of Aleees Eco Ark (Taiwan)	Hsun-Sheng Li (Note 11)	—	—	—	—

Note 1 : Resigned on December 24, 2014 while he served as a public servant of the government.

Note 2 : Appointed on Jan 15, 2015. The information before that date would not be disclosed.

Note 3 : Resigned on Feb 28, 2015. The information after that date would not be disclosed.

Note 4 : Discharged due to reassignment of duties on Apr 1, 2015. The information after that date would not be disclosed.

Note 5: Appointed on Apr 1, 2015. The information before that date would not be disclosed.

Note 6: Appointed on Jun 23, 2014 to concurrently serve as the director of Aleees Eco Ark (Taiwan) as resolved in the board of directors. The information before that date would not be disclosed.

Note 7: Appointed on Jul 1, 2014. The information before that date would not be disclosed.

Note 8: Appointed on Jul 1, 2014. The information before that date would not be disclosed.

Note 9: Appointed on Jul 1, 2014. The information before that date would not be disclosed. Resigned on Feb 28, 2015. The information before that date would not be disclosed.

Note 10: Appointed on Jul 1, 2014. The information before that date would not be disclosed. Resigned on Feb 28, 2015. The information before that date would not be disclosed.

Note 11: Discharged due to reassignment of duties on May 12, 2014. The information after that date would not be disclosed.

- (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 14, 2015; 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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Title (Or Name)	Relation	
Chang Chuen Investment Co., Ltd.	13,209,495	8.03%	—	—	—	—	(1)Ruentex Textile Plant (2)Yi Tai Fund	(1) Investee company appraised based on equity method (2)Same group enterprise	—
Representative: Chuan-Tai Cheng	—	—	—	—	—	—	Yi Tai Fund	Chuan-Tai Cheng is Ren Ying's corporate supervisor.	—
Tian-Lai Wang	12,520,993	7.61%	—	—	—	—	Li-Chin Lin	Relative within the second degree of kinship of Tian-Lai Wang	—
QVT FUND LP	8,177,502	4.97%	—	—	—	—	—	—	—
KPCB CHINA FUND, L.P.	6,777,168	4.12%	—	—	—	—	—	—	—
Yi Tai Fund Co.	6,729,633	4.09%	—	—	—	—	(1)Chang Chuen Investment (2)Yi Tai Fund	(1) Investee company appraised based on equity method (2)Same group enterprise	—
Representative: Kun-Lung Chang	—	—	—	—	—	—	Ruentex Textile Plant Co., Ltd.	—	—
CID Greater China Venture Capital Fund III L.P.	5,750,081	3.49%	—	—	—	—	—	—	—
Ruentex Textile Plant Co., Ltd.	6,341,042	4.46%	—	—	—	—	(1)Chang Chuen Investment (2)Yi Tai Fund	(1) Investee company appraised based on equity method (2)Same group enterprise	—
Representative: Samuel Yin	—	—	—	—	—	—	Yi Tai Fund	—	—
Sheng-Shih Chang	2,903,661	1.76%	—	—	—	—	Employee Shareholding Meeting of Taipei Fubon Commercial Bank	Representative of Employee Shareholding Meeting of Taipei Fubon Commercial Bank	—
Tzu Ang Technology Co., Ltd.	2,810,402	1.71%	—	—	—	—	—	—	—
Representative: Li-Chin Lin	1,368,986	0.83%	1,077,038	0.65%	—	—	Tian-Lai Wang	Relative within the second degree of kinship of Li-Chin Lin	—
Taipei Fubon Commercial Bank has been entrusted by the shareholding employees of the company to set up designated asset trust account	2,576,009	1.57%	—	—	—	—	—	—	—
Representative: Sheng-Shih Chang	2,903,661	1.76%	—	—	—	—	The shareholder himself ranking 8 <sup>th</sup> in terms of	The shareholder himself ranking 8 <sup>th</sup> in terms of shareholding	—

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	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Title (Or Name)	Relation	
							shareholding ratio	ratio	

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 14, 2015; 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 (HK) Co., Ltd	400,000	100%	—	—	400,000	100%
Aleees Eco Ark (Cayman) Co., Ltd	38,950,000	100 %	—	—	38,950,000	100 %
Advance Lithum Electrochemistry (China ShangHai) Co., Ltd	Note 1	100 %	—	—	Note 1	100 %
Aleees Eco Ark (Ningbo) Co., Ltd	Note 1	100 %	—	—	Note 1	100 %
Advance Eco Ark Canada Corporation Inc.	Note 2	100%	—	—	Note 2	100%
Aleees Eco Ark Co., Ltd.	35,200,000	100 %	—	—	35,200,000	100 %
Emerald Battery Technologies Co., Ltd.	6,000,000	24%	2,250,000	9%	8,250,000	33%
Empire Energy Co., Ltd.	950,000	21.11%	—	—	950,000	21.11%

Note 1: Refers to limited liability companies and has no shareholdings.

Note 2: To date, the aggregate total investment remitted to Advance Eco Ark Canada Corporation Inc. amounted to US\$390,000.

## 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	—	—
Feb 2015	NT \$10			22,500,000	225,000,000	Capital Increase	—	—
May 2015	NT \$10			164,573,654	1,645,736,540			

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 14, 2015 ; Unit: share

Kind of share	Authorized capital			Remarks
	Outstanding	Unissued shares	Total	
Common shares	164,573,654	35,426,346	200,000,000	GTSM Share

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

(2) Structure of shareholders

Apr 14, 2015

Type of Shareholder	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
Quantity							
Number	0	2	37	6,841	56	1	6,937
Shares held	0	3,536,752	31,121,209	98,670,212	31,185,483	59,998	164,573,654
Shareholding rate	0%	2.15%	18.91%	59.96%	18.95%	0.03%	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 14, 2015 ; Unit: share

Shareholding grading	Number of shareholders	Number of shares held	Shareholding rate %
1 to 999	219	48,398	0.03%
1,000 to 5,000	4,650	9,584,472	5.82%
5,001 to 10,000	853	6,676,711	4.06%
10,001 to 15,000	319	4,058,349	2.47%
15,001 to 20,000	224	4,097,804	2.49%
20,001 to 30,000	187	4,685,912	2.85%
30,001 to 40,000	119	4,243,028	2.58%
40,001 to 50,000	68	3,137,774	1.91%
50,001 to 100,000	154	10,703,213	6.50%
100,001 to 200,000	62	8,733,498	5.31%
200,001 to 400,000	36	9,818,509	5.97%
400,001 to 600,000	13	6,179,695	3.75%
600,001 to 800,000	7	4,728,545	2.87%
800,001 to 1,000,000	5	4,581,374	2.78%
Over 1,000,001	21	83,296,372	50.61%
Total	6,937	164,573,654	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 14, 2015; Unit: Share

Names of Main Shareholders	Number of shares held	Shareholding rate %
Chang Chuen Investment Co., Ltd.	13,209,495	8.03%
Tian-Lai Wang	12,520,993	7.61%
QVT Fund, LP	8,177,502	4.97%
KPCB CHINA FUND, L.P.	6,777,168	4.12%
Yi Tai Fund Co.	6,729,633	4.09%
CID Greater China Venture Capital Fund III L.P.	5,750,081	3.49%
Ruentex Textile Plant Co., Ltd.	4,001,245	2.43%
Sheng-Shih Chang	2,903,661	1.76%
Tzu Ang Technology Co., Ltd.	2,810,402	1.71%
Taipei Fubon Commercial Bank has been entrusted by the shareholding employees of the company to set up designated asset trust account	2,576,009	1.57%

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

Unit: NTD

Year Item		2013	2014	2015 Q1(Note 8)	
Market price per share	Highest	100	89.1	44.2	
	Lowest	71.6	39.1	33.9	
	Average	82.09	71.44	36.98	
Net Value per share	Before distribution	15.9	11.92	14.02	
	After distribution	15.9	Not distributed	Not distributed	
Earning Per Share	Weighted average shares (thousand shares)	121,560	142,074	155,574	
	Earning Per Share(Note 3)	(3.36)	(3.96)	(0.81)	
Dividends per share	Cash dividends		None	(Note 9)	—
	Stock dividends	From retained earnings	None	(Note 9)	—
		From capital reverse	None	(Note 9)	—
	Retained Dividends(Note 4)		None	(Note 9)	—
ROI	PE ratio (Note 5)		—	(Note 9)	—
	Dividend-Price ratio (Note 6)		—	(Note 9)	—
	Cash dividend yield (Note 7)		None	(Note 9)	—

(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 share dividends (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 2014 and the compensation paid to directors in 2014 was NTD1.597 million.
- (9) Facts of the Company's stocks repurchased by the Company: None

## **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 facts regarding implementation of the plans for capital increase through cash injection in 2014 are enumerated below.

(I) Contents of the Plan

1. Date and file number of approval granted by the competent authorities in charge of the subject enterprises: Jin-Guan-Cheng-Fa-Zi 1030051218 dated December 26, 2014
2. Aggregate total fund required for the Project: NT\$720 million.
3. Source of capital: Capital increase through cash injection to issue 22,500,000 new shares at NT\$10 par value, at NT\$32 per share in issuing price, to raise the aggregate total of NT\$720 million.
4. Contents of the Plan and schedule to use the fund:

Unit: K NTD

Contents of the Plan	Date scheduled to complete	Aggregate total fund required	Scheduled disbursement of the fund							
			2015			2016				2017
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
To suffice working capital	2016 Q1	520,000	152,500	152,500	152,500	62,500	0	0	0	0

To reimburse bank loan	2017 Q1	200,000	95,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total		720,000	247,500	167,500	167,500	77,500	15,000	15,000	15,000	15,000

(II) Facts of implementation

Contents of the Plan	Facts of implementation		Q1 2015	As of Q1 2015	Progress in advance of or behind schedule, the reasons and the improving plans
To suffice working capital	Amount disbursed	Anticipated	0.00	0.00	The present plan fund has been actually used ahead of schedule due primarily to fund raise was completed ahead of schedule.
		Actual	57,368	57,368	
	Progress of implementation (%)	Anticipated	0.00	0.00	
		Actual	11.03	11.03	
To reimburse bank loan	Amount disbursed	Anticipated	0.00	0.00	The present plan fund has been actually used ahead of schedule due primarily to fund raise was completed ahead of schedule.
		Actual	30,792	30,792	
	Progress of implementation (%)	Anticipated	0.00	0.00	
		Actual	15.40	15.40	
Total	Amount disbursed	Anticipated	0.00	0.00	The present plan fund has been actually used ahead of schedule due primarily to fund raise was completed ahead of schedule.
		Actual	88,160	88,160	
	Progress of implementation (%)	Anticipated	0.00	0.00	
		Actual	12.24	12.24	

(III) The benefits anticipated to be yielded:

1. To suffice working capital: In the present raise, the NT\$520 million fund so raised would be used to suffice the working capital. Through such efforts, we may, on the one hand, increase and stabilize the long-term capital sources to boost the short-term solvency. On the other, we may reduce the interest burden for the loans borrowed from financial institutions and, in turn, enhance the long-term competitive edge and make working capital more flexible in dispatch. Based on the weighted interest rate of 2.04% for the bank loan to be reimbursed this time, the Company could save interest expenditure up to NT\$10.608 million every year.
2. To reimburse bank loan: With the amount in the present raise, we anticipate to spend NT\$20 million to reimburse bank loan. This would help us conserve interest expenditure, assure wholesome financial structure, lessen our dependants upon banks, strengthen the flexibility in financial dispatch and minimize operating risks. Based on the interest rates of 1.64%~2.41% for the bank loan to be reimbursed this time, we anticipate to conserve interest expenditures amounting to NT\$1.524 million; NT\$3.133 million and NT\$4.039 million in Years 2015, 2016 and 2017 respectively.

As of the first Quarter in 2015, as the capital raise by the Company was completed ahead of schedule, we disbursed the working capital and reimbursing the bank loan ahead of schedule. In terms of conservation of interest and such benefits, the benefits anticipated to be yielded and actual accomplishment should have no significant discrepancy.

## V. Operating Overview

### 1. Business Details

#### (i) Business Scope

- 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) primarily engaged in manufacture, research & development and sales of electric buses, batteries and charging/swap systems. During its business startup period from Nov 19, 2009 to Dec 27, 2012, this subsidiary has already produced sales results of electric buses. Subsequently it set up Aleees Eco Ark (Ningbo) on Aug 21, 2014, and Aleees Eco Ark Canada Corporation Inc. on Sep 8, 2014 to promote electric buses and energy storage systems.

#### 2. Main products and business mix

Unit: K NTD

Major Products	2012		2013		2014	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Cathode materials for LFP batteries	594,761	91.05%	510,839	88.52%	826,548	95.57%
Others(Note)	58,490	8.95%	66,230	11.48%	38,275	4.43%
Total	653,251	100.00%	577,069	100%	864,823	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	<ul style="list-style-type: none"> <li>•Electric-powered tools</li> <li>•Electric power storage and intelligent power grids</li> <li>•Provide the batteries needed to develop the electric buses and battery exchange system of Aleees Eco Ark (Taiwan)</li> </ul>

##### (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.

4. Development of new products in the future (services)

(1) Cathode materials for LFP batteries

① Improvement and optimization of the manufacturing process:

- A. We would adopt more advanced powder design concept and the post-power processing arts to significantly boost productivity and minimize production costs, lay down firm competitive edge for the products to continually expand market shares of our products.
- B. We would introduce to newer era manufacturing process to manufacture cathode materials for LFP batteries of higher purity, less impurities and better characteristics for processing. Through such efforts, we could develop customers of higher product level requirement.

② Continue to develop other high voltage cathode materials for LFP batteries, 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) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

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 Ni-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) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

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	<ul style="list-style-type: none"> <li>• Battery(cells) manufacturing industry</li> <li>• Battery module management</li> </ul>	<ul style="list-style-type: none"> <li>• Power battery application</li> <li>→ Electric-powered tools</li> <li>• Energy storage battery applications</li> <li>→ Energy storage installations</li> <li>→ Intelligent energy grid</li> </ul>

### (2) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

Upstream	Midstream		Downstream
Automotive parts/modules	System/secondary system	Car manufacturers	End applications
<ul style="list-style-type: none"> <li>• Battery cells</li> <li>• Battery modules</li> <li>• Current converter module</li> <li>• Motor</li> <li>• Other parts</li> </ul>	<ul style="list-style-type: none"> <li>• Battery management system</li> <li>• Power management system</li> <li>• Integrated development technology</li> <li>• Construction of battery charging/swap stations</li> </ul>	Assembly and manufacturing of car body	<ul style="list-style-type: none"> <li>• Electric-powered tools for commercial use</li> <li>• Battery rental business</li> <li>• Battery charging/swap station business</li> </ul>

## 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)O<sub>2</sub> 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  $\text{Li}(\text{NiCoMn})\text{O}_2$  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 less than LFP batteries 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) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

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

Manufacturing	Hydrothermal synthesis	Sol-gel Method	Dry Solidification Method
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  $\mu\text{m}$  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 $\mu\text{m}$	1,000nm (1.0 $\mu\text{m}$ )	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) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

The main product of Aleees Eco Ark (Taiwan) is pure electric-powered buses, and the power supply is provided through the sales mode of battery charging/swap systems. 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
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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 2007 and 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 continuous 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.

The funds to be used for the aforementioned research & development programs would account for 80% of the aggregate total research & development budget for 2015. The aggregate total research & development budget would account for 18% of the aggregate total annual revenues of 2015.

#### Researchers and their academic qualifications/experience

Year	2011	2012	2013	2014	
Researchers	43	51	58	85	
Average Experience	1.71	1.68	1.98	1.06	
Academic Distribution	PhD Holders	16%	8%	8.62%	4.71%
	Master's Degree Holder	33%	29%	41.38%	32.94%
	Undergraduate and Vocational Institution graduate	42%	57%	43.10%	54.12%
	High School	9%	6%	6.90%	8.23%

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

Unit: K NTD

Year	2014	Q1 2015
Research Expenses	240,925	65,289
Net Income	864,823	277,909
As a % of Net Income	28%	23%

#### 3. 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 $Fe_7(PO_4)_6$ -co-crystalline precursor compounds.
	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.	

Business Segment	Period	Results of Product R&D
Electric Business	2014	Completed the MP testing of next generation of low temperature-based functional product.
		Completed development of high power LFP cathode materials of new generation.
	2009~2010	Completed development of long-performance high purity LFP cathode materials of new generation.
		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, 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, Alees 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) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

- 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

Our Group primarily marketed the products toward Asian regions. In fact, the LFP battery manufacturers throughout the world are concentrated in Asia. Under the energy policies and overall need of the industries, our Group plays the role as the flagship suppliers of LFP materials. In coordination with the local government policies and the requirements of customers, our customers, primarily concentrated in China, are in mounting demand of material supply from our Group.

Unit: K NTD; %

Region	2012		2013		2014	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Asia	631,473	96.66	563,404	97.63	861,020	99.56
Americas	9,620	1.48	6,707	1.16	1,307	0.15
European Union (EU)	12,158	1.86	6,958	1.21	2,496	0.29
Others	—	—	—	—	—	—
Total	653,251	100.00	577,069	100.00	864,823	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-NCO in 2007. Through the refinement of our manufacturing processes in between, we were able to smoothly start official mass production in November 2008. 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.

In 2014, thanks to the new energy policies in China with positive efforts to promote alternate energy and new energy vehicles which boosted the overall relevant industries into rapid development, Aleees shipped a aggregate total of 1,997 tons, growing by more than a double from the growth rate in 2013. In the entire world markets, we dominated approximately market share of 20% and sold over 5,700 tons in accumulation.

### 3. Supply situation and growth of market in the future

In 2015 amidst the “heated energy war” and crisis consciousness of “Under the heavenly Dome”, the overall new energy industries would be driven into a rapid development. The Chinese authorities heavily back up new energy vehicular policies. The pure electric vehicles (EV), Plug-in hybrid electric vehicles (PHEV) and pure electric buses were firmly and jointly backed up by four Ministries including Finance, Technology, Industry & Information as well as Development Reform Committee under the “Notice for Better Promotion of New Energy Vehicle Application” jointly issued by the four ministries. The Ministry of Finance in the Central Government promulgated that the current policies to subsidize and promote new energy vehicles would be continually implemented till 2021 which would drive the overall industries into continued warmth.

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.

**Table: Market Analysis of Chung-Hua Institution for Economic Research**

Unit: NTD 100M

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

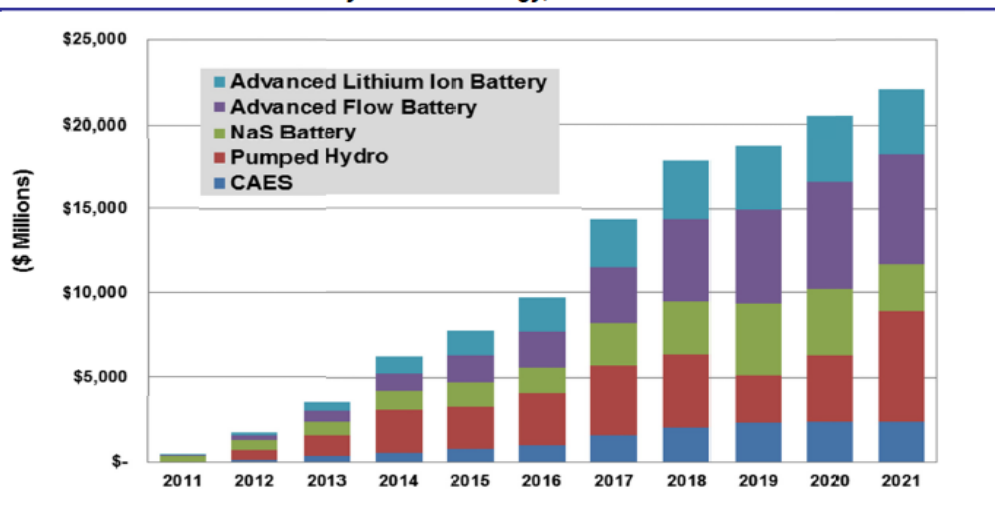
LFP is the only one among all lithium batteries to have a lifecycle beyond 2,000 times, and is the most suitable choice for use in electric power storage among all lithium batteries. At present, it is actually being used in engineering of power grid stations and backup systems of power supply base stations. 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 Taiwan, the Chung-Shan Institute of Science & Technology adopted the retired batteries of our Group into secondary use in Hsiaojinmen Energy Storage System to supply the power to the local residents.

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**

**Chart 1.1** Installed Revenue by ESG Technology, World Markets: 2011-2021



(Source: Pike Research)

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 2014, the accumulated shipment volume of cathode materials for LFP batteries by the Company to date has reached 5,700 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. Besides, continually in the Chinese market starting to warm up again with 12th Five-Year Plan and 13th Five-Year Plan, the Chinese government will continue the policy of subsidies for new energy till 2021.

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, with 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 data 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)O<sub>2</sub> 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

Countermeasures

- 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 LiFePO<sub>4</sub>+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.

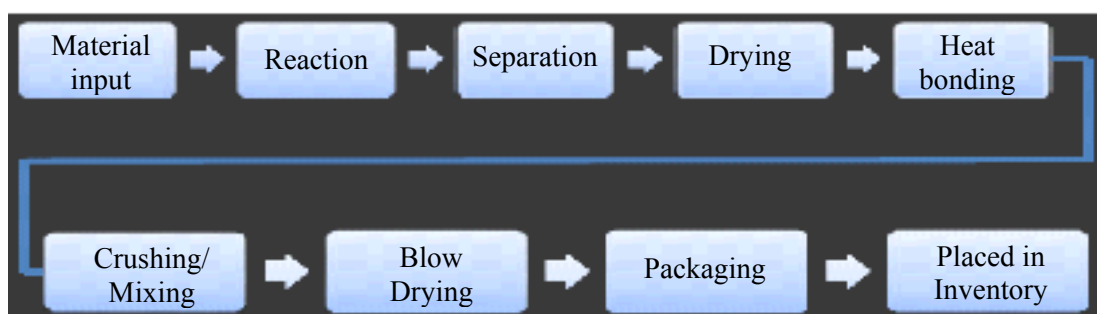
(ii) Key usage and manufacturing processes of main products

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) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

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	E Company, F Company	Normal
Battery	A Company, C Company	Normal
Electromechanical parts	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	2013				2014				Q1 2015			
	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	FMC	75,026	20.93%	None	Sichuan Guo Run	69,694	26.49%	None	Sichuan Guo Run	47,659	52.86%	None
2	China Aviation	41,594	11.6%	None	Höganäs	34,028	12.94%	None	Kanto-PPC	16,880	18.72%	None
3	Empire Energy	12,216	3.41%	Note 1	FMC	33,913	12.89%	None	Höganäs	11,876	13.17%	None
4	—	—	—	—	San Fu Chemical	27,224	10.35%	None	—	—	—	—
	Other	229,621	64.06%		Other	98,199	37.33%		Other	13,744	15.25%	
	Net purchase	358,457	100.00%		Net purchase	263,058	100.00%		Net purchase	90,159	100.00%	

Note 1: Investee company appraised based on equity method.

Explanation regarding increase/decrease: The procurement amount and ratio changes of suppliers are mainly due to effective risk spreading of inbound raw material sources and avoiding the risk of concentration for such materials. Also, in doing our part to reduce global warming and induce the development of green energy and electric vehicle industries in Taiwan. Efforts were emphasized on business of the manufacture, research & development and sales of electric buses, batteries and charging/swap systems. 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	2013				2014				Q1 2015			
	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	A Company	150,934	26.16%	None	C Company	264,469	30.58%	None	C Company	93,267	32.67%	None
2	B Company	113,185	19.61%	None	A Company	259,475	30.00%	None	A Company	70,777	24.79%	None
3	Empire Energy	50,200	8.70%	Note 2	D Company	162,717	18.82%	None	D Company	50,948	17.84%	None
4	—	—	—	—	Empire Energy	27,810	3.22%	Note 2	—	—	—	—
	Other	262,750	45.53%		Other	150,352	17.38%		Other	70,523	24.70%	
	Net sales shipment volume	577,069	100.00%		Net sales shipment volume	864,823	100.00%		Net sales shipment volume	285,515	100.00%	

Note 1: The net sales amount of C Company and D Company include its related companies.

Note 2: Equity method of appraisal is adopted for investee company.

Explanation on increase/decrease: The variation in our Group's target customers primarily results from the demand for new energy and sales to customers. Where our Group primarily puts forth maximum possible efforts to slow down global warming, boost green energy and electric vehicles in Taiwan toward manufacture, research & development and sales of electric buses, batteries and charging/swap systems, the variation of our target customers is still believed rational.

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

Unit: K NTD

Year Production Output		2013			2014		
		Capacity	Productivity	Value	Capacity	Productivity	Value
Main products							
Cathode materials for LFP batteries	Kg	1,940,000	1,254,748	348,405	2,475,000	2,018,871	474,175
Other(Note)	EA; Vehicle; Each; Type	—	28	151,266	—	7	65,911

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		2013				2014			
		Domestic		Export		Domestic		Export	
		Productivity	Value	Productivity	Value	Productivity	Value	Productivity	Value
Main products									
Cathode materials for LFP batteries	Kg	430	248	914,029	510,591	130	87	1,997,148	826,461
Other(Note)	EA; Vehicle; Each; Type	10,336	66,230	—	—	78	38,275	—	—
Total		10,766	66,478	914,029	510,591	208	38,362	1,997,148	826,461

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

Reasons for increase/decrease: In 2014, both production volume & value and sales volume and value increased, primarily thanks to the new energy policy promulgated in China in 2014 which led to mounting demand for electric vehicles and, in turn, our shipment volumes.

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

Year		2013	2014	As of Q1 2015
Number of personnel	Manager	8	13	11
	Manager(R&D)	2	1	1
	Researcher	56	84	85
	General staff	268	295	270
	Total	334	393	367
Average age		34.01	34.07	35.04
Average service years		1.98	2.23	2.51
Education background distribution percentage (%)	Ph. D.	2.70%	2.04%	1.91%
	Master	19.16%	18.83%	18.80%
	Bachelor/College	52.99%	53.69%	54.77%
	High school	20.96%	21.37%	20.44%
	Under high school	4.19%	4.07%	4.08%

#### 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	Company	Types of Equipment Invested	Investment Amount(NTD)	Possible Benefits Generated
1	Aleees (Taiwan)	Air Filtration Installation (Includes dust collector and scrubbing tower)	2,500,000 - 5,000,000	Reduce discharge of granulated particles and acidic gases
2	Aleees (Taiwan)	Waste Water Treatment Installation	5,000,000	The synchronous increase in the waste water treatment volume in line with the mounting productivity
3	Aleees Eco Ark (Taiwan)	Air Filtration Installation (Includes one dust collector and three sets of scrubbing tower along with one organic exhaust machine)	4,000,000 - 5,000,000	Reduce discharge of granulated particles, acidic gases and organic substances
4	Aleees Eco Ark (Taiwan)	Sewer water treatment equipment (8CMD)	3,000,000 - 4,000,000	Well consistent with the criteria for effluent criteria for discharge

#### 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.

4. Facts about accords reached by and between labor and management, and measures to safeguard employee interests:

The Company's subsidiaries have duly safeguarded lawful labor interests exactly in accordance with the Labor Contract Act and other labor related laws and regulations. Besides, in an attempt to create harmonious labor ties, the Company has convened labor meetings on a regular basis. On all labor related issues, we adopt two-way communications coordination to assure harmonious labor relations. Besides, here at the Company, we have enacted sound and comprehensive control systems and have expressly provided under various managerial rules the rights & obligations of employees and fringe benefits for employees. The Welfare Committee (Fringe Benefit Committee) would, in response to rational requests from employees, adjust the contents of fringe benefits in real time so as to safeguard maximum possible interests to employees.

(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, labor opinion mailbox, 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 for 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	Hydro-Quebec	2010.05.19 until	Authorize Aleees Taiwan to	Confidentiality

S/N	Nature of Agreement	Party	Agreement Start Date	Key Contents	Restrictive Clauses
	Agreement		the maturity date of the patent rights	manufacture and produce anode materials for battery products	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 Credit Facility Agreement	Mega International Commercial Bank	2014.01.10 to 2019.01.09	Aleees Taiwan's land and factory facility pledged for loan repayment of the aforementioned S/N 8 loan and expansion of production capacity and supplement working capital.	General commercial loan clauses
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	Ruentex Precision	2014.01.17 to 2014.06.30	Renovation engineering project of Aleees Eco Ark	None

S/N	Nature of Agreement	Party	Agreement Start Date	Key Contents	Restrictive Clauses
	Agreement	Engineering Co., Ltd.		(Taiwan) Bade R&D Center	
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
17	Patent Sublicense Agreement Fourth Amendment Agreement to the Patent Sublicense Agreement	LiFePO4+C Licensing AG	2014.11.19 till expiry of the original patent licensing agreement	Change in the contents for factory establishment	Confidentiality obligation
18	Memorandum of Agreement	SONY Corporation	2014.09.01 till the specified matters are completed	Supply of parts & components	Confidentiality obligation
19	Bank loan Collateralization with equipment Mid-term Credit Facility Agreement	Mega International Commercial Bank	2015.01.22~2019.01.22	Collateralized with machinery & equipment to suffice working capital	General commercial loan clauses

## 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		Financial information for the past five Years					
Item		2010	2011	2012	2013	2014	Q1 2015
Current assets		—	—	733,817	1,426,879	1,191,118	1,661,799
Investment by Equity Method		—	—	72,722	68,492	59,869	58,096
Property, factory, and equipment		—	—	866,817	966,961	1,305,261	1,298,911
Intangible assets		—	—	275,666	244,137	225,752	217,681
Other assets		—	—	76,774	47,829	50,171	39,823
Total assets		—	—	2,025,796	2,754,298	2,832,171	3,276,310
Current liabilities	Before distribution	—	—	465,598	442,905	911,983	740,923
	After distribution	—	—	465,598	442,905	Not distributed	Not distributed
Non-Current liabilities		—	—	99,662	50,664	225,842	228,011
Total liabilities	Before distribution	—	—	565,260	493,569	1,137,825	968,934
	After distribution	—	—	565,260	493,569	Not distributed	Not distributed
The Equity contributed to the Parent Company		—	—	1,460,533	2,260,719	1,694,335	2,307,364
Capital stock		—	—	1,129,537	1,420,737	1,420,737	1,645,737
Capital reverse		—	—	517,581	1,201,118	1,200,030	1,714,139
Retained earnings	Before distribution	—	—	(177,495)	(362,809)	(925,919)	(1,051,501)
	After distribution	—	—	(177,495)	(362,809)	Not distributed	Not distributed
Other Equity		—	—	(1,817)	1,673	(513)	(1,011)
Non-controlled Equity		—	—	3	10	11	12
Treasury Stock		—	—	(7,273)	—	—	—
Total equity	Before distribution	—	—	1,460,536	2,260,729	1,694,346	2,307,376
	After distribution	—	—	1,460,536	2,260,729	Not distributed	Not distributed

Note: The 2013、2014 financial information adopts the consolidated financial statements audited by independent auditors and the Q1 2015 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		Financial information for the past five Years					
Item		2010	2011	2012	2013	2014	Q1 2015
Operating Revenues		—	—	653,251	577,069	864,823	277,909
Gross Operating Profit		—	—	212,399	30,248	42,938	69,536
Operating gain/loss		—	—	(186,976)	(405,330)	(577,425)	(117,803)
Non-Operating revenues and expenditures		—	—	(35,530)	(3,030)	14,316	(7,778)

Net profit before tax (loss)	—	—	(222,506)	(408,360)	(563,109)	(125,581)
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)	(563,109)	(125,581)
Other consolidated gain/loss(net after tax)	—	—	(1,817)	3,490	(2,186)	(498)
Total amount of consolidated gain/loss for the current year	—	—	(224,787)	(404,870)	(565,295)	(126,079)
Net profit (loss) contributed to the Parent Company	—	—	(222,967)	(408,358)	(563,110)	(125,582)
Net profit (loss) contributed to the non-controlled equity	—	—	(3)	(2)	1	1
Total amount of consolidated gain/loss contributed to the Parent Company	—	—	(224,784)	(404,868)	(565,296)	(126,080)
Total amount of consolidated gain/loss contributed to the non-controlled equity	—	—	(3)	(2)	1	1
Earnings per share (loss)	—	—	(2.05)	(3.36)	(3.96)	(0.81)

Note: The 2013、2014 financial information adopts the consolidated financial statements audited by independent auditors and the Q1 2015 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
2014	Yu-Kuan Lin, Ya-Hui Cheng	PwC Taiwan	Unreserved opinion

## 2. Financial Analyses for the Past Five Years

### i. Financial analyses – International Financial Reporting Standards (IFRS)

Analyzed Item (Note 3)		Financial information for the past five years					
		2010	2011	2012	2013	2014	Q1 2015
Capital Structure %	Debt/asset ratio (%)	–	–	27.90	17.92	40.18	29.57
	Long-term funds to property, factory and equipment ratio (%)	–	–	179.99	238.55	147.11	195.19
Debt Repayment Ability %	Current ratio (%)	–	–	157.61	322.16	130.61	224.29
	Quick ratio (%)	–	–	103.56	232.60	98.88	188.96
	Interest coverage ratio (times)	–	–	(40.63)	(84.47)	(42.18)	(23.92)
Operational Ability	Accounts receivable turnover rate (times)	–	–	4.39	3.53	2.64	2.38
	Average days of accounts receivable (days)	–	–	83	103	138	153
	Inventory turnover rate (times)	–	–	2.09	1.74	2.19	2.49
	Accounts payable turnover rate (times)	–	–	7.72	6.75	7.89	8.27
	Average days of sales(days)	–	–	174	209	167	147
	Fixed assets, plant and equipment turnover ratio (times)	–	–	0.86	0.63	0.76	0.85
	Total asset turnover ratio	–	–	0.35	0.24	0.31	0.36
Profitability	Return on total assets (%)	–	–	(11.71)	(16.89)	(19.69)	(3.95)
	Return on equity (%)	–	–	(16.17)	(21.95)	(28.48)	(6.28)
	Net gains before tax to paid-in capital ratio (%)	–	–	(19.70)	(28.74)	(39.63)	(7.63)
	Net gains ratio (%)	–	–	(34.13)	(70.76)	(65.11)	(45.19)
	Earnings per Share (\$)	–	–	(2.05)	(3.36)	(3.96)	(0.81)
Cash Flow	Cash flow ratio(%)	–	–	–	–	–	–
	Cash flow adequacy ratio (%)	–	–	–	–	–	–
	Cash reinvestment ratio (%)	–	–	–	–	–	–
Leverage	Degree of operating leverage	–	–	3.49	1.42	(1.50)	(2.36)
	Degree of financial leverage	–	–	0.97	0.99	0.98	0.96

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

#### 1. Capital Structure:

##### Debt/asset ratio

As the Company extended the terms of payment to suppliers, the amounts of payables at end of the term increased, and with borrowing of long-term loans, the debt increased over the preceding term and the ratio of debt to assets mounted from 2013.

##### Long-term funds to property, factory and equipment ratio

In this term, the property, factory and equipment significantly increased over the preceding term. Besides, in the present term, the loss increased, leading to a drop of ratio of long-term funds to property, factory and equipment.

#### 2. Debt Repayment Ability:

##### (1) Current ratio and quick ratio

In this term, the Company increased property, factory and equipment. As a result, the cash & cash equivalents significantly dropped compared with the preceding term and, in turn, the current ratio and quick ratio dropped from the preceding term.

##### (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

In 2014, the operating revenues significantly grew over 2013. Meanwhile, the Company adjusted the terms for loans with customers. As a result, the aggregate total of receivables at end of the term significantly increased over the correspondent period and the number of average days of accounts receivable appeared longer than the preceding term.

##### (2) Average days of sales

In 2014, the operating revenues significantly grew over 2013. As a result, the inventory at end of the term decreased from the correspondent period of the preceding year. The number of average days of sales appeared shorter than the preceding term.

##### (3) Fixed assets, plant and equipment turnover ratio (times), total asset turnover ratio

As the Group was continually expanding business horizons and had continually purchased machinery & equipment, molds and power swap equipment. The net worth of fixed assets rapidly expanded. Meanwhile in 2014, the operating revenues tremendously grew over 2013. Besides, in this term, the loss increased, leading to dropping the property, factory and equipment and the turnover rate of aggregate total

#### 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 broadened. The negative value of the operating leverage increased from 2013.

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 2014 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.

2015 Shareholders' Meeting

Convener of Audit Committee: Wei-Min Sheng

March 23, 2015

4. **Latest annual consolidated financial statements of the Company:**Please refer from page 157 to page 221 of this annual report.
5. **Latest annual financial statements of the subsidiaries audited and certified by independent auditors: NA**
6. **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	2013	2014	Change of Increase/Decrease	
			Amount	Change Ratio(%)
Current assets	1,426,879	1,191,118	(235,761)	(16.52)
Investment by Equity Method	68,492	59,869	(8,623)	(12.59)
Property, Factory and Equipment	966,961	1,305,261	338,300	34.99
Intangible assets	244,137	225,752	(18,385)	(7.53)
Deferred Income Tax Assets	11,445	15,963	4,518	39.48
Other non-Current assets	36,384	34,208	(2,176)	(5.98)
Total assets	2,754,298	2,832,171	77,873	2.83
Current liabilities	442,905	911,983	469,078	105.91
Long term loans	45,999	216,659	170,660	371.01
Deferred Income Tax Liabilities	4,665	4,665	-	-
Total liabilities	-	4,518	4,518	-
Capital stock	493,569	1,137,825	644,256	130.53
Capital reverse	1,420,737	1,420,737	-	-
Accumulative losses to be covered	1,201,118	1,200,030	(1,088)	(0.09)
Other Equity	(362,809)	(925,919)	(563,110)	155.21
Treasury stock	1,673	(513)	(2,186)	(130.66)
Shareholders' Equity (contributed to the Parent Company)	2,260,719	1,694,335	(566,384)	(25.05)
Non-controlled Equity	10	11	1	0.1
Total Equity	2,260,729	1,694,346	(566,383)	(25.05)
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. Property, factory and equipment: Due primarily to expanding business scale, construction of additional works and procurement of machinery & equipment and such relevant assets.				
2. Current liabilities: The short-term loans increased due primarily to expanded business horizons. The payables at end of the term increased due primarily to extension of the terms of payment for suppliers. The long-term liabilities due within one year increased due primarily to borrowing of long-term loans.				
3. Long term loans: Due primarily to borrowing of long-term loans.				
Accumulative losses to be covered: Due primarily to the facts that Automobile Electricity Business Division has not operated at the economic scale, and was still in a trial operational stage, that led to an increase in losses.				

## 2. Financial Performance

### 1. Analyzed table of operating results

Unit: K NTD; %

Year Item	2013	2014	Change of Increase/Decrease	
			Amount	Change Ratio(%)
Operating Revenues	577,069	864,823	287,754	49.86
Gross Operating Profit	30,248	42,938	12,690	41.95
Operating Net Loss	(405,330)	(577,425)	(172,095)	42.46
Non-Operating revenues and expenditures	(3,030)	14,316	17,346	572.48
Net loss before tax	(408,360)	(563,109)	(154,749)	37.90
Net loss of this period	(408,360)	(563,109)	(154,749)	37.90
Net loss of this period (contributed to the shareholders of the Parent Company)	(408,358)	(563,110)	(154,752)	37.90
Explanation on items with major changes:				
<ol style="list-style-type: none"> <li>1. Operating Revenues: Due primarily to the new energy policies imposed in China and the mounting demands for electric vehicle oriented batteries</li> <li>2. Gross Operating Profit: Due primarily to increase in demands with mounting purchase orders placed by customers and rise of the capacity utilization rate.</li> <li>3. Net Operating Loss: Due primarily to the facts that the Automobile Electricity Business Division had not operated up to the economic scale that led to the rise in net operating loss.</li> <li>4. Non-Operating revenues and expenditures: Due primarily to the impact incurred by change in exchange rate that led to the gain in foreign currencies in 2014.</li> </ol> <p>Net loss before tax and net loss this period: Due primarily to the facts that the Automobile Electricity Business Division had not operated up to the economic scale and the Company had to continually invest in research &amp; development and establishment of additional R&amp;D Center. As a result, the net loss before tax and net loss this term increased.</p>				

### 2. Sales volume forecast and other basis

In terms of overall sales volume in 2014, the Group tremendously grew over 2013, due primarily to the new energy policies and mounting demand for electric vehicle batteries in China. In China, the policies for new energy subsidies under the 12th Five-Year Plan and 13th Five-Year Plan were continued till 2021. For relevant analyses of market research and *status quo* development, please refer to: Five. Descriptions of operating performance.

### 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, in line with customer demand, the facts that China put into implementation thoroughly the new energy policies, taking account the capacity planning and previous performance records, we duly set up the annual shipment targets. Looking ahead toward one~three years ahead, the Company will try to expand market shares along with the green energy policies. In the aspect of material research & development, we shall aim at high cycle service life and high energy density cathode materials for use in batteries, energy storage systems for research & development toward new general multi-function carriers, charging/swap systems in the vehicular development, with efforts in manufacture, research & development and sales. Meanwhile, the Company would integrate the teammates in the up-, mid- and downstream to jointly create the maximum possible niches.

## 3. Cash Flow

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

Unit: K NTD ; %

Item \ Year	2013	2014	Change of Increase/Decrease	
			Amount	Change Ratio(%)
Operating activities	(343,160)	(380,595)	(37,435)	10.91
Investment activities	(192,201)	(520,963)	(328,762)	171.05
Capital fund raising	1,115,090	456,372	(658,710)	(59.07)
Change analysis:				
<p>1. Cash flow in investment activities: The Group must continually purchase machinery &amp; equipment, molds and power swap equipment to meet the continued business development. As a result, the net cash outflow increased in investment activities.</p> <p>2. Cash flow from capital fund raising: In 2013, the Company launched capital increase through cash injection. As a result, the net cash inflow in capital raising activities decreased from the preceding term.</p>				

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 cash in 2014. The raise for capital increase in cash was satisfactorily completed on Feb 6, 2015. 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 (2015):

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
369,113	(635,216)	292,878	(558,981)	—	Financing or Loaning

1. Analysis of cash flow changes in the coming year:

- ① Operating activities cash outflow : Mainly due to the increase of working capital required for the upcoming year as anticipated.
- ② Investment activities cash outflow: Mainly due to the increase of the amount spent on procurement of fixed assets in 2015 as anticipated.
- ③ Financing activities cash inflow: Mainly due to the increase in operating and investment activities.

2. Supplementary measures and turnover analysis in relation to forecast of insufficient cash: To deal with the need of future business operation, the Company launched capital raise or financing loans as a means to deal with inadequate cash.

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 by the Automobile Electricity Business Division with the relevant research, engineering & production equipment procurement



costs so incurred. The capital increase through cash injection 2014 was satisfactorily accomplished on Feb 6, 2015, the Company got adequate working capital to pay off the need. The projects would not have a significant impact upon the Company's business and financial standing.

## 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	2014 Investment Returns	Main Reasons of Profit or Loss	Improvement Plan
Advanced Lithium Electrochemistry Co., Ltd.	99.99	110,359	Thanks to the implementation of the Mainland China new energy vehicle subsidy policy and mounting demand for power batteries, the operating revenues significantly increased in Q4 2014 that led to significant growth in profits.	1. In the days and years ahead, we would continually proceed with research & development for new products available to customers for authentication so as to expand energy storage market products and boost sales development for continued profits. 2. Cf. Note 2.
Advance Lithium Electrochemistry (HK) Co., Limited	100	(194,151)	Recognized the re-investment loss in Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	100	(196,456)	The loss in the present term mainly due to unsatisfactory business performance in the first three quarters, 2014.	
Emerald Battery Technologies Co., Ltd.	24	(7,274)	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	(3,050)	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.
Aleees Eco Ark (Cayman) Co., Ltd	100	(472,354)	Recognized the re-investment loss in Aleees Eco Ark Co., Ltd.	1. To put forth maximum possible efforts to promote business to increase sales in electric buses to further improve
Aleees Eco Ark Co., Ltd.	100	(471,973)	Unable to attain economies of scale and showing losses.	

Re-Investment Businesses	Shareholdings	2014 Investment Returns	Main Reasons of Profit or Loss	Improvement Plan
Aleees Eco Ark(Ningbo) Co., Ltd.	100	(3,729)	Unable to attain economies of scale and showing losses.	the performance from loss. 2. Cf. Note 2
Aleees Eco Ark (HK) Co., Ltd	100	130	Recognition of the gain in investment in Aleees Eco Ark Canada Corporation Inc.	To put forth maximum possible efforts to promote business in European and American regions.
Aleees Eco Ark Canada Corporation Inc.	100	118	Still in the initial phase of business development. The gain was obtained due to benefit in foreign exchange	

Note 1: Thanks to the new energy vehicle subsidy policy promulgated in China in 2014 and mounting demand for electric vehicles oriented batteries, the profits in Q4 significantly grew. In the future, we shall continually launch new model materials, develop new markets and new customers. Aiming at the current target markets and with utilization of patent protection umbrella to accelerate market promotion, we hope to take advantage of the 12th Five-Year Plan and 13th Five-Year Plan in China to benefit under the new energy subsidy policies.

Note 2: The Company operated at a loss in 2014, mainly due to the facts that the business in electric buses was not yet up to the economic scale. In the days and years ahead, the Company would still put forth maximum possible efforts to implement the following strategies to better off profitability and increase the items for electric vehicle items to offer integral solution to customers, set up brand awareness and reliability. Meanwhile, we shall double efforts to develop and sales of electric buses in China. Besides, in late 2014 and early 2015, we successfully obtained electric bus licenses for marketing in China. That would be a substantial benefit in our sales expansion.

### 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 from page 135 to page 136.

## 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	2014	As a % of Revenue
Interest Income	722	0.08
Interest Expense	13,041	1.51
Exchange Rate Gains (Loss)	40,300	4.66

- (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 2013 and 2014, the interest expense is respectively NTD4,778,000 and

NTD13,041,000, making up 0.83% and 1.51% 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 2013 was \$25,671,000 and its exchange rate gain in 2014 was \$40,300,000, making up 4.45% and 4.66% as a percentage over the net Operating revenues of the current fiscal year. The overall gain in foreign exchange 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 2014 is \$240,925,000, making up 28% 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) Manufacture, research & development and sales of electric buses, batteries, charging/swap systems.

- 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 18m long passenger buses.
  - ③ 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 ratio is high. The LFP battery (as well as lithium and Li(NiCoMn)O<sub>2</sub> 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 Executive Yuan (the Cabinet) instructed on April 29, 2014 the Ministry of Economic Affairs, Ministry of Transportation & Communications and Environmental Protection Administration (EPA), the Executive Yuan to accelerate subsidy to the local level governments to replace diesel buses and to purchase electric buses instead, and to cover the excursion buses and shuttle buses as well as the targets. The Executive Yuan (the Cabinet) further instructed on April 8, 2015 to further raise the subsidies to large electric buses. In terms of volume, the government would focus on general buses which would be vitally important to public, toward the target of 10,000 buses within ten years. Within one decade, the government would replace 6,750 diesel buses into electric buses. 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 raised from NTD3.75 million to NT\$5.2 million plus an additional of NTD1 million for battery subsidies and NT\$500,000 subsidy for each bus body, able to obtain a total of NT\$6.7 million as the highest 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 competitiveness, 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 officially signed patent sublicensing agreement on Jul 4, 2011 with Quebec Water Conservancy Corporation, Montreal University, French National Centre for Scientific Research (CNRS) and LiFePO<sub>4</sub>+C Licensing AG established by Süd-Chemie, Germany. Under the Agreement, the Company was requested to set up plant to manufacture cathode materials for LFP batteries in Quebec Province, Canada and accomplish the scale of 1,000 tons annual output within three (3) years after execution of the Agreement. In the event that the Group failed to accomplish the factory establishment within the specified time limit and failed to complete the corrective action within 90 days after receipt of the reminding notice from the Licensors, the Licensors may inform the Licensee to terminate the Agreement in writing.

Taken into account that the demand in the European and American markets would not as promising as anticipated, we executed the second Amendment Agreement to the Patent Sublicense Agreement with LiFePO<sub>4</sub>+C Licensing AG on Aug 26, 2013. Under the Agreement, both parties agreed that the timeframe for factory construction and operating period may be extended for 12 months. To put it in more understandable terms, the Group may obtain the manufacture and factory permits as long as the Group completes establishment and starts operation for up to 1,000 tons of products in Quebec, Canada before Jul 4, 2015. In the event that the Group fails to complete factory construction within the specified time limit, LiFePO<sub>4</sub>+C Licensing AG is entitled to claim on the Group for US\$300,000 extension fee and to terminate the patent sublicensing agreement.

Also taken into account the development potential of electric vehicles and energy storage systems in European and American as well as Canadian regions, we further signed the fourth Amendment Agreement to the Patent Sublicense Agreement with LiFePO<sub>4</sub>+C Licensing AG on Nov 19, 2014. Under the 4<sup>th</sup> Amendment Agreement, the Company is entitled, at its discretion, to set up powder factories, battery cell factories, battery module factories or electric bus system integration plant. Not later than July 4, 2015, the Company should complete factory in Quebec, Canada with capital expenditure not below US\$6 million. Before July 2018, the Company should hire not less than ten full-time employees every year. In the event that the Company fails to fulfill the obligations set forth under the Agreement and, in turn, adversely affects the patent sublicensing rights, that would possibly incur a significant impact upon the Group in business and financially.

#### Countermeasures :

In an attempt to faithfully fulfill the obligations as set forth under the Agreement and to, meanwhile, assure sound control over financial risks, we should complete factory establishment in Canada exactly as agreed upon to live up to the obligations. Where the present issue would be vitally important, the Group already set up the Task Force in 2013 which already completed the time scheduling for factory establishment to date. Under the planning in the initial phase, we should devise the Canadian plant for integration of electric buses. We would lease the land for the production workshop. For the investment in related factory equipment & facilities, the Company's board of directors already officially resolved on Aug 12, 2014 to lease the land required for the factory. The Company already completed incorporation registration of Aleees Eco Ark Canada Corporation Inc. on Sep 8, 2014. At the moment, the factory construction and production line establishment are underway in a full steam. We see very low potential risk of a default. Under our firm policy and determination to faithfully fulfill the obligations set forth under the Agreement and to assure sound financial control, we shall complete factory establishment in Canada exactly on schedule to live up to the requirements set forth under the Agreement.



At the moment, the actual output volumes to European and American markets are far below the designed capacity of Canadian plant. Without consideration of new customers, input of operating revenues and other extraordinary expenditures, we anticipate to operate at a loss years in a row in the initial phase of production. Besides, when our Canadian plant is in the know-how up to the volume production but the actual production scale is below anticipation, we might be likely to undergo the impairment in the assets with the factory equipment & facilities so invested. But if the purchase orders we received from European and American markets would be adequate to back up the fixed operating costs of the Canadian Plant and would even continually boost our capacity utilization rate, the Group might not be subject to any significant passive impact in the overall business operation. Besides, for Canadian plant construction, we might adjust the subsequent orientation and progress along with the laws and ordinances concerned prevalent in countries concerned.

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 2013 and 2014 make up 74.90% and 92.2% respectively, among which the inbound stock ratios of the largest supplier is respectively 20.93% and 26.49%. 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 82.88% and 95.42% of total sales in 2013 and 2014 respectively. Among which the largest customer by ratio of product sales amount over total sales is 26.16% and 30.58% 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) 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 has been returned by the Supreme Court to the Intellectual Property Court under first changed instance trial. Where it is just a case of Richtek Technology Corp., that would produce no passive impact upon the Company's shareholders' equity or securities prices at all.

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 LiFePO<sub>4</sub>+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 sublicensing agreement was ruled by the court as null and void, 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) Risks of competition in the market:

The status in the market and transaction with key customers by the Group previously do not necessarily assure continued growth in shipments and profitability. Cutthroat competition is constantly existent in the market. Here at the Group, we put forth maximum possible efforts onto research & development of high energy and high density products to continually elevate product performance and customer approval. We believe our competitors would put forth efforts toward the same goals. Competition is constantly inevitable. Besides, in comparison with Li(NiCoMn)O<sub>2</sub> batteries, LFP batteries are believed as the newly developed materials and must face up with cutthroat competition of Li(NiCoMn)O<sub>2</sub> batteries.

Countermeasures:

The lithium cathode materials are believed the very key materials for batteries and playing the very pivotal role in terms of the performance and unit costs of batteries. Given the trends of previous development of other cathode materials, we must acknowledge the phenomena where the powerful becomes more powerful and the giant becomes even greater giant from a long term perspective. Recently while lots of European and Japanese cathode material manufacturers have one after another joined the LFP patent licensing, their capacity is believed to virtually emerge and join markets within a year or two and, in turn, to create a new round of cutthroat competition. To date, the aggregate total annual output volume of LFP batteries virtually exceeds a thousand tons. This, nevertheless, does not necessarily suggest that the Group would constantly stay at leading status and to maintain or expand market share.

Meanwhile, the markets of Li(NiCoMn)O<sub>2</sub> batteries and LFP batteries are enumerated below:

Li(NiCoMn)O <sub>2</sub> batteries	LFP batteries
EV (Pure electric vehicles) HEV (hybrid fuel cell electric vehicles) PHEV (Plug-in hybrid electric vehicles) 3C products (Tablets, cell phones, audio video players, digital cameras/video recorders, NB/PC) electric hand machine tools	EV (Pure electric vehicles) HEV (hybrid fuel cell electric vehicles) PHEV (Plug-in hybrid electric vehicles) Electric hand machine tools Electric motorcycles Electric buses Energy storage systems (UPS, home energy storage system, cell phone base stations backup power supply system, intelligent grid, grid-connected energy storage system of wind and photovoltaic power generation)

Source: NEDO Secondary Technologyロードマップ(Battery RM2010) May 2010.

In a broad sense, all sorts of batteries to store power could be termed the energy storage batteries. At the moment in the market, the energy storage batteries used to drive vehicles are termed power batteries.

At the moment, markets of Li(NiCoMn)O<sub>2</sub> batteries are primarily suggest the markets for power batteries and portable electronic product batteries. The major markets of LFP batteries are power batteries and energy storage systems. The power batteries are simply aimed at vehicle use where the markets have been developed a relatively slow pace mainly due to the facts that the battery manufacturers and vehicle manufacturers call for a prolonged period for verification. Besides, the electric vehicles call for charging equipment & facilities and such hardware facilities to support, leading to the relatively slow pace in development.

The patent issue of cathode materials for LFP batteries was not solved until July 2011. The LFP batteries are primarily supplied for hybrid vehicles in Japan and S. Korea which had not exerted to development of LFP battery modules technology in early days. As a result, they adopted Li-MnO<sub>2</sub> and Li(NiCoMn)O<sub>2</sub> batteries which called for a long period of time in development.

LFP batteries are more oriented to energy storage system due to their extraordinarily high safety, superior circulation and characteristics in quick charging and quick discharging. As a result, they are deemed the right choice to replace lead-acid batteries.

Other than our positive efforts to develop high performance new type cathode materials for LFP batteries, we have spared no efforts to upgrade manufacturing process, lower costs. The well established Battery Laboratory of the Group could offer sound countermeasures to help customers introduce the new materials into volume production. Toward specific customers and application, we render customized services. The efforts to help customers boost competitive edge are believed the best strategy for the Group to beat competitors.

(3) Desire of bus operators to adopt electric buses:

City buses are popular as they serve passengers exactly under the time schedules, fixed stops and fixed distances. Before the charging/swap stations are established enough, bus operators are the optimal targets to promote electric buses. At the moment, the whole electric bus costs would be 30%~40% higher than

conventional diesel buses. Until the costs for electric buses could be brought down to the diesel equivalents, we could hardly attract bus operators to replace into electric buses.

Countermeasures:

In terms of oil and electricity costs in the world markets, the operating costs of electric vehicles might become closer to petroleum driven counterparts amidst the gradually rising battery costs and might even become lower than diesel vehicles. In terms of Total Cost of Ownership (TCO), amidst the assumption of rising oil prices, electric buses see the chances to have the operating costs coming down to be equivalent to, or even below diesel counterparts within a couple of years ahead.

Amidst the rising economy in developing countries with rising ratio of private vehicles, the demand of petroleum in the entire world would be continually rising due just to the promising economic development in developing countries notwithstanding the gradual drop of petroleum demand in developed countries. In the years ahead, the oil prices will directly affect the prices of gasoline (diesel) and, in turn, affect the operating costs of electric vehicle and gasoline (diesel) vehicles. If oil price goes down, the demand for electric vehicles (and LFP batteries) will go down as well and *vice versa*, that would be conducive to the growth of electric vehicles (and LFP batteries) .

In terms of an electric bus, the cost for batteries alone would account for 30%~50%. In an attempt to stimulate passenger bus operators into the desire to replace their diesel buses with electric buses, we during the trial operational stage launch the approaches to sell pure electric buses, battery leasehold to collaborate with the government policies of subsidies to help bus operators to lower their costs to purchase electric buses to the level equivalent to diesel buses as a means to popularize electric buses at an accelerated pace. Meanwhile, we have put forth maximum possible efforts to develop cathode materials in the prolonged performance so as to prolong battery service life and, in turn, cut down the operating costs of electric buses. Eventually we might be in a position to render charging/swap system setup services at the oil cost level to lure more bus operators to adopt our electric buses and charging/swap systems with a total and overall solution.

(4) Readily available charging/swap stations:

Other than the efforts to bring the electric bus prices and battery costs down to equivalent of oil, diesel vehicles, we must try to provide comprehensive infrastructures before we may make electric vehicle popular. To put it in more understandable terms, the readily available charging facilities and charging facilities available in real time would be vitally important to stimulate consumers into the desire to buy.

Countermeasures:

In the initial phase as we are promoting electric vehicles and charging/swap stations, we would primarily focus on city buses, passenger buses and vehicles serving fixed routes. Here at the Group, we could calculate the locations of the charging/swap stations to provide them to bus operators. Along with development of varied routes, we would gradually help bus operators expand the coverage of charging/swap stations to further facilitate bus operators in their charging needs. The pure electric buses in battery replacement type developed by the Group will operate through battery replacement and would call for merely 6~10 minutes for battery replacement. Through our such efforts and devices, bus operators are free from the prolonged waiting for charging process to assure high performance bus operation.

(5) Risk in research & development expert drain:

Since the Group came into being, thanks to the unceasing efforts by our prominent research & development teammates, we have successfully won multiple patents in LFP batteries cathode materials. At the moment, we have a good number of patents pending amidst application or review process. A significant change in the research & development brain would mean a risk to our business operation.

Countermeasures:

Here in the Group, we have spared no effort to upgrade the internal working environments, strengthen their affinity toward the Group, retain their stay with the Group by means of appropriate incentive systems to minimize their flow. To prevent a potential drain of research & development talents which might lead to a standstill of research & development programs, for each and every research program, we must assign a minimum of two research & development experts to participate jointly and built research & development process in writing into file. On a regular basis, we convene meetings with department heads. Through all such extensive efforts, a potential flow or change in research & development experts might not possibly lead to a significant impact upon the routine business operation of the Group.

(6) Assurance of shareholders' equity:

The Group has been officially registered at British Cayman Islands and primarily operating in Hong Kong, Republic of China and People's Republic of China. That means a change in the macroeconomy, political climate and fluctuation in foreign exchange in the territories where the Group was registered and operating would possibly affect the Group's business operation. The Company Act prevalent in British Cayman Islands and the Company Act prevalent in the Republic of China differ in quite points. The Group has duly amended the Articles of Incorporation in accordance with the "Examination Table for Protection of Shareholders' Equity in the Territories Where the Foreign Securities Issuers Have Registered" promulgated by the GreTai Securities Market ("GTSM") of the Republic of China. The laws governing business operation of the Company prevalent in the two territories are still significantly different. Investors are earnestly reminded to look into those different points by consulting with experts regarding potential risks of investment.

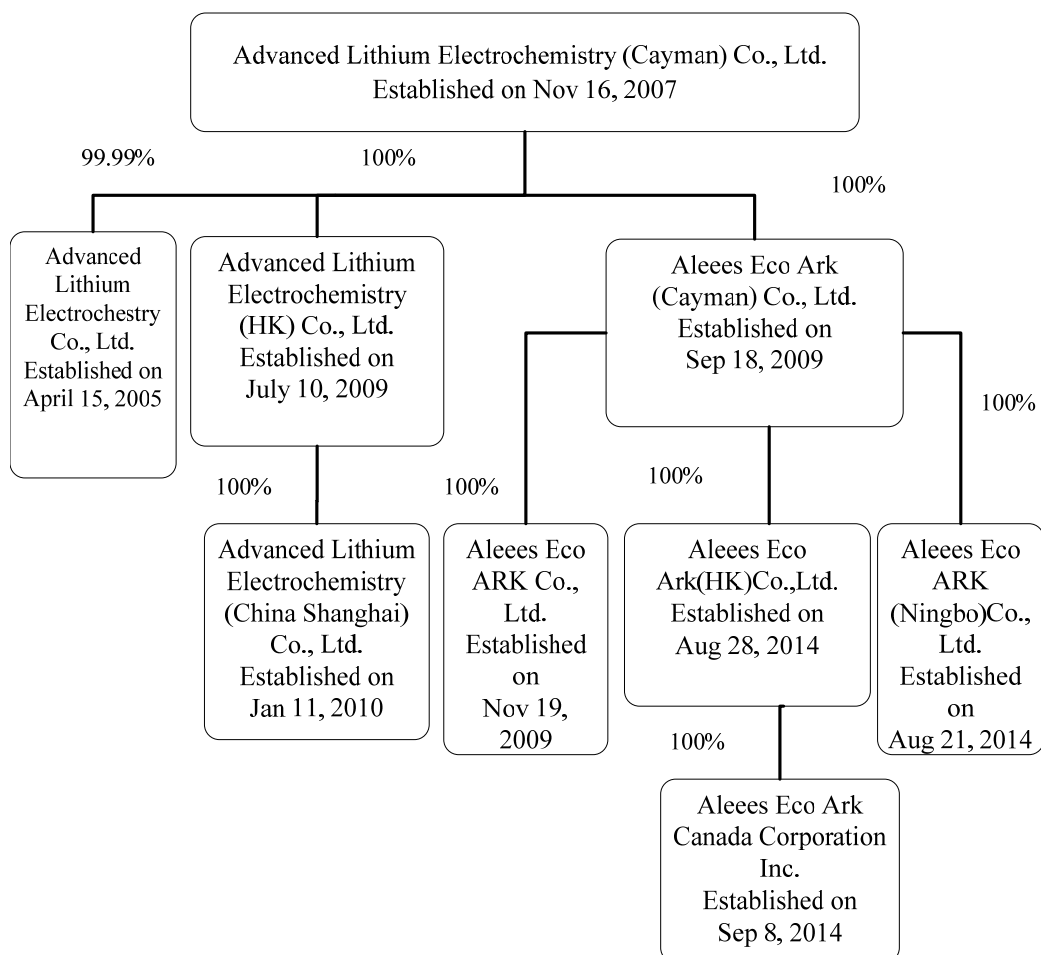
## **7. Other major matters**

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 14, 2015 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 38,950	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	NTD352,000	(1)Manufacture, R&D and sales & marketing of electric buses (2)Battery rental and battery charging/swap businesses
Aleees Eco Ark (HK) Co., Ltd.	2014.8.28	Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong	USD 400	Investment holding corporation, investing in Aleees Eco Ark Canada Corporation Inc.
Aleees Eco Ark (Ningbo) Co., Ltd.	2014.8.21	No. 175 and No.177, Anshan Rd., Downtown Dist., Yuyao City, Zhejiang Province, China	USD 750	(1)Production, research & development and sales of electric buses (2)Battery leasehold and charging services.



Name of Related Companies	Date of Establishment	Address	Paid-in Capital	Main business or production item
Aleees Eco Ark Canada Corporation Inc.	2014.9.8	1000-1255 RUE Peel Montréal Québec H3B2T9 Canada	USD 390	<p>(1) Demo business operation for electric buses, charging/swap system exhibition centers in the United States and Canada.</p> <p>(2) Marketing of electric buses oriented batteries in North America.</p> <p>(3) Joint venture development for electric network storage system markets in Europe, the United States and entire America.</p> <p>(4) Sales of cathode materials for LFP batteries and provision of relevant technological services to customers in European and American regions.</p> <p>(5) System integration, technical development and joint venture in test-runs for electric buses and energy storage systems in European and American regions.</p>

(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:

- (1) Our Company is an investment holding company and is responsible for management and development strategies.
  - (2) 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.
  - (3) Aleees Eco Ark (Taiwan) engages mainly manufacturing, R&D and marketing & sales of electric buses, and battery rental and charging/swap businesses.
  - (4) Aleees Eco Ark (Canada) primarily engages in demo electric buses operations and charging/swap system exhibition centers as well as cathode materials sales in the United States and Canada.
  - (5) Aleees Eco Ark (Ningbo) primarily engages in manufacture, research & development and sales of electric buses, batteries, charging/swap systems.
- (v) Information of Director, Supervisor and CEO(GM) of the Various Related Companies:

As of Apr 14, 2015

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 Lithium 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	Jung-Chun Cheng	—	—
Aleees Eco Ark Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Ching-Wen Wu	—	—
Aleees Eco Ark (HK) Co., Ltd	Director	Sheng-Shih Chang	—	—

Name of Related Companies	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding rate
Aleees Eco Ark(Ningbo) Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Jung-Chun Cheng	—	—
Aleees Eco Ark Canada Corporation Inc.	Chairman	Sheng-Shih Chang	—	—

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

As of Dec 31, 2014 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 1,738,149	NTD 792,792	NTD 945,357	NTD 807,202	NTD 81,990	NTD 110,361	NTD 1.32 元
Advance Lithium Electrochemistry (HK) Co., Ltd.	USD 5,530	NTD (101,746)	NTD -	NTD (101,746)	NTD -	NTD (63)	NTD (194,151)	NA
Aleees Eco Ark (Cayman) Co., Ltd.	USD 38,950	NTD 326,525	NTD 178	NTD 326,347	NTD -	NTD (230)	NTD (472,354)	NA
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	USD 5,500	RMB 97,936	RMB 117,642	RMB (19,706)	RMB 126,161	RMB (37,952)	RMB (39,807)	Note 1
Aleees Eco Ark Co., Ltd.	NTD 352,000	NTD 1,066,423	NTD 774,751	NTD 291,672	NTD 39,924	NTD (447,096)	NTD (471,973)	NTD (13.41)
Aleees Eco Ark (HK) Co., Ltd	USD 400	NTD 12,602	NTD -	NTD 12,602	NTD -	NTD (4)	NTD (130)	NA
Aleees Eco Ark(Ningbo) Co., Ltd.	USD 500	RMB 5,132	RMB 2,804	RMB 2,328	RMB -	RMB (740)	RMB (748)	Note 1
Aleees Eco Ark Canada Corporation Inc.	USD 390	CAD 451	CAD -	CAD 451	CAD -	CAD -	CAD 4	NA

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-subsidary companies, please refer from page 157 to page 221.

**2. Capital raised through securities in the recent fiscal year and as at the printing date of this annual report:** The Company resolved through its extraordinary shareholders' meeting on Nov 19, 2014 for private placement of negotiable securities to issue common shares. The resolution has, nevertheless, not yet been put into enforcement.

**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's Shareholders' Meeting of 2014 has passed 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
<p>1. The Shareholders' Meeting shall be held 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 pass 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.</p> <p>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.</p>	<p>With regards to the part on the convening of 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.</p> <p>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."</p>
<p>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</p>	<p>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</p>

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
<p>the shareholder's meeting notice. Shareholders 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.</p>	<p>electronic voting cannot be deemed as the 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.</p>
<p>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:</p> <ol style="list-style-type: none"> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>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).</li> <li>According to the stipulations of the</li> </ol>

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
<p>businesses or assets to others, thereupon having major impact on company operations</p> <p>2. Amendment to Articles of Incorporation</p> <p>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</p> <p>4. Distribution of share dividend or bonus through issuance of new shares in full or part</p> <p>5. Proposed resolution on dissolution, merger or division</p> <p>6. Issuance of new employee restricted shares</p>	<p>Company Act of the Cayman Islands, the following items shall be adopted through special resolution:</p> <p>(1) Amendment to the Articles of Incorporation</p> <p>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.</p> <p>(2) Dissolution</p> <p>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</p>



Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
	<p>Taiwan according to the Checklist of Shareholders Right Protection Items.</p> <p>(3) Merger</p> <p>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.</p> <p>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.</p>
<ol style="list-style-type: none"> <li>1. The company has established supervisors and is voted by the Shareholders' Meeting. At least one of the supervisors must live in Taiwan.</li> <li>2. The tenure of the supervisor shall not exceed 3 years and may be re-elected for appointment.</li> <li>3. When the supervisors are collectively discharged from their appointment, the board of directors shall convene an Extraordinary Shareholders' Meeting within 60 days.</li> <li>4. Supervisors shall monitor the execution of the company's business and investigate the</li> </ol>	<p>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.</p>

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
<p>company's business and financial situation and audit the documents at any time, and may request for the board of directors or managers to provide any reports.</p> <p>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.</p> <p>6. When carrying out audit duties, board supervisors may represent the Company to appoint accountants and lawyers to engage in audit reviews.</p> <p>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.</p> <p>8. Board supervisors may individually exercise its supervisory rights.</p> <p>9. Supervisors may not concurrently be appointed as director, manager or other employee of the company.</p>	
<p>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.</p> <p>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.</p>	<p>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</p>

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
	<p>Court. Also, the Company Articles of 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).</p>
<p>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</p>	<p>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.</p> <p>According to the opinion of the lawyer from the Cayman Islands, the responsibilities of the</p>

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
<p>Shareholders' Meeting shall decide and deem this act as belonging to that of the Company.</p> <p>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.</p> <p>3. Managers and supervisors of the company shall be subjected to similar compensation liability as company directors when executing job duties.</p>	<p>director toward the Company under Cayman 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>

Major items on protection of shareholders' interest	Stipulation of Articles of Incorporation and reasons for differences
	<p>determine the boundaries of interest (and the receiving period of interest)?</p> <p>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.</p>

**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  
CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2014 AND 2013

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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.

Report of Independent Accountants

PWCR 14003552

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, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. as of December 31, 2014 and 2013, and the financial performance and their cash flows for the years then ended, in conformity 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 Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

March 23, 2015

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

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

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

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2014		December 31, 2013	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 369,113	13	\$ 821,767	30
1150	Notes receivable, net	6(3)	153,038	5	22,262	1
1170	Accounts receivable, net	6(4)	317,757	11	136,469	5
1180	Accounts receivable – related parties, net	6(4) and 7	20,440	1	-	-
1200	Other receivables		5,396	-	11,453	1
1220	Current income tax assets		22	-	47	-
130X	Inventories, net	6(5)	184,194	7	314,072	11
1410	Prepayments	7	105,127	4	82,581	3
1470	Other current assets	8	36,031	1	38,228	1
11XX	<b>Total current assets</b>		<u>1,191,118</u>	<u>42</u>	<u>1,426,879</u>	<u>52</u>
<b>Non-current assets</b>						
1550	Investments accounted for under the equity method	6(6)	59,869	2	68,492	3
1600	Property, plant and equipment, net	6(7) and 8	1,305,261	46	966,961	35
1780	Intangible assets	6(8)	225,752	8	244,137	9
1840	Deferred income tax assets	6(25)	15,963	1	11,445	-
1900	Other non-current assets	6(9) and 8	34,208	1	36,384	1
15XX	<b>Total non-current assets</b>		<u>1,641,053</u>	<u>58</u>	<u>1,327,419</u>	<u>48</u>
1XXX	<b>Total Assets</b>		<u>\$ 2,832,171</u>	<u>100</u>	<u>\$ 2,754,298</u>	<u>100</u>

(Continued)

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

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2014		December 31, 2013		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 393,350	14	\$ 91,194	3
2150	Notes payable		13,998	-	24,187	1
2170	Accounts payable		87,367	3	71,871	3
2180	Accounts payable - related parties	7	-	-	10,965	-
2200	Other payables	6(11) and 7	191,904	7	147,101	5
2220	Other payables - related parties	7	6,270	-	-	-
2250	Provisions - current	6(12)	13,277	-	9,545	-
2320	Long-term liabilities, current portion		106,228	4	12,010	1
2399	Other current liabilities - others		99,589	4	76,032	3
21XX	<b>Total current liabilities</b>		<u>911,983</u>	<u>32</u>	<u>442,905</u>	<u>16</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(13) and 8	216,659	8	45,999	2
2550	Provisions – non-current	6(12)	4,665	-	4,665	-
2570	Deferred income tax liabilities	6(25)	4,518	-	-	-
25XX	<b>Total non-current liabilities</b>		<u>225,842</u>	<u>8</u>	<u>50,664</u>	<u>2</u>
2XXX	<b>Total Liabilities</b>		<u>1,137,825</u>	<u>40</u>	<u>493,569</u>	<u>18</u>
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Common shares	6(16)	1,420,737	50	1,420,737	52
<b>Capital surplus</b>						
3200	Capital surplus	6(17)	1,200,030	42	1,201,118	43
<b>Accumulated deficit</b>						
3350	Accumulated deficit	6(18)	( 925,919)	( 32)	( 362,809)	( 13)
<b>Other equity</b>						
3400	Other equity	6(19)	( 513)	-	1,673	-
3500	Treasury shares	6(16)	-	-	-	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,694,335</u>	<u>60</u>	<u>2,260,719</u>	<u>82</u>
36XX	<b>Non-controlling interest</b>		<u>11</u>	<u>-</u>	<u>10</u>	<u>-</u>
3XXX	<b>Total Equity</b>		<u>1,694,346</u>	<u>60</u>	<u>2,260,729</u>	<u>82</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
	<b>Total Liabilities and Equity</b>		<u>\$ 2,832,171</u>	<u>100</u>	<u>\$ 2,754,298</u>	<u>100</u>

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31,  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR LOSS PER SHARE)

	Notes	2014		2013	
		Amount	%	Amount	%
4000					
<b>Operating revenue</b>	7	\$ 864,823	100	\$ 577,069	100
5000					
<b>Operating costs</b>	6(5)(23) and 7	( 821,885)	( 95)	( 546,821)	( 95)
5900					
<b>Gross profit</b>		<u>42,938</u>	<u>5</u>	<u>30,248</u>	<u>5</u>
<b>Operating expenses</b>	6(23) and 7				
6100					
Selling expenses		( 181,218)	( 21)	( 134,800)	( 23)
6200					
General & administrative expenses		( 198,220)	( 23)	( 150,296)	( 26)
6300					
Research and development expenses		( 240,925)	( 28)	( 150,482)	( 26)
6000					
<b>Total Operating Expenses</b>		<u>( 620,363)</u>	<u>( 72)</u>	<u>( 435,578)</u>	<u>( 75)</u>
6900					
<b>Operating loss</b>		<u>( 577,425)</u>	<u>( 67)</u>	<u>( 405,330)</u>	<u>( 70)</u>
<b>Non-operating income and expenses</b>					
7010					
Other income	6(20)	12,578	1	10,745	2
7020					
Other gains and losses	6(21)	25,103	3	( 547)	-
7050					
Finance costs	6(22)	( 13,041)	( 1)	( 4,778)	( 1)
7060					
Share of loss of associates and joint ventures accounted for under equity method	6(6)	( 10,324)	( 1)	( 8,450)	( 2)
7000					
<b>Total non-operating income and expenses</b>		<u>14,316</u>	<u>2</u>	<u>( 3,030)</u>	<u>( 1)</u>
7900					
<b>Loss before income tax, net</b>		<u>( 563,109)</u>	<u>( 65)</u>	<u>( 408,360)</u>	<u>( 71)</u>
7950					
Income tax expense	6(25)	-	-	-	-
8200					
<b>Net loss for the year</b>		<u>(\$ 563,109)</u>	<u>( 65)</u>	<u>(\$ 408,360)</u>	<u>( 71)</u>
<b>Other comprehensive income, net</b>					
8310					
Cumulative translation differences of foreign operations	6(19)	(\$ 2,186)	-	\$ 3,490	1
8500					
<b>Total comprehensive loss for the year</b>		<u>(\$ 565,295)</u>	<u>( 65)</u>	<u>(\$ 404,870)</u>	<u>( 70)</u>
<b>Loss attributable to:</b>					
8610					
Equity holders of the Company		(\$ 563,110)	( 65)	(\$ 408,358)	( 71)
8620					
Non-controlling interest		<u>1</u>	-	<u>( 2)</u>	-
<b>Total</b>		<u>(\$ 563,109)</u>	<u>( 65)</u>	<u>(\$ 408,360)</u>	<u>( 71)</u>
<b>Comprehensive loss attributable to:</b>					
8710					
Equity holders of the Company		(\$ 565,296)	( 65)	(\$ 404,868)	( 70)
8720					
Non-controlling interest		<u>1</u>	-	<u>( 2)</u>	-
<b>Total</b>		<u>(\$ 565,295)</u>	<u>( 65)</u>	<u>(\$ 404,870)</u>	<u>( 70)</u>
9750					
<b>Basic loss per share</b>	6(26)	<u>(\$ 3.96)</u>		<u>(\$ 3.36)</u>	

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31,  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent										
	Notes	Common share	Capital surplus			Accumulated deficit	Cumulative translation differences of foreign operations	Treasury stock	Total	Non-controlling interest	Total equity
			Paid-in capital in excess of par value	Treasury stock transactions	Others						
<u>2013</u>											
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 increase by cash	6(16)	291,200	905,452	-	-	-	-	-	1,196,652	-	1,196,652
Capital surplus used to offset accumulated deficits	6(18)	-	( 223,044 )	-	-	223,044	-	-	-	-	-
Purchase of treasury shares	6(16)	-	-	-	-	-	-	( 895 )	( 895 )	-	( 895 )
Net loss for 2013		-	-	-	-	( 408,358 )	-	-	( 408,358 )	( 2 )	( 408,360 )
Other comprehensive income for 2013		-	-	-	-	-	3,490	-	3,490	-	3,490
Share-based payments	6(15)(16)(24)	-	343	786	-	-	-	8,168	9,297	-	9,297
Changes in non-controlling equity		-	-	-	-	-	-	-	-	9	9
Balance at December 31, 2013		<u>\$ 1,420,737</u>	<u>\$ 1,194,702</u>	<u>\$ 2,006</u>	<u>\$ 4,410</u>	<u>(\$ 362,809 )</u>	<u>\$ 1,673</u>	<u>\$ -</u>	<u>\$ 2,260,719</u>	<u>\$ 10</u>	<u>\$ 2,260,729</u>
<u>2014</u>											
Balance at January 1, 2014		\$ 1,420,737	\$ 1,194,702	\$ 2,006	\$ 4,410	(\$ 362,809 )	\$ 1,673	\$ -	\$ 2,260,719	\$ 10	\$ 2,260,729
Net loss for 2014		-	-	-	-	( 563,110 )	-	-	( 563,110 )	1	( 563,109 )
Other comprehensive loss for 2014		-	-	-	-	-	( 2,186 )	-	( 2,186 )	-	( 2,186 )
Others		-	( 1,088 )	-	-	-	-	-	( 1,088 )	-	( 1,088 )
Balance at December 31, 2014		<u>\$ 1,420,737</u>	<u>\$ 1,193,614</u>	<u>\$ 2,006</u>	<u>\$ 4,410</u>	<u>(\$ 925,919 )</u>	<u>(\$ 513 )</u>	<u>\$ -</u>	<u>\$ 1,694,335</u>	<u>\$ 11</u>	<u>\$ 1,694,346</u>

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31.  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax for the year		(\$ 563,109 )	(\$ 408,360 )
Adjustments to reconcile loss before tax to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(23)	175,909	147,980
Amortisation	6(8)(23)	30,532	35,906
(Reversal of) provision for bad debt expenses	6(4)	713	-
Interest expense	6(22)	13,041	4,778
Interest income	6(20)	( 722 )	( 582 )
Share-based payments	6(15)(16)(24)	-	1,129
Loss on disposal of property, plant and equipment	6(21)	10,944	245
Property, plant and equipment transferred to expenses	6(7)	6,089	-
Share of loss of associates and joint ventures accounted for under equity method	6(6)	10,324	8,450
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		( 21,202 )	( 11,311 )
Accounts receivable		( 178,640 )	16,245
Accounts receivable – related parties		( 20,440 )	-
Inventories	6(5)	142,760	( 189,311 )
Other receivables		6,187	5,522
Prepayments		( 22,321 )	( 34,286 )
Other current assets		( 137 )	12,734
Net changes in liabilities relating to operating activities			
Notes payable		( 10,189 )	24,187
Accounts payable		15,496	22,330
Accounts payable - related parties		( 10,965 )	5,485
Other payables		19,665	15,229
Other current liabilities		23,557	14,145
Provisions - current		3,732	( 9,000 )
Cash used in operations		( 368,776 )	( 338,485 )
Receipt of interest		722	582
Interest paid		( 12,541 )	( 5,257 )
Net cash used in operations		( 380,595 )	( 343,160 )

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2014	2013
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease in other financial assets	8	\$ 1,230	\$ 7,954
Decrease (increase) in other non-current assets		( 17,169 )	24,947
Acquisition of property, plant and equipment	6(27)	( 491,711 )	( 212,232 )
Proceeds from disposal of property, plant and equipment		2,645	308
Increase in refundable deposits		( 3,811 )	( 8,801 )
Acquisition of intangible assets	6(8)	( 12,147 )	( 4,377 )
Net cash used in investing activities		( 520,963 )	( 192,201 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		718,209	330,101
Decrease in short-term borrowings		( 525,627 )	( 345,464 )
Increase in long-term borrowings		380,416	-
Decrease in long-term borrowings		( 115,538 )	( 73,472 )
Acquisition of treasury shares	6(16)	-	( 895 )
Proceeds from issuance of common shares	6(16)	-	1,196,652
Treasury shares purchased by employees	6(16)	-	8,168
Others		( 1,088 )	-
Net cash provided by financing activities		456,372	1,115,090
Effect of changes in foreign currency exchange		( 7,468 )	( 4,108 )
Increase (decrease) in cash and cash equivalents		( 452,654 )	575,621
Cash and cash equivalents at beginning of year		821,767	246,146
Cash and cash equivalents at end of year		\$ 369,113	\$ 821,767

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  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(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, 2014, 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 and its subsidiaries (collectively referred herein as 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 23, 2015.

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”)

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the “Regulations



Governing the Preparation of Financial Reports by Securities Issuers " effective January 1, 2015 (collectively referred herein as the "2013 version of IFRSs") in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Limited exemption from comparative IFRS 7	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011
Government loans (amendments to IFRS 1)	January 1, 2013
Disclosures – Transfers of financial assets (amendments to IFRS 7)	July 1, 2011
Disclosures – Offsetting financial assets and financial liabilities (amendments to IFRS 7)	January 1, 2013
IFRS 10, 'Consolidated financial statements'	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, 'Joint arrangements'	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013
Presentation of items of other comprehensive income (amendments to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendments to IAS 12)	January 1, 2012
IAS 19 (revised), 'Employee benefits'	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	January 1, 2014
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009 – 2011	January 1, 2013

Based on the Group's assessment, the adoption of the 2013 version of IFRSs has no significant impact on the consolidated financial statements of the Group, except for the following:

#### A. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

#### B. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

#### C. IFRS 13, 'Fair value measurement'

The standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" 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").

##### (2) Basis of preparation

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Remark
			December 31, 2014	December 31, 2013	
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	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Investment holdings	100	100	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Research and development, trading	100	100	
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	
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark (Ningbo) Ltd.	Wholesale of battery and trolley bus	100	-	Note 1
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark (HK) Co., Ltd.	Investment holdings	100	-	Note 2
Aleees Eco Ark (HK) Co., Ltd.	Aleees Eco Ark Canada Co., Ltd.	Manufacturing and installation of electricity generation, transmission and distribution machinery, and manufacturing and distribution of batteries, cars and peripherals	100	-	Note 3

Note 1: The Company has invested through Aleees Eco ARK (Cayman) Ltd. to establish Aleees Eco ARK (Ningbo) Ltd. on September 9, 2014 and consolidated Aleees Eco ARK (Ningbo) Ltd. in the financial statements.

Note 2: Aleees Eco ARK (HK) Co., Ltd. registered for incorporation on August 28, 2014. Investment amount of US\$100,000 was remitted out on October 24, 2014 and Aleees Eco ARK (HK) Co., Ltd. was consolidated in the financial statements from the date.

Note 3: Aleees Eco ARK Canada Co., Inc. registered for incorporation on September 8, 2014. Investment amount of US\$90,000 was remitted out on October 24, 2014 and Aleees Eco Ark Canada Co., Inc. was consolidated in the financial statements from the date.

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 (NTD), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

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

**B. Translation of foreign operations**

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

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

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

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

**(5) 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 realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

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

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) 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 recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in 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 recognised 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 the 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 an 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 original effective interest rate, and is recognised 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 recognised, the previously recognised 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 recognised previously. Impairment loss is recognised 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 recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be

reversed through profit or loss. Impairment loss is recognised 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 recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

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

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

- C. When changes in an associate's equity that are not recognised 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 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 recognised 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	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 recognised in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

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

(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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

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

B. Fees paid on the establishment of loan facilities are recognised 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 recognised 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 the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Provisions

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

(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 recognised as expenses in that period when the employees render service.

B. Pensions - defined contribution plans

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

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

Employees' bonus and directors' and supervisors' remuneration are recognised 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 recognised 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 recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings of the Company's Taiwan subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

(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 powder and trolley bus. 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 recognised 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 volume discounts and right of return for defective products. The Group estimates such returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

C. The Group had repair obligations within the warranty period or under certain conditions, according to appropriation of after-service cost for sales during the period.

(28) Government grants

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

(29) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

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 recognised when the earning process is completed. The Group estimates discounts and returns based on historical results. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

As of December 31, 2014, provisions for discounts and returns amounted to \$13,277.

### 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 tax assets

Deferred tax assets are recognised 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 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 tax assets.

As of December 31, 2014, the Group recognised deferred tax assets amounting to \$15,963.

### 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 market competition, 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, 2014, the carrying amount of allowance for valuation loss and bad debt expenses was \$160,614.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Cash on hand and revolving funds	\$ 139	\$ 97
Checking accounts and demand deposits	365,974	821,670
Time deposits	<u>3,000</u>	<u>-</u>
	<u>\$ 369,113</u>	<u>\$ 821,767</u>

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

B. Details of cash and cash equivalents (recorded as "other current assets" and "other non-current asset" ) pledged as collaterals are provided in Note 8.

### (2) Available-for-sale financial assets

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Non-current items:		
Unlisted stocks	\$ 7,847	\$ 7,847
Accumulated impairment	( <u>7,847</u> )	( <u>7,847</u> )
	<u>\$ -</u>	<u>\$ -</u>

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 recognised the full amount of investment as impairment loss.

### (3) Notes receivable

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Notes receivable	<u>\$ 153,038</u>	<u>\$ 22,262</u>

A. As of December 31, 2014 and 2013, the Group had outstanding discounted notes receivable amounting to \$109,574 and \$0, respectively. The Group has payment obligations when the drawers of the notes refuse to pay for the notes at maturity. However, the Group does not expect default in payments in normal situation. The liabilities arising from discounted notes receivable amounted to \$109,574 (recorded as short-term borrowings).

B. Details of notes receivable pledged as collaterals are provided in Note 8.

(4) Accounts receivable

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Accounts receivable – third parties	\$ 318,474	\$ 140,453
Accounts receivable – related parties	<u>20,440</u>	<u>-</u>
	\$ 338,914	\$ 140,453
Less: allowance for bad debt expenses	( <u>717</u> )	( <u>3,984</u> )
	<u>\$ 338,197</u>	<u>\$ 136,469</u>

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:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Group 1	\$ 210,085	\$ 43,684
Group 2	<u>1,569</u>	<u>7,753</u>
	<u>\$ 211,654</u>	<u>\$ 51,437</u>

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:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Up to 30 days	\$ 20,793	\$ 25,416
31 to 90 days	63,622	30,715
91 to 180 days	281	12,668
Over 181 days	<u>41,847</u>	<u>16,233</u>
	<u>\$ 126,543</u>	<u>\$ 85,032</u>

The above ageing analysis was based on invoice date.

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

(a) As of December 31, 2014 and 2013, the Group's accounts receivable that were impaired amounted to \$717 and \$3,984, respectively.

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

	2014		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 3,984	\$ -	\$ 3,984
Provision for impairment loss	713	-	713
Unrecoverable amount that was offset	( 3,984 )	-	( 3,984 )
Foreign currency translation adjustments	<u>4</u>	<u>-</u>	<u>4</u>
At December 31	<u>\$ 717</u>	<u>\$ -</u>	<u>\$ 717</u>

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

D. The maximum exposure to credit risk at December 31, 2014 and 2013 was the carrying amount of each class of accounts receivable.

E. As of December 31, 2014, the Group had letters of credit amounting to RMB\$14,740 thousand and deposits received of RMB\$33,088 thousand (recorded as “Other current assets”).

(5) Inventories

	December 31, 2014		
	<u>Cost</u>	<u>Allowance for value decline and obsolescence</u>	<u>Book value</u>
Merchandise	\$ 1,689	( \$ 1,689 )	\$ -
Raw materials	104,442	( 66,738 )	37,704
Materials	506	( 11 )	495
Work in process	76,226	( 22,328 )	53,898
Semi-finished goods	14,200	( 255 )	13,945
Finished goods	<u>147,745</u>	<u>( 69,593 )</u>	<u>78,152</u>
Total	<u>\$ 344,808</u>	<u>( \$ 160,614 )</u>	<u>\$ 184,194</u>

	December 31, 2013		
	<u>Cost</u>	<u>Allowance for value decline and obsolescence</u>	<u>Book value</u>
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	<u>204,445</u>	<u>( 16,548 )</u>	<u>187,897</u>
Total	<u>\$ 405,915</u>	<u>( \$ 91,843 )</u>	<u>\$ 314,072</u>

The cost of inventories recognised as expense for the period:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Cost of goods sold	\$ 688,079	\$ 388,050
Loss in market value decline and obsolete and slow-moving inventories	68,742	73,145
Loss on scrapping inventory	16,901	17,355
Unallocated fixed overhead cost	42,121	62,999
Others	<u>6,042</u>	<u>5,272</u>
	<u>\$ 821,885</u>	<u>\$ 546,821</u>

The Company's subsidiary - Aleees Eco Ark Co., Ltd. has signed a buyback of inventory contract for after sale amounting to \$78,317 with the leasing company in 2014. Aleees Eco Ark Co., Ltd. must not sell, lease, lend or dispose the inventory. As of December 31, 2014, the total amount of notes issued by Aleees Eco Ark Co., Ltd. for buyback of inventory was \$74,429 (recorded as long-term borrowings). Details are provided in Note 6(13).

(6) Investments accounted for using equity method

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Emerald Battery Technologies Co., Ltd.	\$ 59,194	\$ 64,766
Empire Energy Co., Ltd.	<u>675</u>	<u>3,726</u>
	<u>\$ 59,869</u>	<u>\$ 68,492</u>

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

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/ (Loss)</u>	<u>% Interest held</u>
December 31, 2014					
Emerald Battery Technologies Co., Ltd.	<u>\$ 258,032</u>	<u>\$ 11,391</u>	<u>\$ 30,111</u>	<u>(\$ 30,308)</u>	<u>24.00%</u>
Empire Energy Co., Ltd.	<u>\$ 79,206</u>	<u>\$ 76,008</u>	<u>\$ 29,423</u>	<u>(\$ 14,451)</u>	<u>21.11%</u>
December 31, 2013					
Emerald Battery Technologies Co., Ltd.	<u>\$ 281,270</u>	<u>\$ 11,410</u>	<u>\$ 45,191</u>	<u>(\$ 34,389)</u>	<u>24.00%</u>
Empire Energy Co., Ltd.	<u>\$ 209,145</u>	<u>\$ 191,496</u>	<u>\$ 59,753</u>	<u>(\$ 4,295)</u>	<u>21.11%</u>

The Group recognised investment loss for investment in associates amounting to \$10,324 and \$8,450 for the years ended December 31, 2014 and 2013, respectively.

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2014</u>								
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)
	<u>\$ 147,910</u>	<u>\$ 76,117</u>	<u>\$ 389,092</u>	<u>\$ 64,861</u>	<u>\$ 16,595</u>	<u>\$ 37,784</u>	<u>\$ 234,602</u>	<u>\$ 966,961</u>
<u>2014</u>								
Opening net book amount	\$ 147,910	\$ 76,117	\$ 389,092	\$ 64,861	\$ 16,595	\$ 37,784	\$ 234,602	\$ 966,961
Additions	-	14,409	117,422	46,586	4,448	269,104	70,536	522,505
Disposals	-	-	( 33)	( 312)	( 173)	-	( 13,071)	( 13,589)
Reclassifications	-	-	17,100	430	-	( 33,756)	21,515	5,289
Depreciation charge	-	( 5,072)	( 79,649)	( 14,456)	( 7,287)	-	( 69,445)	( 175,909)
Net exchange differences	-	-	-	-	( 292)	-	296	4
Closing net book amount	<u>\$ 147,910</u>	<u>\$ 85,454</u>	<u>\$ 443,932</u>	<u>\$ 97,109</u>	<u>\$ 13,291</u>	<u>\$ 273,132</u>	<u>\$ 244,433</u>	<u>\$ 1,305,261</u>
<u>At December 31, 2014</u>								
Cost	\$ 147,910	\$ 122,958	\$ 729,773	\$ 156,150	\$ 43,514	\$ 273,132	\$ 406,494	\$ 1,879,931
Accumulated depreciation	-	( 37,504)	( 285,841)	( 59,041)	( 30,223)	-	( 162,061)	( 574,670)
	<u>\$ 147,910</u>	<u>\$ 85,454</u>	<u>\$ 443,932</u>	<u>\$ 97,109</u>	<u>\$ 13,291</u>	<u>\$ 273,132</u>	<u>\$ 244,433</u>	<u>\$ 1,305,261</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2013</u>								
Cost	\$ 147,910	\$ 99,045	\$ 476,099	\$ 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)
	<u>\$ 147,910</u>	<u>\$ 73,319</u>	<u>\$ 339,384</u>	<u>\$ 69,867</u>	<u>\$ 20,637</u>	<u>\$ 55,278</u>	<u>\$ 160,422</u>	<u>\$ 866,817</u>
<u>2013</u>								
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	<u>\$ 147,910</u>	<u>\$ 76,117</u>	<u>\$ 389,092</u>	<u>\$ 64,861</u>	<u>\$ 16,595</u>	<u>\$ 37,784</u>	<u>\$ 234,602</u>	<u>\$ 966,961</u>
<u>At December 31, 2013</u>								
Cost	\$ 147,910	\$ 108,549	\$ 595,338	\$ 110,787	\$ 40,513	\$ 37,784	\$ 325,187	\$ 1,366,068
Accumulated depreciation	-	( 34,432)	( 206,246)	( 45,926)	( 23,918)	-	( 90,585)	( 399,107)
	<u>\$ 147,910</u>	<u>\$ 76,117</u>	<u>\$ 389,092</u>	<u>\$ 64,861</u>	<u>\$ 16,595</u>	<u>\$ 37,783</u>	<u>\$ 234,602</u>	<u>\$ 966,961</u>

A. Amount of interest capitalised to property, plant and equipment were both \$0 for the years ended December 31, 2014 and 2013.

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.

(8) 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 recognised as 'intangible assets – licence fee' and is amortised over approximately 12 years; (2) royalty before the contract date, which was paid on July 14, 2011 and was recognised as 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 recognised royalty as expenses amounting to \$106,825 and \$80,557 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, unpaid royalty was \$39,190 and \$21,690, respectively.
- B. The Group signed a second revised license contract on August 26, 2013. The schedule for plant construction is extended for 12 months, which means the completion date for plant construction in Canada is extended from July 4, 2014 to July 4, 2015.
- C. The Group signed a third revised license contract on September 25, 2014. Except for revision of the amount of capital invested in, full-time employee and total investment, the original plan of building a cathode materials plant with annual production of 1,000 tons in Quebec, Canada has been changed to building a plant for cathode materials, battery cell, battery module or integrated system of trolley bus at the choice of the Company or subsidiaries.

	<u>License fees</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 302,314	\$ 31,880	\$ 334,194
Accumulated amortisation	( <u>65,658</u> )	( <u>24,399</u> )	( <u>90,057</u> )
	<u>\$ 236,656</u>	<u>\$ 7,481</u>	<u>\$ 244,137</u>
<u>2014</u>			
Opening net book amount	\$ 236,656	\$ 7,481	\$ 244,137
Additions	-	12,147	12,147
Amortisation charge	( <u>25,584</u> )	( <u>4,948</u> )	( <u>30,532</u> )
Closing net book amount	<u>\$ 211,072</u>	<u>\$ 14,680</u>	<u>\$ 225,752</u>
<u>At December 31, 2014</u>			
Cost	\$ 302,314	\$ 44,027	\$ 346,341
Accumulated amortisation	( <u>91,242</u> )	( <u>29,347</u> )	( <u>120,589</u> )
	<u>\$ 211,072</u>	<u>\$ 14,680</u>	<u>\$ 225,752</u>



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

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating costs	\$ 358	\$ -
Selling expenses	25,585	25,585
Administrative expenses	2,543	10,321
Research and development expenses	<u>2,046</u>	<u>-</u>
	<u>\$ 30,532</u>	<u>\$ 35,906</u>

(9) Other non-current assets

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Prepayment for equipment	\$ 17,775	\$ 20,646
Refundable deposits	15,330	11,519
Others	<u>1,103</u>	<u>4,219</u>
	<u>\$ 34,208</u>	<u>\$ 36,384</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank secured borrowings	\$ 133,776	1.59%~4.20%	See Note 8
Other short-term borrowings – notes receivable pledged	109,574	4.9%~6%	See Note 8
Other short-term borrowings – related party	<u>150,000</u>	3%	None
	<u>\$ 393,350</u>		

<u>Type of borrowings</u>	<u>December 31, 2013</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank secured borrowings	<u>\$ 91,194</u>	1.80%~2.48%	See Note 8

(11) Other payables

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Payables on equipment	\$ 57,953	\$ 27,159
Salary and bonus payables	27,012	32,419
Royalty payables	39,190	21,690
Expendable expenses	11,480	7,164
Others	<u>56,269</u>	<u>58,669</u>
	<u>\$ 191,904</u>	<u>\$ 147,101</u>

(12) Provisions

	<u>Provisions for sale returns and discounts</u>	<u>Warranty liabilities</u>	<u>Total</u>
At January 1, 2014	\$ 9,545	\$ 4,665	\$ 14,210
Accrued amounts	<u>3,732</u>	<u>-</u>	<u>3,732</u>
At December 31, 2014	<u>\$ 13,277</u>	<u>\$ 4,665</u>	<u>\$ 17,942</u>

	<u>Provisions for sale returns and discounts</u>	<u>Warranty liabilities</u>	<u>Total</u>
At January 1, 2013	\$ 20,515	\$ 2,695	\$ 23,210
Accrued amounts	-	2,510	2,510
Used during the period	-	( 540)	( 540)
Unused amounts reversed	<u>( 10,970)</u>	<u>-</u>	<u>( 10,970)</u>
At December 31, 2013	<u>\$ 9,545</u>	<u>\$ 4,665</u>	<u>\$ 14,210</u>

Analysis of total provisions:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Current	<u>\$ 13,277</u>	<u>\$ 9,545</u>
Non-current	<u>\$ 4,665</u>	<u>\$ 4,665</u>

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 recognised expenses in the period of sales for repair obligations within the warranty period or under certain conditions, according to appropriation of after-service cost for sales during the period.

### (13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2014
Mega International Commercial Bank secured borrowings	Feb. 10, 2014 ~ Jan. 10, 2019, repay interest and principal monthly	2.09%~ 2.10%	Land, buildings and equipment	\$ 246,359
Financing from Chailease Finance Co., Ltd. and HOTAI FINANCE CO., LTD	Nov. 24, 2014~Nov. 28, 2016, repay interest and principal monthly	3.66%~ 5.25%	Inventory and machinery and equipment	<u>76,528</u>
				322,887
Less: current portion				( <u>106,228</u> )
				<u>\$ 216,659</u>

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 and principal monthly	2.07%	Land and buildings	<u>\$ 58,009</u>
				58,009
Less: current portion				( <u>12,010</u> )
				<u>\$ 45,999</u>

A. During the period of the Mega International Commercial Bank borrowing, the Company shall maintain the following financial ratios and evaluate once annually based on the consolidated financial statements audited by independent accountants;

(a) Current ratio (current assets/current liabilities): above 100%

(b) Debt ratio (bank borrowings/net assets): below 50%

If any of the financial ratio fails to meet the requirement, starting from the date of evaluation and until the day prior to qualifying for the requirement again, the Company must pay reimbursement expense based on the balance of the principal at the annual rate of 0.125% quarterly.

B. Details of collaterals pledged for long-term borrowings are provided in Note 8.

C. The Group has the following undrawn borrowing facilities:

	December 31,	
	2014	2013
Floating rate:		
Expiring within one year	\$ 285,888	\$ 387,491
Expiring beyond one year	<u>-</u>	<u>300,000</u>

\$ 285,888      \$ 687,491

(14) Pensions

- A. Effective July 1, 2005, the Company's Taiwan subsidiaries - Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company's Mainland China subsidiary, Advanced Lithium Electrochemistry (China Shanghai) Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on 21% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2014 and 2013 were \$14,421 and \$8,126, respectively.

(15) Share-based payment

- A. For the years ended December 31, 2014 and 2013, the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
First time cash capital increase reserved for employee preemption in 2013	2013.6.6	1,500 thousand shares	N/A	Vested immediately
Second time cash capital increase reserved for employee preemption in 2013	2013.12.2	856 thousand shares	N/A	Vested immediately

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

	<u>Year ended December 31, 2014</u>		<u>Year ended December 31, 2013</u>	
	<u>No. of options (thousand shares)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options (thousand shares)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of the period	-	-	-	-
Options granted	-	-	2,356	41.82
Options exercised	-	-	( 1,376)	41.82
Options expired	-	-	( 980)	41.82
Options outstanding at end of the period	<u>-</u>	-	<u>-</u>	-
Options exercisable at end of the period	<u>-</u>	-	<u>-</u>	-

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 rice volatility	Expected option life (in years)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
First time cash capital increase reserved for employee preemption in 2013	102.6.6	\$ 37.52	\$ 40	27.62%	0.021	-	0.43%	\$ 0.034
Second time cash capital increase reserved for employee preemption in 2013	102.12.2	\$ 44.53	\$ 45	37.42%	0.008	-	0.87%	\$ 0.4006

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

	Years ended December 31,	
	2014	2013
Equity-settled	\$ -	\$ 343

(16) Share capital

A. As of December 31, 2014, 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:

	2014	2013
Outstanding at January 1	142,073,654	112,464,777
Cash capital increase	-	29,120,000
Buy back treasure shares	-	( 61,254 )
Transfer treasure shares to employees	-	550,131
Outstanding at December 31	<u>142,073,654</u>	<u>142,073,654</u>

B. The Board of Directors has resolved at their meeting on November 13, 2014 to increase capital by cash. The new share issuance was effective on February 6, 2015, with new shares amounting to 22,500 thousand shares with par value of NT\$32 (in dollars) and paid-in capital was \$720,000.

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 paid-in capital was NT\$635,400. 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. The Board of Directors has resolved at their meeting on September 25, 2014 to issue marketable securities through a private placement. The maximum number of shares is 16,000 thousand with par value of NT\$10 per share.

F. Treasury shares

(a) 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 retain 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.

(b) The Board of Directors has resolved to buyback treasury shares 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, 2013 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.

(c) The Board of Directors has resolved to buyback total treasury shares of 550,131 shares on September 16, 2013 for transfer to employees. The transfer price was US\$0.5 (or equivalent NTD amount). As of December 31, 2013, the accumulated amount of shares retrieved was 677,728 shares and amounted to \$8,802. The accumulated amount of shares retired was 127,597 shares and amounted to \$634. The amount of shares transferred to employees was 550,131 shares.

(d) The fair value of treasury shares transferred to employees is measured using the Black-Scholes option-pricing model.

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Treasury shares transferred to employees	102.9.16	\$ 16.30	\$ 15	24.40%	0.03	-	0.01%	\$ 1.43

(e) Compensation costs incurred on transfers of treasury shares to employees are shown below:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Equity-settled	<u>\$ -</u>	<u>\$ 786</u>

(17) Capital surplus

The Board of Directors exercises its authority accordingly when appropriating net income, for which provision is appropriated to be paid for contingencies and commitments, dividends, operations, investments or other purposes.

(18) Retained earnings (accumulated deficit)

A. Under the Company's Articles of Incorporation, the Company shall appropriate net income in accordance with the appropriation plan proposed by the Board of Directors and approved at the stockholders' meeting. The Board of Directors shall propose the appropriation of net income in conformity with the following:

- (a) 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 special 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 appropriation. The Company is at the early stage of industrial development, and enterprise life cycle is at the growing stage. In order to respond to future operating expansion plans, along with maintaining dividend balance and stockholders' return, the dividend policy is to appropriate through cash or new share issuance or through both or as bonus. The Board of

Directors is authorized to determine actual appropriation percentage in accordance with the Company's Articles of Incorporation and regulations governing public listed companies, and takes into consideration the financials, business and operations. However, dividend appropriation should not be less than 10% of the remaining profit and cash dividend should not be less than 10% of the total dividends.

- B. The deficit compensation of 2012 had been resolved at the shareholders' meeting on April 16, 2013. Details are summarized below.

	<u>Year ended December 31,</u>
	<u>2012</u>
Deficit offset by capital surplus	<u>\$ 223,044</u>

The deficit compensation of 2012 was in agreement with the amount proposed at the Board of directors' meeting on March 14, 2013.

- C. The Company had accumulated deficit for the years ended December 31, 2014 and 2013, thus, the Company did not recognise 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.

(19) Other equity items

	<u>Currency translation</u>
At January 1, 2014	\$ 1,673
Currency translation differences:	
–Group	( 2,186)
At December 31, 2014	<u>(\$ 513)</u>

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



(20) Other income

	Years ended December 31,	
	2014	2013
Interest income:		
Interest income from bank deposits	\$ 722	\$ 582
Subsidy income	6,480	-
Miscellaneous income	5,376	10,163
	<u>\$ 12,578</u>	<u>\$ 10,745</u>

(21) Other gains and losses

	Years ended December 31,	
	2014	2013
Net currency exchange gains	\$ 40,300	\$ 25,671
Losses on disposal of property, plant and equipment	( 10,944 )	( 245 )
Miscellaneous expenditures	( 4,253 )	( 25,973 )
	<u>\$ 25,103</u>	<u>( \$ 547 )</u>

(22) Finance costs

	Years ended December 31,	
	2014	2013
Interest expense:		
Bank borrowings	<u>\$ 13,041</u>	<u>\$ 4,778</u>

(23) Expenses by nature

	Years ended December 31,	
	2014	2013
Employee benefit expense	\$ 325,387	\$ 271,507
Depreciation charges on property, plant and equipment	175,909	147,980
Amortisation charges on intangible assets	30,532	35,906
	<u>\$ 531,828</u>	<u>\$ 455,393</u>

(24) Employee benefit expense

	Years ended December 31,	
	2014	2013
Wages and salaries	\$ 276,868	\$ 232,629
Employee stock options	-	1,129
Labour and health insurance fees	22,422	19,775
Pension costs	14,421	8,126
Other personnel expenses	11,676	9,848
	<u>\$ 325,387</u>	<u>\$ 271,507</u>

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2014	2013
Total current tax:		
Current tax on profits for the period	\$ 18,827	\$ -
Total current tax	<u>18,827</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	( 1,819 )	( 724 )
Loss carryforwards	( 17,008 )	724
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income are as follows: None.

(c) The income tax charged/ (credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2014	2013
Tax calculated based on profit before tax and statutory tax rate	\$ 18,827	\$ -
Temporary difference not recognised as deferred tax assets	( 6,337 )	-
Effect from changes in tax regulation	( 12,490 )	-
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

	Year ended December 31, 2014				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
-Deferred tax assets:					
Loss carryforwards	\$ 11,445	\$ 4,518	\$ -	\$ -	\$ 15,963
-Deferred tax liabilities:					
Unrealised exchange gain	\$ -	(\$ 4,518)	\$ -	\$ -	(\$ 4,518)
	<u>\$ 11,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,445</u>

	Year ended December 31, 2013				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
-Deferred tax assets:					
Loss carryforwards	\$ 12,169	(\$ 724)	\$ -	\$ -	\$ 11,445
-Deferred tax liabilities:					
Unrealised exchange gain	(\$ 724)	\$ 724	\$ -	\$ -	\$ -
	<u>\$ 11,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,445</u>

D. Expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows:

Year incurred	December 31, 2014			
	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Usable until
2007	\$ 85,372	\$ 40,139	\$ 6,824	2017
2008	107,746	107,746	18,317	2018
2009	79,794	79,794	13,565	2019
2010	70,096	70,096	11,916	2020
2011	160,195	160,195	27,233	2021
2012	269,195	269,195	45,763	2022
2013	291,799	291,799	33,643	2023
2014	<u>374,201</u>	<u>374,201</u>	<u>63,614</u>	2024
	<u>\$ 1,438,398</u>	<u>\$ 1,393,165</u>	<u>\$ 220,875</u>	

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

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

	December 31,	
	2014	2013
Deductible temporary differences	<u>\$ 34,667</u>	<u>\$ 19,605</u>

F. Advanced Lithium Electrochemistry Co., Ltd.'s and Aleees Eco Ark Co., Ltd.'s income tax returns through 2012 have both been assessed and approved by the Tax Authority.

(26) Losses per share

	Year ended December 31, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>563,110</u> )	<u>142,074</u>	(\$ <u>3.96</u> )
	Year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>408,358</u> )	<u>121,560</u>	(\$ <u>3.36</u> )

(27) Non-cash transactions

Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Purchase of fixed assets	\$ 522,505	\$ 157,602
Add: opening balance of payable on equipment	27,159	81,789
Less: ending balance of payable on equipment	( <u>57,953</u> )	( <u>27,159</u> )
Cash paid during the period	<u>\$ 491,711</u>	<u>\$ 212,232</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

None.

(2) Significant related party transactions and balances:

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Sales of goods:		
— Associates	<u>\$ 27,810</u>	<u>\$ 50,200</u>

The prices and terms for sales to associates are determined individually based on contracts and is not comparable to other counterparty.

B. Purchases of goods

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Purchases of goods:		
— Associates	<u>\$ 1,641</u>	<u>\$ 12,216</u>

Prices for related parties were the same as those 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 receivable

As of December 31, 2014 and 2013, the balance of accounts receivable from each related party did not reach 10% of the Group's accounts receivable. The accounts receivable from related parties, net, was \$20,440 and \$0, respectively.

D. Prepayments to related parties

	December 31,	
	2014	2013
Prepayments:		
– Associates	\$ <u>2,250</u>	\$ <u>10,965</u>

E. 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. and Ruentex Engineering & Construction Co., Ltd. to repair the 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. and Ruentex Engineering & Construction Co., Ltd. in the first quarter of 2014, and the contract amount is \$21,425 (not including VAT) and \$97,865 (not including VAT), respectively. The supplementary contract payment of \$182,308 (not including VAT) was signed due to design changes during construction in the third quarter of 2014. The total construction amount is \$301,598 (not including VAT) As of December 31, 2014; the amount of contracts paid amounted to \$263,671 (not including VAT) and were recognised as ‘construction in progress’.

F. Short-term borrowings

	Maximum balance for the period	Ending balance	Interest rate	Interest paid
Key management	\$ <u>200,000</u>	\$ <u>150,000</u>	<u>3%</u>	\$ <u>218</u>

The short-term borrowing started on November 24, 2014 and is available for 1 year from the date of borrowing.

G Payables – related parties

	December 31,	
	2014	2013
Accounts payable:		
– Associates	\$ <u>-</u>	\$ <u>10,965</u>
Other payables:		
– Associates	\$ 445	\$ -
– De facto related party	<u>5,825</u>	<u>-</u>
	<u>\$ 6,270</u>	<u>\$ -</u>

The payables to related parties mainly arise from purchases or processing. The payables do not bear interest.

H. Sales revenue received in advance (shown as “Other current liabilities”)

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Sales revenue received in advance:		
— Associates	\$ <u>37,671</u>	\$ <u>65,637</u>

I. Other transactions:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Processing fees		
— Associates	\$ <u>660</u>	\$ <u>10,786</u>
Repair expenses		
— Associates	\$ <u>2,427</u>	\$ <u>3,794</u>
Other expenses		
— Associates	\$ <u>2,620</u>	\$ <u>461</u>

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Salaries and other short-term employee benefits	\$ <u>31,363</u>	\$ <u>7,692</u>

8. PLEDGED ASSETS

The Group’s assets pledged as collateral were as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	
Bank deposits (shown as “Other current assets”)	35,441	37,775	Guarantee for banks’ credit lines, letters of credit and Guarantee for pledge at customs
Bank deposits (shown as “Other non-current assets”)	1,104		- Guarantee for lease
Notes receivable	180,016		- Short-term borrowings
Inventory	75,000		- Long-term borrowings
Property, plant and equipment	<u>305,808</u>	<u>309,317</u>	Long-term borrowings
	<u>\$ 549,463</u>	<u>\$ 347,092</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	December 31,	
	2014	2013
Property, plant and equipment	\$ 40,434	\$ 5,946

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

	December 31,	
	2014	2013
Within 1 year	\$ 41,928	\$ 31,568
2~5 years	121,465	98,847
Over 5 years	93,623	115,982
	<u>\$ 257,016</u>	<u>\$ 246,397</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On January 14, 2015, the Board of Directors has resolved the following:

- (a) The Company provides credit limit financing of US\$4,000,000 to the subsidiary-Aleees Eco Ark Co., Ltd.
- (b) The Company withdraws financing of \$300,000 to the subsidiary-Advanced Lithium Electrochemistry Co., Ltd. which was resolved at the Board of Directors' meeting on November 11, 2013.

B. On February 10, 2015, the Board of Directors has resolved the following:

- (a) The Company revised the investment amount to the subsidiary-Advanced Lithium Electrochemistry Co., Ltd. from \$810,000 to \$720,000 with operating results.
- (b) The Company will withdraw the financing credit US\$1,300,000, if the subsidiary-Advanced Lithium Electrochemistry Co., Ltd. pays off the Company before the due day of loans.



(c) The Company provides endorsement of \$50,000 for the subsidiary-Advanced lithium Electrochemistry Co., Ltd.

C. On March 23, 2015, the Board of Directors has resolved the following:

(a) The deficit offset by capital surplus amounting to \$925,919 had not been resolved at stockholders' meeting on March 23, 2015.

(b) The Company will join the subsidiary's-Aleees Eco Ark (Cayman) Co., Ltd. capital increase by cash amounting to US\$8,000,000.

(c) The Company will indirectly join the subsidiary's-Aleees Eco Ark Co., Ltd. capital increase by cash amounting to \$240,000.

(d) The Company will join the subsidiary's-Advanced Lithium Electrochemistry (HK) Co., Ltd. capital increase by cash amounting to US\$3,000,000.

(e) The Company will indirectly join the subsidiary's-Advanced Lithium Electrochemistry (China Shanghai) Ltd. capital increase by cash amounting to US\$3,000,000.

(f) The Company will withdraw financing credit of US\$1,500,000, if the subsidiary-Advanced Lithium Electrochemistry Co., Ltd. pays off the Company before the due day of loans.

(g) The subsidiary-Advanced Lithium Electrochemistry Co., Ltd. provides credit limit for financing of US\$2,000,000 to the subsidiary-Aleees Eco Ark Co., Ltd.

## 12. Others

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio that are not to exceed 40% for the need of long-term stable capital resource, taking into account that the Group is within an emerging industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2014 and 2013 were as follows:

	December 31,	
	2014	2013
Total borrowings	\$ 716,237	\$ 149,203
Less: cash and cash equivalents	( 369,113 )	( 821,767 )
Net debt	347,124	( 672,564 )
Total equity	1,694,335	2,260,719
Total capital	2,041,459	1,588,155
Debt to capital ratio	17%	-

(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 (shown as "Other non-current liabilities") 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 approved by the Board of Directors. 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 and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group expected that currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				December 31, 2014			
				Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD: NTD	\$	22,152	31.65	\$	701,111	
	RMB: NTD		89,298	5.092		454,705	
<u>Non-monetary items</u>							
	RMB: NTD		2,328	5.092		11,855	
	CAD: NTD		451	27.27		12,291	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD: NTD	\$	21,587	31.65	\$	683,229	
<u>Non-monetary items</u>							
	RMB: NTD		20,076	5.092		102,228	
				December 31, 2013			
				Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD: NTD	\$	45,697	29.805	\$	1,361,999	
<u>Non-monetary items: None</u>							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD: NTD	\$	26,488	29.805	\$	789,475	
<u>Non-monetary items</u>							
	RMB: NTD		4,507	4.919		22,168	

Year ended December 31, 2014			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 7,088	\$ -
RMB: NTD	1%	4,547	-
<u>Non-monetary items</u>			
RMB: NTD	1%	-	\$ 119
CAD: NTD	1%	-	123
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	(\$ 6,832)	\$ -
<u>Non-monetary items</u>			
RMB: NTD	1%	-	( 1,022)

Year ended December 31, 2013			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 13,620	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	(\$ 7,895)	\$ -
<u>Non-monetary items</u>			
RMB: NTD	1%	-	( 222)

### 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, 2014 and 2013, the Group's borrowings at variable rate were denominated in NTD, USD and RMB.

ii. At December 31, 2014 and 2013, if interest rates on NTD-denominated, USD-denominated and RMB-denominated borrowings had been 0.25% higher with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have been \$1,142 and \$373 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk includes outstanding receivables.
- ii. No credit limits were exceeded during the reporting periods.
- 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 asset in Note 6.

(c) Liquidity risk

- i. Cash flow forecasting is performed and aggregated by Group treasury. Group treasury monitors rolling forecasts of the operating entities' liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. The 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.

<u>Non-derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>Over 1 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
<u>December 31, 2014</u>				
Short-term borrowings	\$ 393,350	\$ -	\$ -	\$ -
Notes payable	13,998	-	-	-
Accounts payable	87,367	-	-	-
Other payables	164,892	-	-	-
Long-term borrowings (including current portion)	107,491	93,496	136,301	-

<u>Non-derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>Over 1 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
<u>December 31, 2013</u>				
Short-term borrowings	\$ 91,194	\$ -	\$ -	\$ -
Notes payable	24,187	-	-	-
Accounts payable	82,836	-	-	-
Other payables	114,682	-	-	-
Long-term borrowings (including current portion)	29,656	81,604	-	-

(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 were translated using the average rates of USD: NTD = 1: 30.304917 and USD: NTD = 1: 31.65 for the year ended December 31, 2014 and as of December 31, 2014, 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, 2014	Balance at December 31, 2014 (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	\$ 174,075	\$ 47,475	47,475	-	Short-term financing	\$ -	Working capital financing	\$ -	None	\$ -	\$ 677,734	\$677,734	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivables - related parties	Y	443,100	205,725	205,725	-	Short-term financing	-	Working capital financing	-	None	-	\$ 677,734	\$677,734	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivable – related parties	Y	330,675	300,675	300,675	-	Short-term financing	-	Working capital financing	-	None	-	\$ 379,344	\$379,344	

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 instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

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 as of December 31, 2014	Outstanding endorsement/ guarantee amount at December 31, 2014	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	\$ 677,734	\$ 493,000	\$ 493,000	\$ 493,000	-	29%	\$ 677,734	Y	N	N	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	4	677,734	120,000	120,000	120,000	-	7%	677,734	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	2	169,434	63,300	-	-	-	4%	169,434	N	Y	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Canada Corporation Inc.	3	169,434	3,000	3,000	3,000	-	-	169,434	N	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	3	169,434	45,000	45,000	45,000	-	3%	169,434	N	N	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 independent 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 period

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2014				Footnote
				Number of shares	Book value	Ownership%	Fair value	
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:

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2014		Addition		Disposal				Balance as at December 31, 2014		Footnote
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Investee accounted for using equity method	N/A	N/A	24,700,000	\$313,645	10,500,000	\$450,000	\$ -	\$ -	\$ -	\$ -	\$35,200,000	\$291,672	Note

Note: Gain (loss) on investments and cumulative translation adjustment are included.

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:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Transaction terms	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	An affiliate	Sales	\$ 599,090	74%	120 days from the first day of the month following the month of purchase	Note	Note	\$ 440,764	80%	

Note: Transaction terms are determined based on mutual agreements and are approximately the same as terms for third parties. Collection term for third parties is either advance collection or no longer than 180 days from the first day of the month following the month of purchase, and collection term for related parties is approximately 120 days from the first day of the month following the month of purchase.

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, 2014 (Note 1)	Annual 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) Ltd.	An affiliate	\$440,764	1.62	\$ -	Collect after the balance sheet date	\$ 107,122	\$ -

I. Derivative financial instruments undertaken during the year ended December 31, 2014: None.

J. Significant inter-company transactions during the year ended December 31, 2014:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	1	Other receivables	\$ 13,373	In accordance with license reauthorization contract	-
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	1	Other receivables	47,475	Note 4	2%
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	1	Other receivables	205,725	Note 4	8%
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	3	Other receivables	10,687	Collection term is 120 days from the first day of the month following the month of sales.	-
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	3	Other receivables	300,675	Note 4	11%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Sales	599,090	Collection term is 120 days from the first day of the month following the month of sales.	69%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Accounts receivable	440,764	Collection term is 120 days from the first day of the month following the month of sales.	16%
2	Aleees Eco Ark Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Accounts receivable	2,832	Collection term is 120 days from the first day of the month following the month of sales.	-
3	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Aleees Eco Ark (Ningbo) Ltd.	3	Other receivables	14,252	Collection term is 120 days from the first day of the month following the month of sales.	1%

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		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognized by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
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	\$ 1,677,000	83,699,000	99.99	\$ 945,345	\$ 110,361	\$ 110,359	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investment	168,376	48,883	5,530,000	100	( 101,746)	( 194,151 )	( 194,151 )	Subsidiary (Note)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Emerald Battery Technologies Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	60,000	60,000	6,000,000	24	59,194	( 30,308 )	( 7,274 )	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	675	( 14,451 )	( 3,050 )	Equity method
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Cayman Islands	Various types of investment	1,178,122	974,947	38,950,000	100	321,454	( 472,354 )	( 472,354 )	Subsidiary
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	1,470,000	697,000	35,200,000	100	291,672	( 471,973 )	( 471,973 )	Indirect subsidiary
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark (HK) Co., Ltd.	Hong Kong	Various types of investment	12,101	-	400,000	100	12,602	130	130	Indirect subsidiary
Aleees Eco Ark (HK) Co., Ltd.	Aleees Eco Ark Canada Co., Inc.	Canada	Manufacturing of cathode material, battery cell, cell module or integration of trolley bus system	11,802	-	390,000	100	12,291	118	118	Indirect subsidiary

Note: Unrealised gain on sidestream intercompany transaction of \$10,633 was included.

(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, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee as of December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2014 (Note 2)	Book value of investment in Mainland China as of December 31, 2014	Accumulated amount of investment remitted back to Taiwan as of December 31, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	\$ 169,040	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	\$ -	\$ -	\$ -	\$ -	(\$ 196,456)	100	(\$ 196,456)	(\$ 102,228)	\$ -	
Aleees Eco Ark (Ningbo) Ltd.	Wholesale of battery and trolley bus	14,851	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	-	-	-	-	( 3,729)	100	( 3,729)	11,855	-	

Company name(Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	\$ -	\$ -	\$ -
Aleees Eco Ark (Ningbo) Ltd.	-	-	-

Note 1: The investment in the investee companies are remitted by the parent company – Advanced Lithium Electrochemistry (Cayman) Co., Ltd. through investing in an existing company in the third area, 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 independent 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, judgments, 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, 2014

	<u>Battery powders</u>	<u>Electric buses</u>	<u>Battery</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Inter-segment revenue - external customers	<u>\$ 826,548</u>	<u>\$ 38,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864,823</u>
Total segment revenue	<u>(\$ 97,749)</u>	<u>(\$ 349,066)</u>	<u>(\$ 119,809)</u>	<u>(\$ 10,801)</u>	<u>\$ -</u>	<u>(\$ 577,425)</u>

For the year ended December 31, 2013

	<u>Battery powders</u>	<u>Electric buses</u>	<u>Battery</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Inter-segment revenue - external customers	<u>\$ 511,044</u>	<u>\$ 66,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,069</u>
Total segment revenue	<u>(\$ 155,333)</u>	<u>(\$ 204,437)</u>	<u>(\$ 35,000)</u>	<u>(\$ 10,560)</u>	<u>\$ -</u>	<u>(\$ 405,330)</u>

(4) Reconciliation for segment income (loss): None.

(5) Information on products and services

Revenue from external customers is mainly from sales of Lithium Iron Phosphate Nano Co-crystalline Olivine (LEP-NCO) and key materials of Olivine-type structure lithium battery, electrical vehicle charging and battery swapping services, and manufacturing and sales of electrical vehicle.

Details of revenue balance are as follows:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Battery powder	\$ 826,548	\$ 511,044
Trolley bus	<u>38,275</u>	<u>66,025</u>
	<u>\$ 864,823</u>	<u>\$ 577,069</u>

(6) Geographical information

Geographical information for the years ended December 31, 2014 and 2013 is as follows:

	<u>Year ended December 31, 2014</u>		<u>Year ended December 31, 2013</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
China	\$ 820,575	\$ 44,676	\$ 496,598	\$ 28,002
Taiwan	38,362	1,294,143	66,478	971,305
United Kingdom	-	211,072	-	236,656
Others	<u>5,886</u>	<u>-</u>	<u>13,993</u>	<u>-</u>
	<u>\$ 864,823</u>	<u>\$ 1,549,891</u>	<u>\$ 577,069</u>	<u>\$ 1,235,963</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2014 and 2013 is as follows:

	<u>Year ended December 31, 2014</u>		<u>Year ended December 31, 2013</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
B	\$ 259,475	Battery powder	\$ 150,934	Battery powder
C	264,469	Battery powder	41,021	Battery powder
A	162,717	Battery powder	38,518	Battery powder