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I. Letter to the Shareholders

1. 2018 Business Report

1. Operating Principle, Overview and Results of the Implementation of Business Plan

2018 was a tough year for the LFP battery cathode materials industry, which has been laid out long term on the Chinese market. The impact of the direction of experiments with subsidies to switch to alternative fuel vehicles and the gradual stepping back of the subsidy policies in Mainland China has caused the power battery industry to enter a period of market transition. The brutal state of industry competition has begun to show, causing the power battery industry to face serious capital chain ruptures and supply chains that are quickly falling into a bubble dilemma. Although our company has made efforts to maintain LFP battery cathode materials operations in Mainland China, because of the impact of the unfavorable conditions of the Chinese market described above, our company can only conservatively respond to issues and adopt a steady sales strategy to effectively control for operational risks and guarantee the safety of the Company's cash inflow. The credit policy was adjusted for Chinese customers to secure open account transactions or ship upon payment, making the 2018 consolidated operating revenue 150,695 thousand New Taiwan Dollars (NTD), a significant decrease of 79.87% from 2017.

During the period of operational downturn in 2018, our company actively engaged in resource integration and saved operating costs to stop losses, in addition to reorganizing projects that made little contribution to the firm. At the end of 2018, we also closed our electric bus company, hoping that in the future, the Company can focus on developing cathode materials for LFP batteries, completing the expansion of new businesses and welcoming new operating momentum without pressure from the burdens we faced last year.

2018 was also an important year for our company in terms of operating and management. Our company has been deeply involved in the LFP battery cathode materials industry for over ten years now, accumulating several years of innovations in research and technology. We produce high-quality, cost-effective and long-lasting cathode materials for LFP batteries with our unique patented technology. To get past the restrictions of the subsidy policy of the Chinese government, our company is using our own patented technology and development resources to adjust our operating strategies and principles and actively expand to markets in Europe, America, Japan and Korea. We will competitively enter the markets for global battery storage and replacing lithium iron batteries in lead-acid vehicles. Currently, the path to success is clear and we are expected to set off soon. This year was a transitional preparation period for us, and next year the growth of our business and the stabilization of big international clients will pave the foundation for our success.

Looking forward to the future, realizing the expansion of the niche market for LFP battery cathode materials and receiving stable and consistent orders from clients will make the benefits of the Company's transformation more and more obvious to everyone's eyes. Our company will continue to work hard, as we have done in the past, hoping to create a more favorable business environment, improve operational efficiency and create corporate value to give back to all the shareholders, investors and employees for their long-term support.

2. Financial income and expenses and profitability analysis

			Unit: NT$ thousand
	Item	2018	2017
Financial Income and Expenses	Operating revenues	150,695	748,482
	Gross Operating Profit	(188,265)	137,290
	Net Operating Profit	(1,107,505)	(208,336)
Profitability	Gross Profit %	-125%	18%
	Net Profit %	-735%	-28%

Note: Prepared according to IFRS.

Impacted by the cautious attitude of the Mainland Chinese government toward the alternative energy vehicle subsidy policy, our company has adopted a stable sales strategy in response, causing the consolidated operating revenue of 2018 to drop by 79.87% from 2017. In turn, our company suffered a loss in gross profits because of an insufficient capacity utilization rate. This caused losses in terms of consolidated gross profits to increase by 326 million NTD from 2017. In addition, in 2018, due to the recent adoption of IFRS 9, provisions for financial assets were increased in expectation of credit impairment losses. As the performance of FDG Electric Vehicles Limited (HK 729) was simultaneously affected by the strict subsidy policy of Mainland China, the fair value of our company's investment in convertible bonds issued by FDG continued to fall and the impairment loss of financial assets was assessed. Furthermore, we consolidated projects that yielded very low contribution to reduce future burdens in operations and we made provisions for the impairment losses of the electric bus company's business assets. This resulted in an increase in asset impairment losses of approximately 587 million NTD in 2018. These impairment losses did not have actual cash outflows and did not affect the Company's cash flow. In summary, the overall operating performance of 2018 was significantly lower than that of the previous year, resulting in post-tax consolidated losses of approximately 431.60% more than the losses of 2017.

3. Status of Research and Development

i. Actively invest in the R&D of cathode materials for LFP batteries and ternary batteries.

ii. Continue to enhance the functionalities of existing products so as to continually increase product competitiveness in the market.
iii. Continue to develop new granule designs and cathode post-processing techniques to meet the needs of different customers.
iv. Actively seek to work with research institutes in Taiwan and overseas to engage in joint development projects to increase batteries' cycle life.

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

In the past, we relied on the development of Mainland China's alternative energy vehicle market to grow stronger. So far, we have accumulated more than ten years of tangible results, and in the past year, our company has actively and successfully expanded overseas markets beyond the Mainland Chinese market. We have made significant achievements and established important foundations in the market for our new products. Because of the developmental trends of the alternative energy market along with our products and technological advantages, our company maintains an optimistic attitude and high hopes toward future developments.

Mainland China is not only the largest electric car market in the world, but is also the world's largest investor and advocate in the field. Although its subsidy policy will terminate in 2020, the alternative energy vehicle dual-point system will become an important factor in China's accelerated development of electric vehicles, encouraging enterprises to actively produce alternative energy vehicles in much larger amounts. This will allow the first movers with the right technology to have a foothold in the market. Therefore, enterprises will focus more on product safety, demand longer-lasting cathodes and put more emphasis on brand and market reputation. Our company, with our product advantage and strong reputation that we have accumulated in the past, looks forward to new opportunities in the Chinese market and will continue to build upon the developments we have already started in the Chinese alternative energy vehicle market.

This year, we will begin selling batteries for energy storage for household use and LFP battery cathodes that are needed in the production of replaceable lithium iron batteries for lead-acid vehicles to well-known enterprises overseas. We will work cooperatively to enter the market for household energy storage and take practical actions to expand our services of replaceable lithium iron batteries for lead-acid vehicles to gradually realize the new momentum of expanding growth in operations that will come with the Company's transformation and make developments in new high margin businesses. We look forward to bringing the Company higher profit product portfolios in addition to long-lasting relationships with our partners. In addition, utilizing the product development experience and strong reputation that we have accumulated from the past to cooperate with well-known overseas enterprises to enter the markets for household use batteries for energy storage and replaceable lithium iron batteries for lead-acid vehicles plays a beneficial and key role in reinforcing the leadership status of the Company in terms of production, customer satisfaction toward our products and enticing collaboration from more European, American, Japanese and Korean factories. Furthermore, transferring LFP battery cathode products to the markets for household use batteries for energy storage and replaceable lithium iron batteries for lead-acid vehicles, which do not require reliance on government subsidies, not only can increase profits, but can also guarantee the stability of cash inflows because of improved terms of payment.

Our company has always been known in the industry for having the longest battery life and highest quality products in the world. From here on, fully focusing on developing lithium battery materials business, fully utilizing the professional experience accumulated over the past 10+ years, expanding man power and machine power in R&D, accelerating investment in long-lasting battery materials developed from cathode materials for LFP batteries and ternary batteries, and utilizing advanced granule designs and cathode post-processing techniques will increase production yield and decrease production costs, reinforce our products' competitiveness on the world market, continue to expand our products' market share, and actively introduce a new era of process technology and equipment. This will make the cathode materials we produce have higher purity, less impurities, and improved processability, satisfying clients with needs for high-end products.

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

Faced with the issues of global climate change and environmental pollution that are only getting more serious by the day, the whole world aiming to reduce carbon emissions, and new advances in alternative energy technologies, all countries around the globe will continue to support and push for formulating and developing policies for alternative energy. I believe that related upstream and downstream industries and various products will be developed by enterprises.

Car-sharing, self-driving cars and alternative energy vehicles will transform the automobile industry with changes in technology, regulations and manufacturing costs. According to a study by the Boston Consulting Group (BCG), hybrid vehicles and electric vehicles will gradually grow. They estimate that by 2025, their growth will accelerate due to policy and regulations in addition to increases in consumer demand. BCG also predicts that by 2030, alternative energy vehicles will make up 48% of the world market for new cars.

As global energy consumption and renewable energy ratio continue to rise, energy storage systems have become the new treasure of the industry. There are unlimited business opportunities in the energy storage industry. In Markets and Markets new forecast report, the global battery storage market will grow by an annual compound growth rate of 33.9%, increasing from 1.98 billion USD in 2018 to 8.54 billion USD by 2023. What's more, the growth rate in Asian-Pacific countries is highest.

In addition, due to the strengthening of environmental regulations in the European Union, the development of automobile suppliers is only applicable to the idle start-stop systems of micro hybrid vehicles. Because lithium batteries have better instantaneous charging efficiency, longer shallow charge and discharge cycle life, and the advantage of having higher energy density and lower weight than most products. In addition to the gradual decrease in costs, these batteries have already begun entering the market for idle start-stop systems. The Industrial Economics and Knowledge Center (IEK) and the Taiwan Trend Research Center (TTR) estimate that lithium iron batteries are only a lead-acid battery market that replaces 10% of automotive start-up batteries every year. 40 thousand tons of lithium-iron cathode materials are required every year.

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

Chairman Sheng-Shih Chang

II. Company Profile

1. Date of Establishment and Company Introduction

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. was established as an investment holding company on November 16th, 2007. The organizational structure of the Company 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 R&D and sales of batteries, which all falls under the emerging industry of alternative energy technologies.

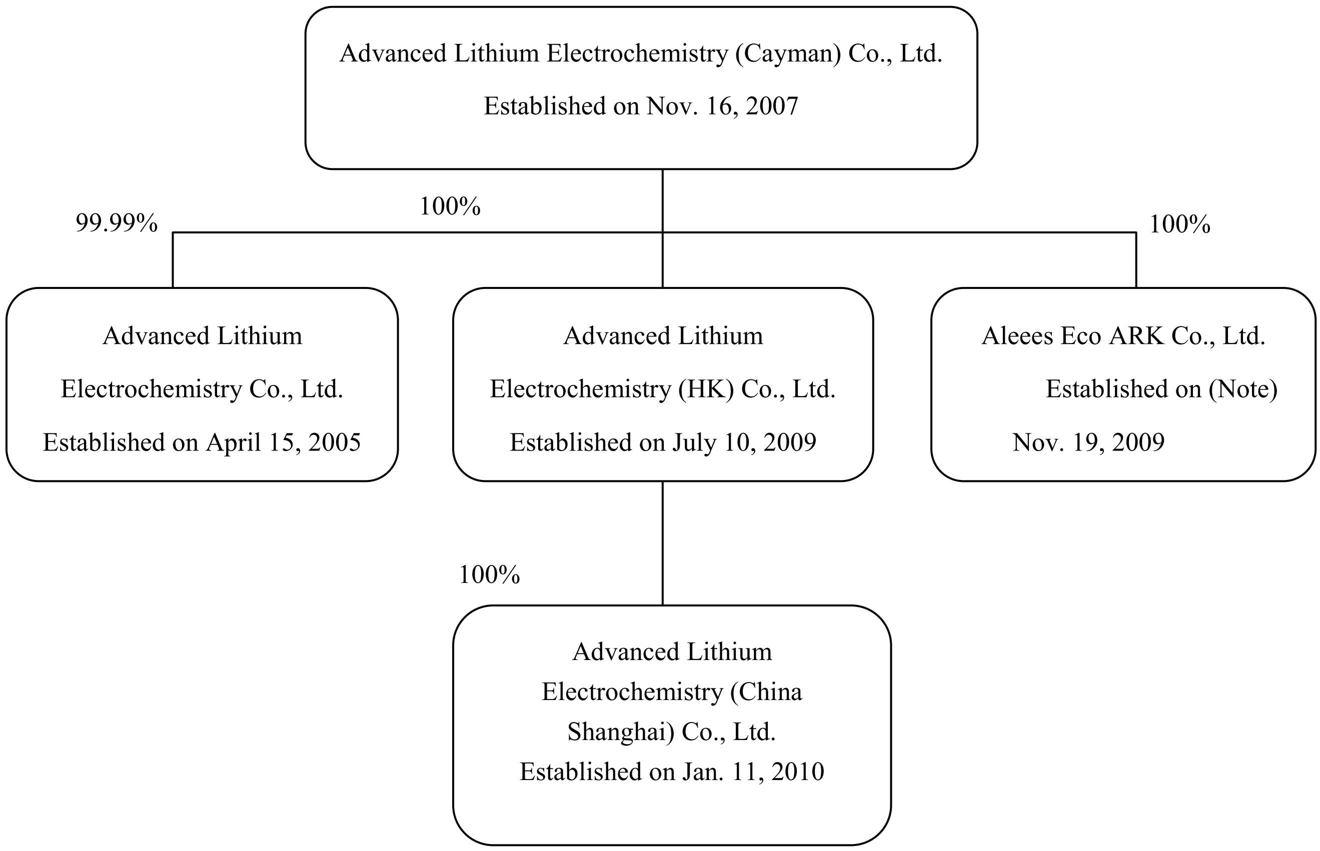
The Company started off with its foothold in Aleees (Taiwan), which was established on April 15th, 2005. Since its establishment, we have been relentlessly developing olivine-structured cathode materials, a critical driving force in the standing of lithium-ion batteries, and focusing our development on the goals of extending battery life and improving energy density. With our main business domain being the end-product application of electric cars and energy storage businesses, through our self-developed LFP Nano Cocrystalline Olivine (LFP-NCO) patent, substantial manufacturing capabilities, production experience and shipment track records, we have achieved a leading position in the global market of cathode materials for LFP batteries. In addition, with the subject on environmental issues gradually gaining the attention of various countries around the world, many governments are actively advocating for energy efficient polices to reduce carbon emissions. Different types of subsidies have been put forward to incentivize low carbon emissions and environmentally-friendly and green energy industries. As a multitude of policies is being put forward, the green energy and electric vehicle industries have started to have become potential points for massive growth. With our extensive experience in R&D and production accumulated over the years, and our understanding of and confidence in LFP lithium battery modules, we thus established Aleees Eco Ark (Taiwan) on November 19th, 2009, as our platform in the manufacturing, R&D and marketing of electric busses, batteries and charging/swap systems. In 2016, it conducted a strategic alliance with Hong Kong-listed company Wulong Group, focusing on the development of long-lasting batteries used in electric buses and the production and sales of lithium battery cathode materials in the Chinese market. Due to the difficulty in developing the electric bus business in the Taiwan market, Aleees Eco Ark (Taiwan) has suffered losses for a long time, and the company has adjusted its operating strategy and guidelines to actively expand into the global energy storage market and replace the lithium-ion battery for lead-acid vehicles. The results are clear, so in order to integrate the Group's resources and save operating costs, focus on the development of lithium battery materials business, the resolution was resolved at the end of 2018, Aleees Eco Ark (Taiwan), the company is currently in the process of liquidation.

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

(i) Cathode Powders Business

Company Name	Established Location	Operational Function
Aleees (Taiwan)	Taiwan	Production, R&D and sales & 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. Established battery laboratory, provides customers with technical support.

(ii) Group Structure



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

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

1. Headquarters

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.
Registered Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208 , Cayman Islands, British West Indies.
Main Operating Address: 5F., No. 86-5, Yiwen First Street, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-325-5207

2. Main Operating Location

Advanced Lithium Electrochemistry Co., Ltd.
Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-325-5207

Aleees Eco Ark Co., Ltd.
Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-325-5207

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

3. Investment Holding Subsidiaries

Advanced Lithium Electrochemistry (HK) Co., Ltd.
Address: Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong Tel: (886) 3-325-5207

2. Company Chronicle of Events

Date	Major Events
Apr 2005	Aleees Taiwan was established.
Oct 2006	Aleees Taiwan set up its first LFP production line in Taoyuan Taiwan.
May 2007	Aleees Taiwan passed its ISO9001:2000 quality certification.
Jun 2007	Aleees Taiwan completed its four worldwide LFP patent deployments in 8 countries and territories (Taiwan, Japan, the U.S., Canada, European Union (EU), Korea, Mainland China and India).
Jul 2007	Aleees Taiwan announced its $LiFePO_4$ •zM'O technology.
Nov 2007	The Company completed its establishment and registration.
Jan 2008	Aleees Taiwan passed its ISO14001:2004 quality certification.

Date	Major Events
Jan 2008	Aleees Taiwan announced the start of a 3-year cooperation plan on the study of base materials with NSRRC Taiwan.
Jul 2008	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. was established
Nov 2008	Aleees Taiwan formally starts the mass production of LFP-NCO.
Nov 2009	Aleees Eco Ark (Taiwan) was established.
Jan 2010	Aleees SH was established.
May 2010	Aleees Taiwan set up its precision instruments lab.
May 2010	Aleees Taiwan presented its research results on neutron diffraction.
Dec 2010	Aleees Eco Ark (Taiwan) produced its first pure electric-powered low-floor battery swappable bus.
Feb 2011	Aleees Taiwan began phase two of its 3-year cooperation plan on study of base materials with NSRRC Taiwan.
May 2011	Aleees Taiwan set up the Electric Vehicle Demonstration Alliance.
Jul 2011	The group obtained licensing for 85 patents from $LiFePO_4$+C Licensing AG, including the "Good enough" patent and "Carbon-coating" patent.
Aug 2011	Aleees Taiwan passed the TTQS training quality evaluation conducted by the Workplace Development Agency of the Council of Labor Affairs, Executive Yuan.
Sep 2011	Aleees Eco Ark (Taiwan) completed the development of the E-bus battery module.
Oct 2011	Aleees Taiwan received invitation from Boston in the U.S., to give a keynote speech in the 220th ECS Meeting.
Dec 2011	Aleees Eco Ark (Taiwan) received the proof of vehicle safety certification from VSCC for its pure electric-powered low-floor battery swappable bus.
Jan 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Taoyuan City.
Feb 2012	Aleees Taiwan passed the OHSAS18001:2007 certification (Occupational Safety and Hygiene Management System).
Mar 2012	Aleees Taiwan passed the TS16949:2009 certification (Automotive Supplier Quality Management System).
Jun 2012	Aleees Eco Ark (Taiwan) signed the Electric Bus Procurement Agreement with Hsinchu Bus Co.
Aug 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Zhongli City.
Oct 2012	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. completed the cancellation of its registration
Oct 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Taipei City.
Oct 2012	The group joined as a member of the "Taiwan Electric Bus Cross-Industry Alliance".
Nov 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Kinmen County.
Dec 2012	Aleees Taiwan received an award at the 6th Taoyuan County Corporate Excellence Awards for "Excellence in Green Energy".
Dec 2012	Aleees Taiwan received an award at the 2012 EPA, Executive Yuan Award Ceremony for "Excellence in Taking Actions for Low Carbon Emissions".

Date	Major Events
Mar 2013	Aleees Eco Ark (Taiwan) received proof of vehicle safety certification from VSCC for its pure electric-powered low-floor battery swappable large-sized buses.
Aug 2013	Aleees Taiwan received the “Outstanding Corporation Award” at the 10th National Quality Awards; while Aleees Eco Ark (Taiwan) received the “Best Green Energy Transportation System” in the award category of “Best Product Categories”.
Dec 2013	Aleees Taiwan passed the audit of the Industrial Development Bureau, MOEA, in “Determination of Conformance as a Green Mark Factory in the Hygienic Production Evaluation System”.
Dec 2013	First share listing of the Company on GTSM.
Jan 2014	The Aleees Group held the “Arts and Fun Fest with You” event to give back to local low income residents through the donation of household resources and care for the underprivileged. We led our employees to engage in volunteer work and take the lead to spread our remarkable corporate culture.
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with CHTC Bonluck Bus Co., Ltd. in Nanchang, Jiangxi Province, China.
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with Yuyao City People’s Government in Zhejiang Province, China.
Mar 2014	Aleees Eco Ark (Taiwan) reaches the one-million-mile mark for its pure electric-powered low-floor battery swappable buses in Taiwan.
Apr 2014	The Aleees Group set up the Bade Research Center.
Apr 2014	In response to International Earth Day, our pure electric-powered low-floor battery swappable buses were put on display for the first time at the Lady Run Charity Run and the “Electric Bus Low Carbon Rest Area” was set up.
May 2014	Aleees Taiwan was invited to participate in the “LFP Batteries Recycled Use League” to manufacture secondary storage use of vehicular batteries.
June 2014	The vehicular batteries manufactured by Aleees Taiwan were on official display in Kinmen and adopted to team up with the National Chung-Shan Institute of Science & Technology to jointly promote the “Community Oriented Recycled Energy Storage Systems”.
June 2014	The Aleees Group participated in the 11^{th} International Battery Tech Expo, believed to be the world’s top scale exhibition of its like, to display the highest-level specification cathode materials for LFP batteries, applicable to electric buses and integrated usage in other regions (including energy storage).
July 2014	The low floor pure electric buses manufactured by Aleees Eco Ark (Taiwan) were put into commercial run in Hualien County in eastern Taiwan, to create a brand-new backyard for the Company in Taiwan.
July 2014	The Aleees Group sponsored the “Cross-Strait Green Industry Forum 2014”.
July 2014	The Aleees Group teamed up with Longhua Automobile Co., Ltd.—the largest vehicle manufacturer in Heilongjiang, China and signed the Letter of Intent to deploy in China’s electric bus market.
Aug 2014	The Aleees Group officially set up the Corporate Social Responsibility Committee.

Date	Major Events
Aug 2014	Aleees Taiwan signed the Memorandum of Understanding with Japanese counterpart Sony for a joint venture in the manufacturing of lithium batteries as the world's most advanced production base for lithium batteries.
Aug 2014	The Aleees Group set up Aleees Eco ARK (Ningbo) in Yuyao, Zhejiang, China to officially land in Chinese markets.
Sep 2014	Aleees Eco Ark Canada was officially incorporated.
Nov 2014	Aleees Eco Ark (Taiwan) was invited to co-sponsor the Contemporary Engineering Tech Symposium XXV and to sponsor a sub-project about the Trends of Sustainable Green Development to promote low carbon and energy conservation deployment for the entire world.
Nov 2014	Pure electric-powered low-floor battery swappable buses manufactured by Aleees Eco Ark (Taiwan) start to serve Taroko National Park, as the first line of low carbon green energy buses to serve a national park in Taiwan.
Nov 2014	The Aleees Group was conferred upon the double honors of "Sustainable Development Report Award among the Top 50 in Taiwan", and the "Innovative Growth Award".
Dec 2014	As officially promulgated by the Industry & Information Ministry, People's Republic of China through Announcement No. 82 [2014], the pure electric buses manufactured by Aleees through a joint venture with CHTC Bonluck Bus Co., Ltd. in Jiangxi, China were officially licensed in China and were approved to be marketed in the entire Chinese market.
May 2015	The Aleees Group was ranked among the top 5% among all companies listed on the Taipei Stock Exchange in Session One.
Nov 2015	The Aleees Group was awarded with the ISO50001 certification for efficient management of energy usage in the whole factory.
Nov 2015	The Aleees Group, for the second time, was conferred upon the honor of "Sustainable Development Report Award among Top 50 in Taiwan".
Apr 2016	The Aleees Group was awarded the distinction of being ranked among the top 5% among all enterprises listed on TSEC/TPEX in Session Two.
Apr 2016	The Aleees Group signed the strategic alliance and capital-related cooperation agreement with FDG Electric Vehicles Limited and FDG Kinetic Limited.
Apr 2016	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the second consecutive year.
Jun 2016	The Aleees Group received the Green Leadership Award-Asia Responsible Entrepreneurship Awards 2016.
Nov 2016	The Aleees Group received the gold medal among the Top 50 Corporate Sustainability Reports in Taiwan for three years running.
Nov 2016	The Aleees Group, FDG Kinetic Limited and the District Administration Commission of Gui'an New District, Guizhou Province, China, signed a cooperative framework agreement.
Dec 2016	Aleees Taiwan's cumulative shipments exceeded 10,000 metric tons.
Apr 2017	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the third consecutive year.
Apr 2018	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the fourth consecutive year.

Date	Major Events
Dec 2018	Through resolution at the Twentieth Meeting of the Seventh Session of the Board of Directors, Aleees Eco Ark (Taiwan) was dissolved and is currently undergoing liquidation

3. Risk Matters

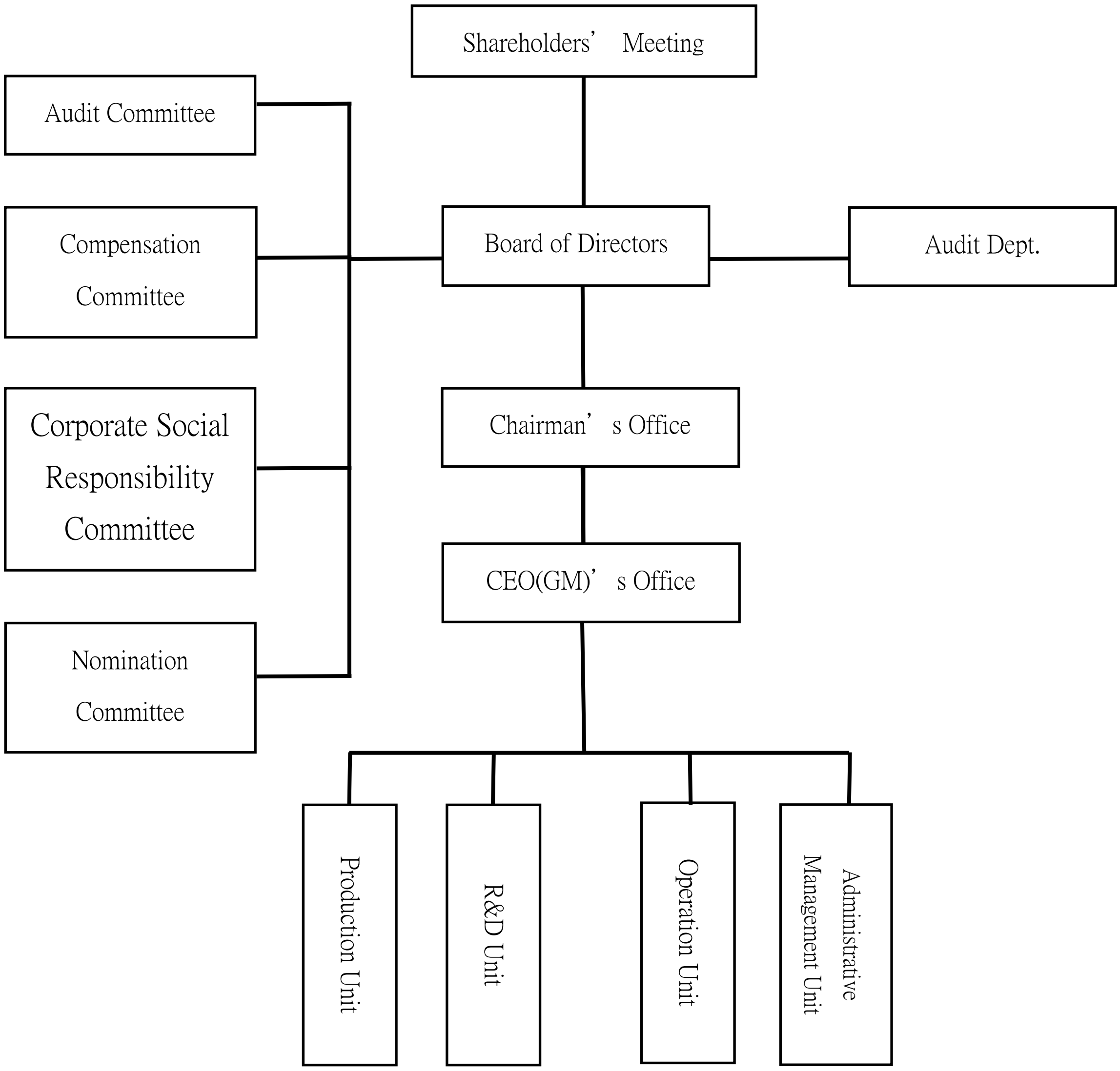
Please refer to the current year annual report from page 103 to page 115.

III. Company Governance Report

1. Management System:

As of Dec. 31, 2018

1. Company Organization Chart



(ii) Main operations of the respective departments:

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

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

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

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

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

As of Feb. 12, 2019; Units: Shares, %

Title	Nationality	Name	Sex	Date on Board for the First Time	Date on Board	Term	Shareholdings on Board		Current Shareholdings		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in this Company and Other Companies	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		
							Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate			Title	Name	Rela-tion
Chairman cum CEO	ROC	Sheng-Shih Chang	Male	2009/02/10	2017/06/16	3	1,749,661	0.83%	1,170,661	0.56%	-	-	-	-	• Juris Doctorate, National Taiwan Normal University • Juris Master, National Taiwan Normal University • Asst. Professor, China University of Science and Technology, • General Manager of Neso Technology Limited in Greater China, Pou Chen Group	Note 1	—	—	—
Director	Australia	Jaime Che	Male	2016/11/23	2017/06/16	3	-	-	-	-	-	-	-	-	• The Scots College • Investment and Business Manager, APAC Resources Limited (SEHK: 1104) • CEO/Chairman's Assistant and Investor Relations Manager, Shougang Fushan Resources Group Limited (SEHK: 0639)	Note 2	—	—	—
Director	HK, China	Chi-Kei Ching	Female	2016/11/23	2017/06/16	3	-	-	-	-	-	-	-	-	• MBA, Bradford University (UK) • Bachelor of Business Administration in Accountancy, Hong Kong Polytechnic University • ACCA, certified by the Association of Chartered Certified Accountants • Member of the Hong Kong Institute of Certified Public Accountants • Accounting Manager, FDG Electric Vehicles Limited	Note 3	—	—	—
Independent Director	ROC	Wei-Min Shen	Male	2011/06/27	2017/06/16	3	-	-	-	-	-	-	-	-	• Ph.D. in Accounting, Purdue University	Note 4	—	—	—

															• MS in Accounting, Northwestern University • MBA in Finance, University of Indiana • BA in Accounting, National Chengchi University • Dean of Research and Development Division, Office of Academic Affairs and Department of Public Finance and Taxation of National Taichung University of Science and Technology • Chair of the Department of Accounting, Associate Professor of Tunghai University • Independent Director of Feature Integration Technology Inc.				
Independent Director	ROC	Yie-Yun Chang	Female	2017/06/16	2017/06/16	3	-	-	-	-	-	-	-	-	• Doctor Juris, University of Munich (Germany) • Dean of the School of Law, Fu Jen Catholic University • Member of the Copyright Consultation and Review Committee of the Intellectual Property Office, MOEA • Associate Dean of Academic Affairs of the School of Law cum Chair of the Department of Financial and Economic Law, Fu Jen Catholic University • Member of the 6th Fair Trade Commission	Note 5	—	—	—
Independent Director	ROC	Hsuan Wang	Female	2017/06/16	2017/06/16	3	-	-	-	-	-	-	-	-	• Ph.D. in Accounting, National Taiwan University • Assistant Professor, School of Management, Yuan Ze University • Adjunct Lecturer, Department of Accounting, National Taiwan Normal University • Assistant Supervisor, Deloitte Accounting Firm	None	—	—	—
Independent Director	ROC	Chian-Hsiu Lee	Male	2017/06/16	2017/06/16	3	-	-	-	-	-	-	-	-	• MBA, Central Queensland University • President, Bailin Fluorescent PTY.,	None	—	—	—

															LTD. • G.M., Taiwan Hua-Yu Industrial Co., Ltd • Technical Director, Technical Director, Boteng (Xiamen) Plastics Co. Ltd.				

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

Note 2： Concurrent Positions in this company and other companies: Executive Director cum Vice President of FDG Electric Vehicles Limited, Executive Director of FDG Kinetic Limited, Investment Manager of Aleees SH.

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

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

Note 5： Concurrent Positions in this company and other companies: Director of Great Eastern Resins Industrial Co. Ltd., Independent Director of Ocean Plastic Co., Ltd.

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

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

(3) Information on the Directors

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

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

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

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

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

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

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

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

(7)Not a professional individual, sole proprietor, partner, owner of a company or institution, director, supervisor, manager or a spouse thereof of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the Company or its related companies. However, members of the compensation committee performing duties are excluded under Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

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

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

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

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

As of Feb 12, 2019

Title	Nationality	Name	Date on Board (Note 1)	Shareholding		Shareholding of the Spouse and Underage Children		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in Other Companies	Other Managers that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Person		
				Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate	Number of Shares	Share-holding Rate			Title	Name	Rela-tion
Chairman cum CEO	ROC	Sheng-Shih Chang (Note 2)	2007/11/16	1,170,661	0.56%	-	-	-	-	• Juris Doctorate, National Taiwan Normal University • Juris Master National Taiwan Normal University • Juris Asst. Professor, China University of Science and Technology • General Manager of Neso Technology Limited in Greater China, Pou Chen Group	• Aleees (Taiwan)-Chairman cum CEO •Aleees SH- Chairman cum GM •Emerald Battery Technologies -Representative of Corporate Chairman	—	—	—
Manager of Audit Dept. of this Company	ROC	Ya-Huei Lee (Note 3)	2017/09/01	-	-	-	-	-	-	•Department of Management Technology, Yuan Ze University ◦ Audit Department Manager of Aleees (Taiwan)	—	—	—	—
Manager, Finance & Accounting Dept. of this Company	ROC	Mei-Fang Huang (Note 4)	2018/05/10	-	-	-	-	-	-	◦ Department of Accounting, Chung Yuan Christian University ◦ Manager of Audit Department, KPMG ◦ Accounting Unit Manager, Tex-Ray Industrial Co., Ltd. ◦ Senior Manager, Accounting Unit, Radium Life Tech Co., Ltd.	• Senior Manager of Accounting Dept., Aleees (Taiwan)	—	—	—

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

Note 2: Has concurrently held the position of CEO of Aleees (Taiwan) since November 1st, 2017.

Note 3: Reelected by resolution of the Board of Directors on November 10th, 2017.

Note 4: Newly-elected by resolution of the Board of Directors on May 10th, 2018.

3. Compensation Paid to Directors, Supervisors, CEO (GM) and Vice Presidents in the Most Recent Year (2018)

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

Unit: NT$ thousand

Title	Name	Compensation for Directors								Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (%) (Note 1)		Compensation Received by Concurrent Employees								Ratio of the Aggregate Amount of A, B, C, D, E, F and G to the Net Income After Tax (Note 1)		Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Compensation (D)				Wages, Bonus and Special Disbursement, etc. (E)		Pension (F)		Employee Compensation (G)						
																This Company		All companies listed in the Financial Reports				
		This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	Cash Bonus	Share Bonus	Cash Bonus	Share Bonus	This company	All companies listed in the Financial Reports	
Chairman cum CEO	Sheng-Shih Chang	–	–	–	–	–	–	–	–	–	–	–	2,400	–	–	–	–	–	–	–	–	–
Director	Jaime Che	720	720	–	–	–	–	17.5	17.5	–	–	–	912	–	–	–	–	–	–	–	–	–
Director	Chi-Kei Ching	720	720	–	–	–	–	25.0	25.0	–	–	–	–	–	–	–	–	–	–	–	–	–
Independent Director	Wei-Min Shen	840	840	–	–	–	–	25.0	25.0	–	–	–	–	–	–	–	–	–	–	–	–	–
Independent Director	Yie-Yun Chang	900	900	–	–	–	–	10.0	10.0	–	–	–	–	–	–	–	–	–	–	–	–	–
Independent Director	Hsuan Wang	840	840	–	–	–	–	7.5	7.5	–	–	–	–	–	–	–	–	–	–	–	–	–
Independent Director	Chian-Hsiu Lee	780	780					10.0	10.0													
Total		4,800	4,800	–	–	–	–	150	150	–	–	–	3,312	–	–	–	–	–	–	–	–	–

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

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

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

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

Unit: NT$ thousand

Title	Name	Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Compensation (D)				Ratio of the Aggregate Amount of A, B, C and D to the Net Income After Tax (%) (Note 1)		Whether Receiving Compensation from the Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
Chairman cum CEO	Sheng-Shih Chang	–	2,400	–	–	–	–	–	–	–	–	–	–	–

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

Pay Band of Compensation

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

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

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

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

No such circumstances exist in our company.

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

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

Unit: NT$ thousand

Item	Year 2017				Year 2018			
	This Company		The consolidated financial statements		This Company		The consolidated financial statements	
	Amount	Amount	Amount	Amount	Amount	%	Amount	%
Director	3,441	—	3,441	—	4,950	—	4,950	—
CEO (General Manager) and VP	—	—	15,588	—	—	—	2,400	—
Total	3,441	—	19,029	—	4,950	—	7,350	—

Note: Losses were incurred in 2016 and 2017, and hence the ratio is not calculated.

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

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

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

3. Corporate Governance Status

i. Operating Status of the Board of Directors

Over the past year and up until the printing of this annual report, 14 [A] board meetings were held and the attendance rate of the directors is as follows:

As of February 28th, 2019

Title	Name	Times of Attendance in Person [B]	Times of Attendance by Proxy	Actual Attendance Ratio (%) [B/A]	Remarks
Chairman	Sheng-Shih Chang	14	-	100%	-
Director	Jaime Che	13	1	93%	-
Director	Chi-Kei Ching	13	-	93%	-
Independent Director	Wei-Min Shen	12	1	86%	-
Independent Director	Yie-Yun Chang	9	4	64%	-
Independent Director	Hsuan Wang	12	1	86%	-
Independent Director	Chian-Hsiu Lee	13	1	93%	-

Other remarks as required:

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

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

<table>
<tr><th>Date and Session of the Board of Directors</th><th>Content of the Proposal</th><th>Opinions of the Independent Directors</th><th>Actions taken by the Company in response to the Independent Directors</th></tr>
<tr><td>Apr 13th, 2018
Meeting 11, Session 7</td><td>Proposed amendment of the Company’s “Rules Governing the Processes for the Acquisition and Disposal of Assets”</td><td rowspan="5">None</td><td rowspan="5">None</td></tr>
<tr><td>May 10th, 2018
Meeting 12, Session 7</td><td>Proposed settlement of the appointments of and compensation packages for the Company’s new managers of finance and accounting</td></tr>
<tr><td>Aug 10th, 2018
Meeting 13, Session 7</td><td>Revision of the discussion to revise the Company’s and its subsidiary, Aleees (Shanghai)’s “Rules Governing the Processes for the Acquisition and Disposal of Assets”</td></tr>
<tr><td>Jan 15th, 2019
Meeting 21, Session 7</td><td>1. Proposed amendment of the Company’s “Rules Governing the Processes for Making Endorsements and Guarantees”
2. Proposed amendment of the Company’s “Rules Governing the Processes for the Acquisition and Disposal of Assets”</td></tr>
<tr><td>Feb 26th, 2019
Meeting 22, Session 7</td><td>1. Proposal for the increase of company assets through the private placement of common stocks
2. Proposed revision of the Company’s and its subsidiary, Aleees Taiwan’s “Rules Governing the Procedures for the Loaning of Funds to Others”
3. Proposed revision of the Company’s “Rules Governing the Processes for Making Endorsements and Guarantees”</td></tr>
</table>

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

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

Date/Session of the Board of Directors	Director’s Name	Proposal Content	Cause of Withdrawal due to Conflict of Interests	Results of Voting

	Jaime Che	Proposal to settle the hiring and approved compensation of the Company's managers	Director Jaime Che withdrew from discussion and voting due to conflict of interests.	After consultation with the remaining directors by the chairman, the proposal passed as proposed.
Mar 2nd, 2018 Meeting 9, Session 7	Sheng-Shih Chang	Proposal to approve the issuance of the Company's employee stock option certificates and the number of employee stock option certificates to be issued to the managers.	Chairman Sheng-Shih Chang withdrew from discussion and voting due to conflict of interests.	After consultation with the remaining directors by Interim Chairman Yie-Yun Chang, as selected by Chairman Sheng-Shih Chang, the proposal passed as proposed.
	Jaime Che	Proposal to approve the issuance of the Company's employee stock option certificates and the number of employee stock option certificates to be issued to the managers.	Director Jaime Che withdrew from discussion and voting due to conflict of interests.	After consultation with the remaining directors by Interim Chairman Yie-Yun Chang, as selected by Chairman Sheng-Shih Chang, the proposal passed as proposed.

3. Evaluation of the execution status of, and with the purpose to strengthen the functionality of the Board of Directors in the current and most recent years (such as the establishment of the audit committee to enhance transparency): On March 24, 2017, at the Annual General Shareholders' Meeting, the board decided to re-elect the board completely to elect seven directors (including four independent directors, making up more than half the directors on the board), to improve the functionality of the board.

Attendance Records of the Independent Directors in 2018

	Meeting Number of the Seventh Session of the Board of Directors													
Name	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th
Wei-Min Sheng	☆	◎	◎	◎	◎	◎	◎	◎	◎	◇	◎	◎	◎	◎
Yie-Yun Chang	◎	◎	☆	◎	◎	◎	◎	◎	◇	◎	◎	☆	☆	☆
Hsuan Wang	◎	◎	◎	◎	◎	◎	◎	◎	☆	◎	◇	◎	◎	◎
Chian-Hsiu Lee	◎	◎	◎	◎	☆	◎	◎	◎	◎	◎	◎	◎	◎	◎

◎: Present；☆: Attendance by Proxy；◇: Absent

(ii) Operating Status of the Audit Committee

1. Annual work priorities of the Audit Committee

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

2. Over the past year and up until the printing of this annual report, 14 [A] audit committee meetings were held and the attendance rate of the independent directors is as follows:

As of February 28th, 2019

Title	Name	Times of Attendance in Person [B]	Times of Attendance by Proxy [A]	Actual Attendance Ratio (%) [B/A]	Notes
Independent Director	Wei-Min Shen	12	1	86%	-
Independent Director	Yie-Yun Chang	10	3	71%	-
Independent Director	Hsuan Wang	12	1	86%	-
Independent Director	Chian-Hsiu Lee	13	1	93%	-

Other remarks as required:

1. If any of the below situations apply to the operations of the audit committee, the details of the meeting date, session number, proposal content, results of voting by the audit committee, and actions taken by the Company in response to the opinions of the members of the audit committee should be listed:

   (1) Matters enumerated under Article 14-5 of Securities and Exchange Act:

<table>
<tr><th>Date and Session of the Board of Directors</th><th>Content of the Proposal</th><th>Voting Results by the Audit Committee</th><th>Actions taken by the Company in response to the Audit Committee</th></tr>
<tr><td>Apr 13th, 2018
Meeting 11, Session 7</td><td>Proposed amendment of the Company’s laws regarding the “Rules Governing the Processes for the Acquisition and Disposal of Assets”</td><td rowspan="5">After consultation by the chairman with all committee members present, the proposal passed as proposed.</td><td rowspan="5">None</td></tr>
<tr><td>May 10th, 2018
Meeting 12, Session 7</td><td>Proposed settlement of the appointments of and compensation packages for the Company’s new managers of finance and accounting</td></tr>
<tr><td>Aug 10th, 2018
Meeting 13, Session 7</td><td>Revision of the discussion to revise the Company’s and its subsidiary, Aleees (Shanghai)’s laws regarding the “Rules Governing the Processes for the Acquisition and Disposal of Assets”</td></tr>
<tr><td>Jan 15th, 2019
Meeting 21, Session 7</td><td>1. Proposed amendment of the Company’s laws regarding the “Rules Governing the Processes for Making Endorsements and Guarantees”
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3. Proposed revision of the Company’s laws regarding the “Rules Governing the Processes for Making Endorsements and Guarantees”</td></tr>
</table>

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

2. Information on the withdrawal of independent directors from proposals due to conflict of interests. The names of the directors, proposal content, causes of required withdrawal due to conflict of interests and results of voting: None
3. Circumstances of Communications between the independent directors and the internal audit manager and CPA (including company financial matters, important communications regarding important matters, procedures and results of the status of business, etc.):

   (1) The Company’s internal audit manager reports to the independent directors on the auditing matters of the Company and its subsidiaries, in addition to the execution status of follow-up reports, on a scheduled basis in the audit

As a result, the Company's sales revenue in the region was seriously affected, resulting in a significant increase in operating losses of the Company. For the Company's future operational goals setting, besides referring to the market analysis of the main research institutions (DisplaySearch), the Company also consider the enterprise risk management and sustainable operation, actively consider the planning on technology adjustment and business model, actively explore new markets and consider production capacity planning according to the customer's demand, the implementation of new energy policy in China and the demand for electric vehicle battery, as well as past operating performance are used as a basis for the annual shipment target setting. Looking forward, the Company will continue to expand its market share along with the green energy policy. In the aspect of R&D in materials, high-cycle life and high-energy density cathode materials will be developed, and enter the market for lead-acid battery replacement with lithium-iron battery for vehicles and continue to use in the battery and energy storage system. The Company will develop a new generation of battery and sales, and integrate the upstream, midstream and downstream partners to jointly create the largest niche.

3. Cash Flow

(2) Cash flow analysis for the recent year

Unit: NT$ thousand

Item \ Year	2017	2018	Change in Increase/Decrease	
			Amount	Ratio of change
Operating activities	(216,212)	(268,781)	(52,569)	24.31
Investment activities	70,645	(177,601)	(248,246)	351.39
Financing activities	(62,069)	313,050	375,119	604.36

Analysis of changes:

1. Cash flow from operating activities: In the current period, due to the significant decrease in revenue and the increase in losses, the net cash outflow from operating activities increased..
2. Cash flow from investing activities: In the current period, due to the investment in Aleees (Guizhou) Co., Ltd. and the increase in plant and equipment, which resulted in an increase in net cash outflow from investment activities.
3. Cash flow from financing activities: In the current period, due to the increase in short-term bank borrowings to meet the operational needs, which resulted in an increase in net cash inflow from financing activities.

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

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

Unit: NT$ thousand

Beginning cash balance (1)	Net cash flow from annual operating activities	Annual cash outflow (Note) (3)	Residual cash (Cash shortage) (1)+(2)-(3)	Cash shortage contingency plan	
				Investment plan	Financing plan
349,928	(172,259)	(276,505)	(98,836)	–	550,000

1. Analysis of changes in cash flow changes over the next year:
   (1) Net cash outflow from operating activities: It is mainly due to the decrease in expected working capital required for the next year.
   (2) Net cash outflow from investment activities: It is mainly due to the increase in the purchase amount of fixed assets expected in 2019.
   (3) Net cash outflow from financing activities: It is mainly due to the repayment of short-term and long-term borrowings.
2. Cash shortage contingency plan and liquidity analysis: In response to future operational needs, financing or financing borrowings will be used as a remedy to support cash shortfalls..

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

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

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

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

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

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

Unit: NT$ thousand; %

<table>
<tr><th>Re-Investment Business</th><th>Share Holding Ratio</th><th>2018 Investment Return</th><th>Main Reasons for Profit or Loss</th><th>Improvement Plan</th></tr>
<tr><td>Advanced Lithium Electrochemistry Co., Ltd.</td><td>99.99</td><td>(518,346)</td><td>Since 2016Q4, due to the influence of the rigorous subsidy policy in Mainland China, the Company has reduced the price for customers. Meanwhile, the Company also has adopted a conservative credit policy for customers, and unsecured credit is not accepted, which resulted in a decline in revenue and operating profit margins as well as an increase in losses.</td><td rowspan="3">In the future, the Company will continue the R&D of new products for customer certification, and continue to use in battery and energy storage systems, and actively explores markets outside Mainland China, and enters the market for lead-acid battery replacement with lithium-iron battery for vehicles to achieve profitability goals.</td></tr>
<tr><td>Advance Lithium Electrochemistry (HK) Co. Limited</td><td>100.00</td><td>(64,734)</td><td>The re-investment losses in Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd., was recognized.</td></tr>
<tr><td>Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.</td><td>100.00</td><td>(64,808)</td><td>Since 2016Q4, due to the influence of the rigorous subsidy policy in Mainland China, the Company has reduced the price for customers. Meanwhile, the Company also has adopted a conservative credit policy for customers, and unsecured credit is not accepted, which resulted in a decline in revenue and operating profit margins which caused the losses in the current period.</td></tr>
<tr><td>Aleees Eco Ark Co., Ltd.</td><td>100.00</td><td>(223,062)</td><td>In the current period, provision are made for the credit impairment losses and assets impairment losses, which resulted in a significant increase in losses.</td><td>The Board of Directors agreed to conduct dissolution and liquidation proceedings at the end of December 2018, and the application for dissolution was approved by the Ministry of Economic Affairs in February 2019.</td></tr>
</table>

Unit: NT$ thousand; %

Re-Investment Business	Share Holding Ratio	2018 Investment Return	Main Reasons for Profit or Loss	Improvement Plan
Emerald Battery Technologies Co., Ltd.	24.00	(8,096)	Losses are presented due to unable to achieve economies of scale.	It is expected to conduct dissolution and liquidation proceedings.
Empire Energy Co., Ltd.	25.00	113	Still in the early stages of business development.	

(3)Investment plans for the coming year:

(i) Plan to invest capital expenditures in Taoyuan Plant in the next two to three years, establish automation equipment and manufacturing processes to expand the production capacity for products of new business that enabled the Company has a solid foundation for market adjustment in response to the new business and new product lines expansion in order to meet the future production capacity needs of customers.

(ii) In 2017, the Company has selected a joint venture in Guizhou, China and build a cathode material plant to expand the production capacity and sales of battery materials. In the future, the Company will provide licensing of original equipment manufacturing (OEM). This business model can reduce the risk of the Company investing in capital expenditures in the production capacity in response to the future sales in China. In addition to continue the production of the existing cathode material products for phosphoric acid battery, the joint venture also plans to enter the field of ternary cathode materials, and expect to achieve the goals of reducing overall production cost, and improving the profitability through new production planning, automated manufacturing processes and economies of scale.

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

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

Unit: NT$ thousand

Item	2018	Percentage of revenue
Interest revenue	799	0.53
Interest expenses	3,896	2.58
Profit (Loss) on exchange	(1,758)	(1,17)

(i) Interest rate

The interest expenses of the Company are mainly from long-term bank borrowings. The short-term and long-term bank borrowings are used for short-term operating turnover and purchase of land, plant and machinery equipment. The interest expenses for 2017 and 2018 were NT$3,104,000 and NT$3,104,000 respectively, which accounted for 0.29% and 2.58% of the annual net revenue respectively. It has minimal impact on the Company as the proportion were not high.

Contingency measures

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

(ii) Exchange rate

The Company's manufacturing operations are based in Taiwan, and the transaction of raw material procurement is denominated in USD, while the customers are mainly concentrated in Mainland China and the transactions are denominated in RMB, and the payment denominated in RMB is remitted by the local subsidiaries to Taiwan. Therefore, fluctuations in exchange rates for the US dollar and RMB is the risks that must be faced by the Company's operating activities. The losses on exchange of the Company in 2017 and 2018 were RMB 27,563,000 and RMB 1,758,000 respectively, which accounted for 3.68% and 1.17% of net revenue of the current fiscal year, respectively. The overall profit (loss) on exchange does not constitute a risk to the profitability, therefore, it has not caused any major impact to the Company.

With regards to the exchange rate risks associated to the continuous growth of future revenue and profits of the Company and Cayman Holdings, which is listed in Taiwan may need to issue NTD share dividends to domestic investors or to raise capital locally. After obtaining NTD funds, it must be exchanged for US dollars, hence, there will be a risk of changes in exchange rate between the US dollar and the NTD. The possible contingency measures that may be adopted by the Finance Department of the Company are as follows:

Contingency measures

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

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

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

(iii) Inflation

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

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

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

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

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

The Company will continue to strive toward the goals of extending battery life and enhancing energy density based on its research results of cathode materials accumulated over the years, thereby, developing new products and actively expanding R&D and sales of battery. The R&D expense of the Company in 2018 was NTD 50,197,000, which accounted for 33.31% of the net operating revenue, indicating that the Company continues to focus on R&D resources, refined R&D and mass production technology to maintain its position in the industry and advantages. The future R&D directions are listed as follow, the Company is expected to invest approximately NTD 63,383,000 in response to the future R&D plans, which is estimated to account for 18.59% of the net operating revenue in 2019 to gain market advantage:

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

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

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

(iv) Actively cooperate with domestic and foreign research units to develop joint development plans. Recently, the Company has completed the project plan in cooperation with the Taiwan University of Science and Technology team, and acquired the production technology of high-voltage materials with layered structure.

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

The lithium battery industry has been developed for more than 20 years, and mainly used for 3C products, and lithium battery have progressively replaced nickel-cadmium and nickel-hydrogen battery with their superiority in energy density, and become the mainstream power storage device for handheld and mobile devices. Its growth is mainly attributed to its excellent energy density. LFP battery have the advantages of good cycle life and high level of safety, hence, it is mainly used in electric vehicles and energy storage systems. The vehicles with internal combustion engines fuelled by traditional fuel (diesel) and pumped hydroelectrical systems that have undergone development for hundreds of years, mature technology and high price-performance ratio which are to be replaced by LFP battery. LFP battery (as well as lithium-manganese and lithium ternary battery which are used in similar applications) are in the early stages of development. Prior to the completion the price-performance ratio enhancement for the application of lithium battery in electric vehicles and energy storage systems, without the strong support of the government policy, it will be difficult to compete with the aforementioned petrol (diesel) vehicles and pumped hydroelectrical systems with mature development. Therefore when the global warming issue has gradually received greater attention, and after the oil price hike crisis after 2008, the energy shortage issue has started to hit the global economy, the world' s major economies have started to provide subsidies to new energy industries, electric vehicles and energy storage systems in order to accelerate the promotion of low-carbon technologies, and reduce the degree of dependency of mankind on fossil fuels (especially petroleum).

In the early stage of development, the lithium battery and electric vehicle industry require a lot of government policy support. Including: 1) Tightening control on carbon emission and pollutants emission of motor vehicles, provide preferential road use for low-emission and zero-emission vehicles; 2) Provide direct subsidies and low interest loans for lithium battery and electric vehicle industries to accelerate the growth of these industries in order to achieve economies of scale and enhancement of price-performance ratio; 3) Subsidize the installation of battery charging/swapping stations to provide greater convenience for the users of electric vehicles, and reduce the inconvenience caused by short battery life; 4) Policy advocacy to educate the public and industries to use low-emission, zero-emission vehicles to increase the value of returns in relation to the relevant industry subsidies provided by the government. The aforementioned subsidies require long-term planning and continuous support to enable the lithium battery and electric vehicle industries to make progress continuously, and gradually reach the cost structure same as the petrol (diesel) vehicle or even better. This will attract the comprehensive use of electric vehicles by consumers, reduce the dependency on petroleum, and promote energy conservation and carbon reduction.

The current sales market of the Company is mainly focused in Mainland China and Taiwan Therefore, it is relatively sensitive to the policies of electric vehicle and energy storage industry in Mainland China and Taiwan's policy in promoting low-carbon means of transport.

The 12th Five-Year Plan and 13th Five-Year Plan of Mainland China regarding new energy actively promote the development of electric vehicles. The subsidy for new energy vehicles will continue until 2020. China's new energy vehicle dual-point system policy will become an important driving force for China's accelerated development of electric vehicles, prompting enterprises to significantly increase the enthusiasm of producing new energy vehicles, and allowing technology leaders to gain a foothold in the market, so enterprises will pay more attention to product safety and requirements. With longer-life battery materials and more emphasis on brand and market reputation, the company relies on past product advantages and brand reputation performance. In the future, there are business opportunities in the Chinese market, which will continue to consolidate the development of the original Chinese new energy vehicle market.

In addition, due to the increasingly stringent environmental regulations of the European Union, automobile manufacturers have developed idle start-stop systems for micro-hybrid vehicles. Lithium batteries have better instantaneous charging efficiency, shallow charge and discharge cycle life, and higher energy density. The advantages of low weight, coupled with the gradual reduction of costs, have begun to introduce the idle start and stop system market

The company will continue to focus on improving battery performance technology in the future, and has actively adjusted its operating strategy and policy in 2018. Therefore, important domestic and international policies and legal changes should not have a significant impact on the company's financial business.

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

Lithium-ion battery and LFP battery, like all other industrial products, face the risk of an industry life cycle, that is, their demand may be replaced with the development of new technologies; for example, mainframe computers have been replaced by personal computers and servers, video disc players have been replaced by solid-state memory and even cloud computing technology.

LFP battery is a recent commercialized member of the lithium battery family (officially formally commercialized in 2004).Its safety and cycle life make it the best choice for electric buses, slow-moving electric vehicles and energy storage systems, and these market demands are only beginning to receive global attention after 2009 and actively develop. Therefore, LFP battery should be able to have decades of long-term development prospects with the development of these emerging applications. However, this does not mean that the LFP battery will monopolize the markets of electric vehicle and energy storage battery for long term. In the future, LFP battery may be replaced by other materials or types of battery. It is a well-known fact that the R&D and marketing of battery materials is relatively time-consuming, and any new technology from the laboratory may takes many years before it could be introduced into the market. For the next generation high-energy-density materials that everyone is concerned, the U.S Argonne National Laboratory recently publicly stated that these new inventions will be less likely to enter the market within ten years. Therefore, the current LFP battery will remain the mainstream of the market. Nevertheless, we still cannot rule out the possibility that there will be any breakthrough in new battery technology in the short term.

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

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

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

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

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

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

The Company officially signed a patent sublicense contract with Quebec Water Conservancy Corporation, Montreal University, French National Centre for Scientific Research (CNRS) and LiFePO4+C Licensing AG established by Süd-Chemie, Germany on July 4, 2011. The contract originally required the Company to set up a plant for the production of cathode materials for LFP battery in Quebec, Canada, and accomplish the scale of 1,000 tons of annual output within three years of the contract. In the event that the Company fails to complete the factory establishment according to the contract, and has not corrected within 90 days after the written notice of the licensor, the licensor may inform the licensee to terminate the contract in writing.

However, the Company considered that the demand in the European and American markets were not as good as expected, and it has completed the second supplemental contract of the patent sublicense contract with LiFePO4+C Licensing AG on August 26, 2013. The two parties agreed that the timeframe for plant construction and operating period may be extended for 12 months. That is, the Company may set up and operate a manufacturing plant with an industrial scale and an annual output of at least 1,000 tons of authorized products in Quebec, Canada before July 4, 2015. In the event that the Company fails to complete the factory establishment according to the contract, LiFePO4 +C Licensing AG is entitled to claim extension fee of US$300,000 from the Company and to terminate the patent sublicense contract.

The Company considered the development potential of electric vehicles and energy storage systems in Europe, the United States and Canada, and it has completed the fourth supplemental contract of the patent sublicense contract with LiFePO4+C Licensing AG on November 19, 2014, stipulating that the Company may choose to establish powder factory, battery factory, battery module factory or electric bus system integration plant. The Company should complete the plant establishment in Quebec, Canada with capital expenditure not less than US$6 million before July 4, 2015, and should employ not less than 10 full-time employees every year until July 2018. In the event that the Company fails to fulfill the obligations set forth in the contract will adversely affect the patent sublicensing rights, which may have a significant impact on the business and financial of the Company.

As of the publication of the annual report, it was originally required to choose to establish cathode material factory, battery cell factory, Pack factory (battery module factory) or electric bus system integration plant in Quebec, Canada before July 4, 2015. As the Company and the licensor of LiFePO4+C Licensing AG unanimously agreed that China is the world's largest LFP material market and the market is very competitive. In order to increase the market demand for high quality LFP materials in the Chinese market, a consensus has been reached. Both parties agreed to negotiate and adjust the plant construction plan in order to meet the demand of the future market environment, the adjustment of the conditions for the plant construction will be negotiated by both parties before 2023 in order to meet the actual demand of the market.

Contingency measures

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

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

(i) Risk of concentration for purchase

The main raw materials used in the production of the cathode materials for LFP battery are lithium compounds and phosphoric acid, which are not highly specific. The main materials required for electric buses are battery, body parts of the bus and electromechanical components, etc. The market supply sources are not oligopolistic or monopolized by a single manufacturer. In the 2017 and 2018, the Company' s purchase ratios of the top ten suppliers' were 99.40% and 98.54%, respectively, of which the largest supplier purchase ratio was 49.31% and 28.09%, respectively, and there was no significant concentration. As the Company continues to increase the number of certified suppliers, there should be no risk of concentration.

(ii) Risk of concentration for sales

The top 10 customers by product sales amount of the Company accounted for 94.07% and 78.14% of the net sales in 2017 and 2018 respectively, of which customer with the largest sales proportion was 36.10% and 25.53% respectively. The main reason for the concentration is the cathode materials for LFP battery developed by the Company is mainly used in energy storage battery, hybrid electric vehicles and electric buses. Due to the aforementioned product applications of the battery materials, the certification is relatively time-consuming based on safety and stability considerations. The Company has officially mass-produced in November 2008 to date, due to the long time is required for product certification, and coupled with the battery made from cathode materials for LFP battery is still an emerging industry. At present, except for a few battery manufacturers with actual mass production capacity, most manufacturers are still in small shipments and even in the development stages of trial production. Therefore, the sales of the Company are concentrated in some customers mainly due to industry characteristics, long time is required for product certification and maintain a good business relationship with the battery manufacturers.

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

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

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

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

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

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

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

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

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

(i) Patent infringement and litigation risk

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

Contingency measures

Since its establishment, the Company has actively developed its own patents and has progressively acquired a number of patents for manufacturing processes and materials. There is no patent infringement since its mass production to date, however, the Company understands that if it is unable eliminates the patent concerns of customers, and reduces the risk of litigation, the industry of cathode materials for LFP battery could not be developed rapidly. Therefore, the Company officially signed a patent sublicense contract with Quebec Water Conservancy Corporation, Montreal University, French National Centre for Scientific Research (CNRS) and LiFePO4+C

Licensing AG established by Süd-Chemie, Germany on July 4, 2011. In addition to reducing the risk of litigation and expanding the European and American markets through patent licensing, the Company also facilitates the development of next-generation technology.

Nevertheless, two of the aforementioned patent sublicense contracts (Mainland, China patent CN 100421289 and European patent EP 0904607) were invalidated by the Court, and Valence has previously filed a patent litigation against Phostech (one of the patent licensors – a wholly-own subsidiary of Süd-Chemie) and won the case. Therefore, the aforementioned patents of the Company may be ultimately to be invalidated or the Company cannot rule out the possibility that whether other companies may claim some of the Company's patents are invalid or infringe on their intellectual property rights. As a technology Company, such risks are unavoidable.

(ii) Market competition risk

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

Contingency measures

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

The main application market of lithium ternary battery and LFP battery is shown in thefollowing table

Lithium ternary battery (lithium nickel cobalt manganese battery)	LFP battery
EV (Pure electric vehicles) HEV (hybrid electric vehicles) PHEV (Plug-in hybrid electric vehicles) 3C products (Tablets, cell phones, audio video players, digital cameras/video recorders, NB/PC) Electric handheld machine tools	EV (Pure electric vehicles) HEV (hybrid electric vehicles) PHEV (Plug-in hybrid electric vehicles) Electric handheld machine tools Electric motorcycles Electric buses Energy storage systems (UPS, home energy storage system, cell phone base stations backup power supply system, smart grid, grid-connected energy storage system of wind and photovoltaic power generation)

Source: NEDO Secondary Technology Development ロードマツプ (Battery RM2010) May 2010.

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

The main markets for lithium ternary battery (lithium nickel cobalt manganese battery) are power battery and portable electronic products, while the main markets for LFP battery are power battery and energy storage systems. The main reason for the slow development of the power battery is the battery manufacturers and vehicle manufacturers required a long period of safety verification. Besides, the development of electric vehicles required to match with supporting hardware facilities like charging equipment, which leading to the slow development.

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

LFP battery is suitable to use in energy storage system due to their high level of safety, superior circulation and quick charging / discharging characteristics, therefore, they are deemed as the alternatives for lead-acid battery to replacement.

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

(iii) Risk of loss of R&D personnel

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

Contingency measure

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

(iv) Protection of shareholders' equity

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

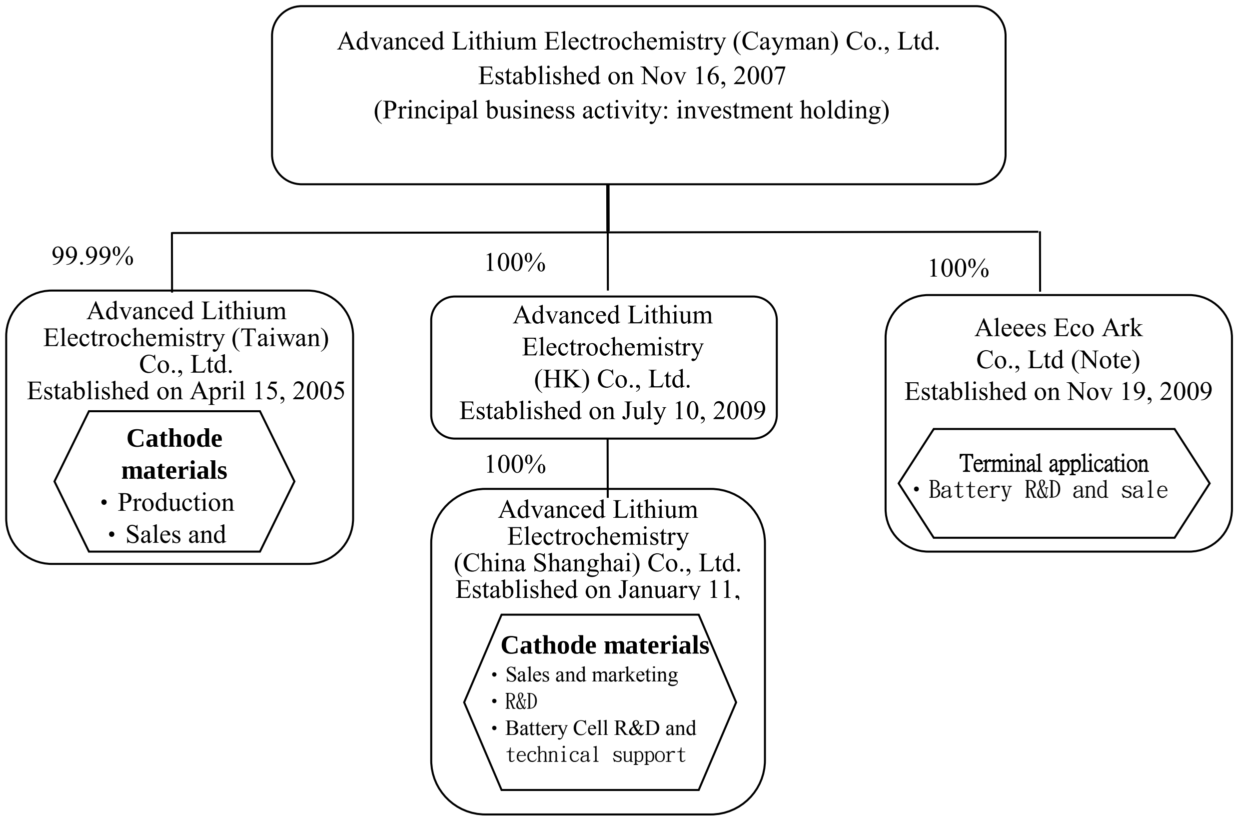
7. Other important matters

None.

VIII. Special Disclosure

1. Company organization

(1)Organizational chart of affiliate companies



(2)Basic information of affiliate companies

As of February 12, 2019 Unit: thousand

Name of affiliate Company	Date of incorporation	Address	Paid-in Capital	Principal business activity or production item
Advanced Lithium Electrochemistry Co., Ltd.	2005.4.15	No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan	NTD 941,471	Production, R&D and sales and marketing of cathode materials for LFP battery.
Advanced Lithium Electrochemistry (HK) Co., Ltd.	2009.7.10	Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong	USD 12,170	Investment holding, reinvestment in Aleees SH.
Advanced Lithium Electrochemistry (China ShangHai) Co., Ltd.	2010.1.11	1st, Building 53, No.1089, Qinzhou North Road, Xuhui District, Shanghai, China	USD 8,500	(1) Sales and marketing of cathode materials for LFP battery (2) Equipped with of battery laboratory to provide customers with technical support service.
Aleees Eco Ark Co., Ltd. (Note)	2009.11.19	No.72, Youlian St., Bade City, Taoyuan County, Taiwan	NTD 528,000	R&D and sales and marketing of battery.

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

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

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

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

(ii) Distribution of work situation with affiliate companies

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

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

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

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

(6)Operation status of the affiliate companies

As of December 31, 2018 Unit: thousand

Name of affiliate Company	Paid-in capital	Total assets	Total liabilities	Net worth	Current operating revenues	Current profit(loss)	Current income (After tax)	Earnings per share(NTD)(After tax)
Advanced Lithium Electrochemistry (Taiwan) Co., Ltd.	NTD 942,471	NTD 1,119,533	NTD 465,872	NTD 653,661	NTD 132,988	NTD (364,806)	NTD (522,950)	NTD (5.55)
Advanced Lithium Electrochemistry (HK) Co., Ltd.	USD 12,170	NTD (153,675)	NTD -	NTD (153,675)	NTD -	NTD (92)	NTD (64,734)	Not applicable
Advanced Lithium Electrochemistry (China ShangHai) Co.,Ltd.	USD 8,500	RMB 8,256	RMB 66,462	RMB (58,206)	RMB 31,578	RMB (14,051)	RMB (14,169)	Note 1
Aleees Eco Ark (Taiwan)Co., Ltd. (Note 2)	NTD 528,000	NTD 37,895	NTD 42,999	NTD (5,104)	NTD -	NTD (177,434)	NTD (223,062)	NTD (4.22)

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

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

(7) Consolidated financial statements of affiliate companies: Same as the Consolidated Financial Statements of parent-subsidiary companies, please refer to page 97-171.

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

Information of private placement of securities

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

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

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

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

None.

4. Other matters necessary to be supplemented with explanation:

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

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

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

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

(2)Current implementation status

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

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

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

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

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

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

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

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
1. The shareholders' meeting shall be held within the territory of the Republic of China. If the shareholders' meeting is convened outside the Republic of China, the Taipei Exchange shall be notified for approval within two days after the resolution of the Board of Directors or the shareholders obtain the permission from the competent authority. 2. Shareholders holding 3% or more of the total number of issued shares for more than a year may request the Board of Directors to convene an extraordinary shareholders' meeting (EGM), and the requisition must state in writing the matters to be discussed at the EGM and the reason therefor. If the Board of Directors fails to give notice for convening an EGM within 15 days after the filing of the request, the proposing shareholder may, after obtaining an approval from the competent authority, convene an EGM on their own.	With regards to the part on the convening of EGM by shareholders themselves, it does not subject to the approval from the local competent authority of Cayman Islands according to the Company Act of Cayman Islands. Therefore, Article 47 of the Company's Articles of Association has not stipulated the requirement to obtain approval from the competent authority prior to convene an EGM by shareholders themselves. In addition, if the shareholders convene a shareholder's meeting outside the Republic of China, as the EGM convened by the shareholders themselves does not does not subject to the approval from the local competent authority of Cayman Islands, therefore, Article 47 of the Company's Articles of Association only stipulates "the proposing shareholder shall convene the shareholders' meeting in the same manner (as close as possible) as the shareholders' meeting convened by the Board of Directors." That is, in accordance with Article 46 of the Company's Articles of Association ("After the shares are listed on Taipei Exchange, if the Board of Directors decide to convene shareholders' meeting outside the Republic of China, the Taipei Exchange shall be notified for approval within two days after the resolution of the Board of Directors.") advance approval shall be granted from the Taipei Exchange, instead of the "Taipei Exchange shall be notified for approval within two days after the shareholders obtain the permission from the competent authority" as required by the checklist for the protection of shareholders' equity.
When the Company convenes a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means; however, if the shareholders' meeting is convened outside the Republic of China, it may allow the shareholders to exercise voting rights by both method of exercise, which are correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting	With regards to the part of the shareholder is allowed to exercise voting rights by correspondence or electronic means, according to the explanation of the lawyer from the Cayman Islands pertaining to the part "A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person", however, it does not deemed to have attended the meeting in person according to the Act of the Cayman Islands. It is recommended that it shall be deemed as the chairperson of the shareholders' meeting being authorized to vote on behalf, but the authorization of the chairperson of the shareholders' meeting shall not be subjected to a 3% limit. As such, Article 62 of the Company's Articles of Association stipulates that "when a shareholder exercising voting rights by correspondence or electronic means in accordance with the preceding provisions, it shall be deemed to the chairperson of the shareholders' meeting is authorized to vote on behalf according to the instructions as set out in the correspondence or electronic means served by the shareholder", instead of the "a shareholder exercising voting rights by correspondence or electronic means will be deemed

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
	to have attended the meeting in person" as required by the checklist for the protection of shareholders' equity. And in Article 72 of the Company's Articles of Association stipulates that the voting rights of the chairperson of the shareholders' meeting are not subject to a limit of 3% of the total voting rights of the issued shares.
The following resolutions concerning the material equity of shareholders, a resolution adopted at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at the shareholders' meeting whose shares have been issued in public is less than the preceding percentage of the total shareholdings required, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares: 1. Enter into, amend, or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with others; transfer the whole or any essential part of its business or assets; or accept the transfer of another's whole business or assets, which has great bearing on the business operation of the Company 2. Modification or Alteration of the Articles of Association 3. A resolution shall be adopted at an EGM for any modification or alteration in the Articles of Association may prejudice the shareholders' equity of preferred share 4. Issuance of the surplus profit distributable as dividends and bonuses in whole or in part distributed in the form of new shares 5. Resolution of dissolution, merger and split-up 6. Issuance of Restricted Stock Awards (RSA)	1. Regarding the method of resolution of the shareholders' meeting, in addition to the ordinary resolutions and supermajority resolutions under the laws of the ROC, Article 1 of the Company's Articles of Association also has a "Special Resolution" defined under the Company Act of the Cayman Islands, that is, "under the provisions of the Company Act, in accordance with Article 60 of the Company Act, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares, which the votes cast by such shareholder as being entitled so to do, vote in person or, by proxy (where proxies are allowed) present at the shareholders' meeting (the notice of the meeting stated that the proposal to be adopted by a special resolution.)". 2. According to the provisions of the Company Act of the Cayman Islands, the following matters shall be adopted through special resolution: (1) Modification or alteration of the Articles of Association According to the laws of the Cayman Islands, modification or alteration of the Articles of Association shall be adopted through special resolution in accordance with the Company Act of the Cayman Islands, therefore, Article 68 of the Company's Articles of Association has amended the threshold of Memorandum and Article of Association, instead of changing to the supermajority resolutions under the laws of the ROC as required by the checklist for the protection of shareholders' equity. In addition, in accordance with Article 17 of the Company's Articles of Association, "If any modification or change in the Articles of Association will prejudice the preferential rights of any class of shares, the relevant amendments or changes shall be adopted through special resolution, and shall be adopted through special resolution at the shareholders' meeting held separately by the shareholders of such shares being prejudiced". (2) Dissolution According to the laws of the Cayman Islands, the Company may be voluntarily wound-up and dissolved by a resolution in the shareholders' meeting when the Company is unable to pay its debt; however, if the Company may be voluntarily wound-up and dissolved due to the reasons other than the above, it shall be adopted through a special resolution in accordance with the Company Act of the Cayman Islands. Therefore, the resolution threshold of Article 70 of the Company's Articles of Association for liquidation and dissolution has not changed to the supermajority resolutions under the laws of the ROC as required by the checklist for the protection of shareholders' equity. (3) Merger As the Company Act of the Cayman Islands has

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
	mandatory provisions for way of voting of mergers as defined in the Company Act of the Cayman Islands, Article 69 (e) of the Company's Articles of Association stipulates that a merger shall be adopted through a supermajority resolution, however, in order to conform to the definition of "merger" of the Company Act of the Cayman Islands, a merger shall be adopted through a special resolution in the shareholders' meeting. The difference between the aforementioned matter and the checklist for the protection of shareholders' equity lies in it shall be adopted by supermajority resolution in the material matters on protection of shareholders' equity, while it is subject to supermajority resolution and special resolution respectively in the Company's Articles of Association. As these differences are due to the laws of the Cayman Islands, and the Company's Articles of Association has clearly listed and defined the supermajority resolution and special resolution in the material matters on protection of shareholders' equity, hence, it should have limited impact on shareholders' equity.
1. Appointments of supervisors of the Company shall be elected by the shareholders' meeting, at least one of the supervisors must be domiciled in the ROC. 2. The term of office of a supervisor shall not exceed three years. However, he may be eligible for re-election. 3. In case all supervisors of a Company are discharged, the Board of Directors shall, within 60 days, convene an EGM to elect new supervisors. 4. Supervisors shall supervise the execution of business operations of the Company, and may at any time or from time to time investigate the business and financial conditions of the Company, inspect, transcribe or make copies of the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon. 5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the Board of Directors, and shall make a report of their findings and opinions at the meeting of shareholders. 6. In performing the examination duties, the supervisors may appoint, on behalf of the Company, a practicing lawyer and a certified public accountant to conduct the examination. 7. Supervisors may attend the meeting of the Board of Directors to their opinions. In case the Board of Directors or any director commits any act, in carrying out the business operations of the Company, in a manner in violation of the laws, regulations, the Articles of Association or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the Board of Directors or the director, as the case may be, to cease such act. 8. Supervisor may each exercise the supervision power individually. 9. A supervisor shall not be concurrently a director, a managerial personnel or other staff/employee of the Company.	There is no equivalent concept of supervisors in the laws of the Cayman Islands, and the Company has an audit committee. Therefore, the Company's Articles of Association has no relevant regulations on supervisors as required by the checklist for the protection of shareholders' equity.
1. Shareholders who have been continuously holding 3%	As there is no equivalent concept of supervisors in the laws of

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
or more of the total number of the outstanding shares of the Company over one years may request in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company, and the Taiwan Taipei District Court shall be the court of jurisdiction for the first instance. 2. In case the supervisors fails to institute an action within 30 days after having received the request made by the shareholders, then the shareholders filing such request may institute the action for the Company, and the Taiwan Taipei District Court shall be the court of jurisdiction for the first instance.	the Cayman Islands. Therefore, Article 94-1 of the Company's Articles of Association stipulates that "Within the scope permitted by the laws of the Cayman Islands, shareholders who have been continuously holding 3% or more of the total number of the outstanding shares of the Company over one years may institute the action for the Company, and the Taiwan Taipei District Court shall be the court of jurisdiction for the first instance", instead of "requesting in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company, in case the supervisors fails to institute an action within 30 days after having received the request made by the shareholders, then the shareholders filing such request may institute the action for the Company" as required by the checklist for the protection of shareholders' equity. However, according to the opinion of the lawyer from the Cayman Islands, the Company Act of Cayman does not allow minority shareholders to institute derivative action procedure against directors in the Cayman Court. In addition, the Company's Articles of Association is not a contract between the shareholders and the directors, but the agreement between the shareholders and the Company, therefore, even if the minority shareholders are allowed to institute derivative action against directors, the lawyer from the Cayman Islands considers the said contents to have no binding on directors. However, under the common law, all shareholders (including minority shareholders) have the right to institute derivative actions (including institute action against directors) regardless of their shareholding ratio or shareholding period. Once the shareholders have filed a lawsuit, the Cayman Court shall have full discretion to decide whether to continue the legal proceedings by the shareholders. In other words, even if the Company's Articles of Association (or shareholders with the required shareholding ratio or shareholding period) may institute the action for the Company, however, ultimately it depends on the Cayman Court to decide whether to continue the legal proceedings by the shareholders. According to relevant judgments made by the Cayman Court, when the Cayman Court reviews whether to approve the continuation of derivative action, the applicable criterion are whether the Cayman Court believes and accepts the request of the plaintiff's request on behalf of the Company is ostensibly substantial, the claimed illegal acts committed by the individual who are able to control the Company, and the controllers can prevent the Company from litigating it. The Cayman Court shall judge based on the facts of the case (although the court may refer to the provisions of the Company's Articles of Association, but this is not a decisive factor).
1. The directors of the Company shall faithfully conduct corporate affairs and perform the duty of care of a good administrator, and if the directors violated this provision, shall be liable for the damages to be sustained by the Company there-from. In case a director does anything for himself or on behalf of another person in violation of the provisions, the meeting of shareholders may, by a resolution, consider the earnings in such an act as	Article 110-1 of the Company's Articles of Association has been amended in accordance with the material matters on protection of shareholders' equity, however the part of supervisor has not established. However, according to the opinion of the lawyer from the Cayman Islands, the responsibilities of the director for the Company under the laws of Cayman can be divided into the responsibilities under the common law (i.e. competence, care

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
earnings of the Company. 2. If the director of the Company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, the director shall be liable, jointly and severally, for the damage to such other person. 3. In performing within the scope of duties, the managerial personnel and supervisors of the Company shall be liable for the damages same as the directors of the Company.	and diligence) and duty of loyalty. However, the directors are legally obligated under the provisions of various laws and, in certain circumstances, the directors also have obligations to third parties (such as creditors).If the Company is unable to pay off, the directors shall consider the interests of the creditors when performing their duties. As the Company's Articles of Association is an agreement between shareholders and the Company, the directors are not parties of the Company's Articles of Association. Therefore, all assertions against the director for compensation of damages for the violation of obligations shall be defined in the service agreement. Under the laws of the Cayman, in general, the managerial personnel or supervisor will not assume the same responsibilities as the director of the Company to the Company or shareholders. However, if the managerial personnel or supervisor is authorized to act on behalf of the executive, it will have the same obligations as the directors of the Company. For the avoidance of doubt, companies in Cayman generally define the responsibilities and obligations of the managerial personnel or supervisor to the Company and shareholders in the service agreement. Similarly, as the Company's Articles of Association is an agreement between the shareholders and the Company, the managerial personnel and supervisor are not parties of the Company's Articles of Association. Therefore, all assertions against the managerial personnel and supervisor for compensation of damages for the violation of obligations shall be defined in the service agreement. In addition, regarding the provisions of the directors' interests are deemed as earnings of the Company, however, the lawyer from the Cayman Islands considers such provisions are uncertain and too general, and has doubts if it is executable. For example, whether the violation of obligations of the director is left to the Court for final decision and how to define the benefit (and the period of receiving the benefit).The lawyer from the Cayman considers this clause does not limit the liability of the directors. The directors are still subject to various statutory responsibilities, common law responsibilities and duty of loyalty under the laws of Cayman.

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

None.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Statement of Internal Control System

Date: February 26, 2019

Based on the findings of a self-assessment, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. states the following with regard to its internal control system during the year 2018:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system and have already established it. Its purposes are to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), and reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and
2. regulations.
3. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
4. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations").The criteria adopted by the Regulations identify five key components of managerial internal control: i. Control environment, ii. Risk assessment, iii. Control activities, iv. Information and communication, and v. Monitoring activities.
5. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
6. Based on the findings of such evaluation, the Company believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
7. This Statement is an integral part of the Company's annual report for the year 2018 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
8. This statement was passed by the board of directors in their meeting held on February 26, 2019, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Chairman cum General Manager: Sheng-Shih Chang Signature

Inspection Report of Audit Committee

The Board of Directors handed over the Company's business reports, financial statements and proposals of deficit compensation 2018. The financial statements were entrusted by Yu-Kuan Lin and Dian-Yi Li, certified by PricewaterhouseCoopers Taiwan, and issued an audit report.

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

To

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

2019 Shareholders' Meeting

Audit Committee Convener: Wei-Min Shen

Feb 26, 2019

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

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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 TRANSLATED FROM CHINESE

PWCR18002754

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

Opinion

We have audited the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Valuation of financial assets at fair value through profit or loss

<u>Description</u>

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

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. invested in convertible bond investments amounting to NT$749,725 thousand without active market, and recognised it as 'Financial assets at fair value through profit or loss, mandatorily measured at fair value', wherein the valuation procedure involved management's and an external valuation expert's subjective judgement on valuation method and parameters. As the parameters used in the valuation model involved material impact on fair value, we identified the valuation of financial assets at fair value through profit or loss as a key audit matter.

<u>How our audit addressed the matter</u>

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

A. Obtained the appraisal report from the external valuation expert who was commissioned by the management, and assessed the reasonableness of the valuation method;
B. Reviewed the reasonableness of each risk discount rate and other assertions used by the internal appraiser.

Impairment valuation of property, plant, equipment and intangible assets

<u>Description</u>

Refer to Note 4(18) for accounting policy on impairment of property, plant and equipment as well as intangible assets, and Notes 6(7) and (8) for details of accounts. The recoverable amounts of property, plant and equipment and intangible assets of the Group are measured based on fair value less costs of disposal, which is used to determine whether there is any impairment. The estimation of the aforementioned measurement of fair value is subject to the professional judgment of management and involves numerous assumptions and material unobservable inputs. Any changes in judgments and estimates may affect the ultimate result of accounting estimates and may have a material impact on the financial statements. Thus, we have included the key assumptions in estimating the recoverable amounts used in the impairment valuation of property, plant and equipment and intangible assets as a key audit matter.

<u>How our audit addressed the matter</u>

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

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

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

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yu-Kuan

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan
February 26 , 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	2018	2017
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 349,928	$ 477,258
1150	Notes receivable, net	6(4)	29,147	63,287
1170	Accounts receivable, net	6(4) and 8	8,838	6,770
1180	Accounts receivable - related parties	6(4) and 7	11,012	127,177
1200	Other receivables		92,435	405
1210	Other receivables - related parties	7	2,067	28,675
1220	Current income tax assets		182	329
130X	Inventory	6(5)	98,393	129,956
1410	Prepayments	7	60,654	79,307
1470	Other current assets	6(19) and 8	20,970	9,763
11XX	**Total current assets**		673,626	922,927
	Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	6(2)	749,725	1,027,335
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	103,742	-
1523	Available-for-sale financial assets - non-current	12(4)	-	540,213
1550	Investments accounted for under equity method	6(6)	28,646	36,793
1600	Property, plant and equipment	6(7) and 8	419,573	635,842
1780	Intangible assets	6(8)	108,914	134,527
1840	Deferred income tax assets	6(25)	13,465	12,183
1900	Other non-current assets		7,320	7,680
15XX	**Total non-current assets**		1,431,385	2,394,573
1XXX	**Total assets**		$ 2,105,011	$ 3,317,500

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	2018	2017
	Current liabilities			
2100	Short-term borrowings	6(10)	$ 246,462	$ -
2130	Current contract liabilities	6(19) and 7	3,758	-
2150	Notes payable		-	3,984
2170	Accounts payable		6,589	70,107
2200	Other payables	6(11)	144,429	67,393
2220	Other payables - related parties	7	89,440	-
2230	Current income tax liabilities		-	8,608
2250	Provisions for liabilities - current		34,946	3,711
2310	Advance receipts	7	-	21,391
2320	Long-term liabilities, current portion	6(12)	23,068	22,632
2365	Current refund liabilities	6(19)	1,132	-
2399	Other current liabilities		8,213	7,915
21XX	**Total current liabilities**		558,037	205,741
	Non-current liabilities			
2540	Long-term borrowings	6(12)	51,536	74,636
2550	Provisions for liabilities - non-current		-	4,665
2570	Deferred income tax liabilities	6(25)	-	738
2670	Other non-current liabilities		-	188
25XX	**Total non-current liabilities**		51,536	80,227
2XXX	**Total liabilities**		609,573	285,968
	Equity attributable to owners of parent			
	Share capital	6(15)		
3110	Share capital - common stock		2,105,737	2,105,737
	Capital surplus	6(16)		
3200	Capital surplus		1,526,762	1,507,437
	Retained earnings	6(17)		
3350	Accumulated deficit		(2,148,790)	(253,330)
	Other equity interest	6(18)		
3400	Other equity interest		11,725	(328,322)
31XX	**Equity attributable to owners of the parent**		1,495,434	3,031,522
36XX	**Non-controlling interest**		4	10
3XXX	**Total equity**		1,495,438	3,031,532
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant events after the balance sheet date	11		
3X2X	**Total liabilities and equity**		$ 2,105,011	$ 3,317,500

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, 2018 and 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2018	2017
4000	**Sales revenue**	6(19) and 7	$ 150,695	$ 748,482
5000	**Operating costs**	6(5)(23)(24)	(338,960)	(611,192)
5950	**Net operating margin**		(188,265)	137,290
	Operating expenses	6(23)(24) and 7		
6100	Selling expenses		(83,978)	(124,914)
6200	General and administrative expenses		(167,381)	(127,088)
6300	Research and development expenses		(50,197)	(64,059)
6450	Impairment loss determined in accordance with IFRS 9		(132,392)	-
6000	**Total operating expenses**		(433,948)	(316,061)
6900	**Operating loss**		(622,213)	(178,771)
	Non-operating income and expenses			
7010	Other income	6(20) and 7	15,188	7,689
7020	Other gains and losses	6(21)	(490,907)	(18,010)
7050	Finance costs	6(22)	(3,896)	(3,104)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(7,982)	(7,531)
7000	**Total non-operating income and expenses**		(487,597)	(20,956)
7900	**Loss before income tax**		(1,109,810)	(199,727)
7950	Income tax benefit (expense)	6(25)	2,305	(8,609)
8200	**Loss for the year**		($ 1,107,505)	($ 208,336)
	Other comprehensive income	6(18)		
	Components of other comprehensive income that will not be reclassified to profit or loss			
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	($ 453,280)	$ -
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		5,531	1,116
8362	Other comprehensive income, before tax, available-for-sale financial assets		-	(76,626)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(6)	(165)	(1,264)
8300	**Total other comprehensive income for the year**		($ 447,914)	($ 76,774)
8500	**Total comprehensive income for the year**		($ 1,555,419)	($ 285,110)
	Profit (loss) attributable to:			
8610	Owners of the parent		($ 1,107,499)	($ 208,335)
8620	Non-controlling interest		(6)	(1)
	Total		($ 1,107,505)	($ 208,336)
	Comprehensive income attributable to:			
8710	Owners of the parent		($ 1,555,413)	($ 285,109)
8720	Non-controlling interest		(6)	(1)
	Total		($ 1,555,419)	($ 285,110)
	Earnings per share	6(26)		
9750	**Basic earnings per share**		($ 5.26)	($ 0.99)

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
			Capital Reserves					Other Equity Interest					
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Employee stock warrants	Others	Change in net equity of associates and joint ventures accounted for under equity method	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
2017													
Balance at January 1, 2017		$ 2,105,737	$ 1,501,021	$ 2,006	$ -	$ 4,410	($ 44,995)	$ 12,478	$ -	($ 264,026)	$ 3,316,631	$ 11	$ 3,316,642
Loss for the year		-	-	-	-	-	(208,335)	-	-	-	(208,335)	(1)	(208,336)
Other comprehensive loss	6(18)	-	-	-	-	-	-	(148)	-	(76,626)	(76,774)	-	(76,774)
Total comprehensive loss		-	-	-	-	-	(208,335)	(148)	-	(76,626)	(285,109)	(1)	(285,110)
Balance at December 31, 2017		$ 2,105,737	$ 1,501,021	$ 2,006	$ -	$ 4,410	($ 253,330)	$ 12,330	$ -	($ 340,652)	$ 3,031,522	$ 10	$ 3,031,532
2018													
Balance at January 1, 2018		$ 2,105,737	$ 1,501,021	$ 2,006	$ -	$ 4,410	($ 253,330)	$ 12,330	$ -	($ 340,652)	$ 3,031,522	$ 10	$ 3,031,532
Effect of retrospective application and retrospective restatement		-	-	-	-	-	-	-	(340,652)	340,652	-	-	-
Balance at January 1, 2018 after adjustments		2,105,737	1,501,021	2,006	-	4,410	(253,330)	12,330	(340,652)	-	3,031,522	10	3,031,532
Loss for the year		-	-	-	-	-	(1,107,499)	-	-	-	(1,107,499)	(6)	(1,107,505)
Other comprehensive (loss) income	6(18)	-	-	-	-	-	-	5,366	(453,280)	-	(447,914)	-	(447,914)
Total comprehensive (loss) income		-	-	-	-	-	(1,107,499)	5,366	(453,280)	-	(1,555,413)	(6)	(1,555,419)
Share-based payments	6(14)	-	-	-	19,325	-	-	-	-	-	19,325	-	19,325
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	-	(787,961)	-	787,961	-	-	-	-
Balance at December 31, 2018		$ 2,105,737	$ 1,501,021	$ 2,006	$ 19,325	$ 4,410	($ 2,148,790)	$ 17,696	($ 5,971)	$ -	$ 1,495,434	$ 4	$ 1,495,438

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, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 1,109,810)	($ 199,727)
Adjustments			
Adjustments to reconcile profit (loss)			
Impairment loss determined in accordance with IFRS 9		132,392	16,310
Depreciation	6(7)(23)	107,034	120,746
Amortisation	6(8)(23)	25,613	25,918
Net loss (profit) on financial assets at fair value through profit or loss	6(21)	277,610	(15,678)
Interest expense	6(22)	3,896	3,104
Interest income	6(20)	(799)	(2,188)
Share-based payments	6(14)	19,325	-
(Gain) loss on disposal of property, plant and equipment	6(21)	(42)	1,025
Impairment loss recognised in profit or loss, property, plant and equipment	6(7)(21)	176,533	-
Property, plant and equipment transferred to expense		-	7,212
Share of loss of associates and joint ventures accounted for under equity method	6(6)	7,982	7,531
Gain on disposal of investments	6(21)	-	1
Compensation losses	6(21)	34,946	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		34,140	(50,231)
Notes receivable-related parties		-	53,419
Accounts receivable		(6,939)	35,106
Accounts receivable-related parties		19,379	(57,430)
Other receivables		403	1,468
Other receivables-related parties		(4,127)	-
Inventories		31,563	12,177
Prepayments		18,653	(3,170)
Other current assets		426	(487)
C hanges in operating liabilities			
Contract liabilities		(9,703)	-
Notes payable		(3,984)	(8,684)
Accounts payable		(63,518)	(25,518)
Other payables		59,046	(35,346)
Provisions		(8,114)	(5,422)
Advance receipts		-	(115,240)
Other current liabilities		298	19,819
C ash outflow generated from operations		(257,797)	(215,285)
Interest received		799	2,188
Interest paid		(3,607)	(3,115)
Income taxes paid		(8,176)	-
Net cash flows used in operating activities		(268,781)	(216,212)

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in other financial assets		($ 10,763)	$ 1,004
Acquisition of long-term investments accounted for using equity method		-	(1,126)
Acquisition of non-current financial assets at fair value through other comprehensive income		(109,713)	-
Acquisition of property, plant and equipment	6(27)	(57,054)	(10,579)
Proceeds from disposal of property, plant and equipment		43	1,620
(Increase) decrease in refundable deposits		(114)	79,726
Net cash flows (used in) from investing activities		(177,601)	70,645
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		294,206	-
Decrease in short-term borrowings		(47,744)	(30,000)
Increase in long-term borrowings		-	115,816
Decrease in long-term borrowings		(22,664)	(147,885)
Increase in other payables to related parties		89,440	-
Decrease in guarantee deposits received		(188)	-
Net cash flows from (used in) financing activities		313,050	(62,069)
Effect of changes in foreign currency exchange		6,002	1,930
Net decrease in cash and cash equivalents		(127,330)	(205,706)
Cash and cash equivalents at beginning of year		477,258	682,964
Cash and cash equivalents at end of year		$ 349,928	$ 477,258

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

The Company was established in Cayman Islands on November 16, 2007. As of December 31, 2018, the number of shares authorized amounted to 346,000,000 shares with a par value of $10 (in dollars) per share, and the paid-in capital was $2,105,737.

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 AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 26, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component. The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Accounting for sale with a right of return

Under IFRS 15, if the customer returns a product, the Group is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognised as adjustment to revenue. At the same time, the Group has a right to recover the product from the customer where the customer exercises the right of return and recognises an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product due to the products are not material. To reflect these changes in accounting policies, current provisions was reduced by \$3,711, refund liability increased by \$10,470 and other current assets increased by \$6,759.

ii. Presentation of contract liabilities

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet. Liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance receipts in the balance sheet. As of December 31, 2017, the balance amounted to $21,391.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

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

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

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

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group intends not to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $8,464 and $8,464, respectively.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(b) Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basic for preparation of consolidated financial statements:

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of Investor	Name of Subsidiary	Main Business Activities	December 31, 2018	December 31, 2017	Remark
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	99.99	99.99	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd	Manufacturing and installation of electricity generation, transmission and distribution machinery, and manufacturing and distribution of batteries, cars and peripherals	100	100	Note
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK)Co., Ltd	Investment holdings	100	100	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Research and development, trading	100	100	

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(5) 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) <u>Cash equivalents</u>

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) <u>Financial assets at fair value through profit or loss</u>

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

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

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

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

(8) <u>Financial assets at fair value through other comprehensive income</u>

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

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

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

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

(12) Leases (lessor)

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

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

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

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

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

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

(15) Property, plant and equipment

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

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

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

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

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

(16) 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.

(17) 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.

(18) 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.

(19) Borrowings

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

(20) Notes and accounts payable

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

(21) 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.

(22) 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.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

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

(24) 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.

(25) Income tax

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

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

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

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

(26) 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.

(27) 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.

(28) Revenue recognition

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

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

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

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

(29) 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.

(30) Operating segments

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

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

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

In adopting IFRS 9, the Group's investment in convertible bonds without active market was entirely recognised as 'financial assets mandatorily measured at fair value through profit or loss'. The assessment process involves the management and external valuer's subjective judgement with respect to valuation as well as the parameters used. Hence, significant changes may occur. As of December 31, 2018, the carrying amount of financial assets at fair value through profit or loss was $749,725.

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Demand deposits and Checking accounts	296,916	377,478
Time deposits	53,012	99,780
	$ 349,928	$ 477,258

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

B. Cash and cash equivalents pledged to others as collateral, and were classified as other financial assets (shown as 'Other current assets'). The information is provided in Note 8.

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

Items	December 31, 2018	December 31, 2017
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	$ 1,126,688	$ -
Valuation adjustment	(376,963)	-
	$ 749,725	$ -
Financial assets designated as at fair value through profit or loss	-	1,126,688
Convertible bonds	-	(99,353)
Valuation adjustment	-	1,027,335
	$ 749,725	$ 1,027,335

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

B. For the years ended December 31, 2018 and 2017, the net (loss) gain recognised for financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss were ($277,610) and $15,678, respectively.

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

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

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

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

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

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

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

	2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 453,280)
Cumulative losses reclassified to accumulated deficit due to derecognition	$ 787,961

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

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

F. Information on financial assets classified as available-for-sale financial assets under IAS39 as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable – third parties	$ 29,147	$ 63,287
Accounts receivable – third parties	$ 22,187	$ 15,248
Accounts receivable – related parties	107,798	127,177
	129,985	142,425
Less: Allowance for bad debts	(110,135)	(8,478)
	$ 19,850	$ 133,947

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

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 8,295	$ 29,147	$ 12,342	$ 63,287
Up to 30 days	-	-	-	-
31 to 90 days	147	-	9,707	-
91 to 180 days	-	-	53,932	-
Over 180 days	121,543	-	66,444	-
	$ 129,985	$ 29,147	$ 142,425	$ 63,287

The above ageing analysis was based on past due date.

B. For the years ended December 31, 2018 and 2017, interest income recognised in profit or loss both were $0.

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

D. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes receivable and accounts receivable held by the Group was book value.

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

(5) Inventories

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

	December 31, 2017		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	$ 45,450	($ 415)	$ 45,035
Work in process	15,037	(3,130)	11,907
Semi-finished goods	42,306	(14,792)	27,514
Finished goods	72,872	(27,372)	45,500
	$ 175,665	($ 45,709)	$ 129,956

Expenses and losses incurred on inventories for the year:

	Years ended December 31,	
	2018	2017
Cost of inventories sold	$ 118,828	$ 532,034
Loss on inventory obsolescence (gain from price recovery of inventory)	74,664	(1,091)
Loss on scrapping inventory	-	18,312
Unallocated fixed overhead cost	145,468	61,937
	$ 338,960	$ 611,192

For the year ended December 31, 2017, the gain on reversal resulted from the clearance of inventories that had been recognised as obsolescence.

(6) Investments accounted for using equity method

	2018	2017
At January 1	$ 36,793	$ 44,462
Addition of investments accounted for using equity method	-	1,126
Share of profit or loss of investments accounted for using the equity method	(7,982)	(7,531)
Changes in other equity items (Note 6(17))	(165)	(1,264)
At December 31	$ 28,646	$ 36,793

	December 31,	
	2018	2017
Associates:		
Emerald Battery Technologies Co., Ltd.	$ 27,926	$ 36,171
Shanghai Licang New Energy Technology Co.,Ltd	720	622
	$ 28,646	$ 36,793

A. In February 2017, the Group disposed all its investment in Em pire Energy Co., Ltd. and recognised gain on disposal of $1.

B. The basic information

		Interest held			
	Location	December 31, 2018	December 31, 2017	Relationship	Measurement method
Emerald Battery Technologies Co., Ltd.	Taiwan	24%	24%	Strategic alliance	Equity method
Shanghai Licang New Energy Technology Co., Ltd.	Shanghai	25%	25%	Strategic investment	Equity method

C. The carrying am ount of the Group' s interests in all individually imm aterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to $28,646 and $36,793, respectively.

	Years ended December 31,	
	2018	2017
Net loss for the year from continuing operations	($ 33,280)	($ 31,293)
Other comprehensive loss, net of tax	(684)	(5,329)
Total comprehensive loss for the year	($ 33,964)	($ 36,622)

(7) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	Others	Total
At January 1, 2017									
Cost	$ 147,910	$ 123,845	$ 587,281	$ 106,204	$ 29,377	$ 297,670	$ 15,142	$ 133,770	$ 1,441,199
Accumulated depreciation and impairment	-	(47,020)	(390,033)	(74,746)	(28,746)	(59,051)	-	(83,191)	(682,787)
	$ 147,910	$ 76,825	$ 197,248	$ 31,458	$ 631	$ 238,619	$ 15,142	$ 50,579	$ 758,412
2017									
Opening net book amount as at January 1	$ 147,910	$ 76,825	$ 197,248	$ 31,458	$ 631	$ 238,619	$ 15,142	$ 50,579	$ 758,412
Additions	-	-	3,200	-	14	1,090	-	3,965	8,269
Disposals	-	-	(1,047)	-	-	-	-	(1,598)	(2,645)
Reclassifications	-	-	-	-	-	-	(7,212)	(236)	(7,448)
Impairment loss	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(4,925)	(54,371)	(8,909)	(445)	(37,200)	-	(14,896)	(120,746)
Closing net book amount as at December 31	$ 147,910	$ 71,900	$ 145,030	$ 22,549	$ 200	$ 202,509	$ 7,930	$ 37,814	$ 635,842
At December 31, 2017									
Cost	$ 147,910	$ 123,845	$ 583,687	$ 106,198	$ 27,851	$ 297,133	$ 7,930	$ 135,503	$ 1,430,057
Accumulated depreciation	-	(51,945)	(438,657)	(83,649)	(27,651)	(94,624)	-	(97,689)	(794,215)
	$ 147,910	$ 71,900	$ 145,030	$ 22,549	$ 200	$ 202,509	$ 7,930	$ 37,814	$ 635,842

A. No interest was capitalised to property, plant and equipment for the years ended December 31, 2018 and 2017.

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

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

(8) Intangible assets

	License fees		Computer software		Total	
At January 1, 2018						
Cost	$	302,314	$	21,393	$	323,707
Accumulated amortisation	(	167,996)	(	21,184)	(	189,180)
	$	134,318	$	209	$	134,527
2018						
At January 1	$	134,318	$	209	$	134,527
Amortisation charge	(	25,585)	(	28)	(	25,613)
December 31	$	108,733	$	181	$	108,914
At December 31, 2018						
Cost	$	302,314	$	21,393	$	323,707
Accumulated amortisation	(	193,581)	(	21,212)	(	214,793)
	$	108,733	$	181	$	108,914

	License fees		Computer software		Total	
At January 1, 2017						
Cost	$	302,314	$	21,393	$	323,707
Accumulated amortisation	(	142,412)	(	20,850)	(	163,262)
	$	159,902	$	543	$	160,445
2017						
At January 1	$	159,902	$	543	$	160,445
Amortisation charge	(	25,584)	(	334)	(	25,918)
December 31	$	134,318	$	209	$	134,527
At December 31, 2017						
Cost	$	302,314	$	21,393	$	323,707
Accumulated amortisation	(	167,996)	(	21,184)	(	189,180)
	$	134,318	$	209	$	134,527

	Year ended December 31, 2018			
	2018		2017	
Selling expenses	$	25,585	$	25,584
Administrative expenses		28		334
	$	25,613	$	25,918

A. The Group signed a license contract for reauthorisation with LiFeP04+C Licensing AG on July 4, 2011. Under the contra ct, the Group may not authorise license to others except for affiliates. Authorisation period is from Septe mber 1, 2011 to July 9, 2023. Under the contract, the Group needs to pay (1) first fixed r oyalty 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 $37,156 and $91,900 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, unpaid royalty was $29,337 and $14,016, 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.

D. The Group and LiFeP04+C Licensing AG parties reached an agreement whereby both parties agreed to negotiate and adjust the building construction plan to meet the future market demand and environment. The requirements of such plan will continuously be discussed by both parties to meet the actual market need by 2023.

(9) Impairment of non-financial assets

A. The details of impairment loss for the year ended December 31, 2018 are as follows:

	Year ended December 31, 2018	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss - leasehold improvements	$ 173,918	$ -
Impairment loss - machinery and equipment, etc.	2,615	-
	$ 176,533	$ -

For the year ended December 31, 2017: None.

B. The impairment loss reported by operating segments is as follows:

	Year ended December 31, 2018	
	Recognised in profit or loss	Recognised in other comprehensive income
Electric vehicles	$ 176,533	$ -

C. In 2018, the leased plant left unused that resulted in an impairment in the Group's leasehold improvements and other equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of $176,533 accordingly.

(10) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 246,462	1.8%~6.55%	Cash in banks, accounts receivable and property, plant and equipment

As of December 31, 2018, interest expense recognised in profit or loss was $1,647.
December 31, 2017: None.

(11) Other payables

	December 31,	
	2018	2017
Royalty payable	$ 29,337	$ 14,106
Payable on machinery and equipment	22,611	4,910
Wages and salaries payable	17,120	9,417
Rents payable	8,875	93
Others	66,486	38,867
	$ 144,429	$ 67,393

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Taiwan Cooperative Bank secured borrowings	Feb. 17, 2017 ~ Feb. 17, 2022, interest and principal payable monthly	1.85%~1.95%	Property, plant and equipment	$ 74,604
Less: Current portion				(23,068)
				$ 51,536

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Taiwan Cooperative Bank secured borrowings	Feb. 17, 2017 ~ Feb. 17, 2022, interest and principal paybale monthly	1.90%~1.95%	Property, plant and equipment	$ 97,268
Less: Current portion				(22,632)
				$ 74,636

(13) Pensions

A. Effective July 1, 2005, Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the

New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Company's Mainland China subsidiary, Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on 21% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $3,755 and $5,645, respectively.

(14) Share-based payment

A. For the year ended December 31, 2017: None.

For the year ended December 31, 2018, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Employee stock options	2018.03.02	10,500	10 years	Achieve performance goals Vested 50% (2 years' service) Vested 100 % (3 years'service)

Part of the share-based payment arrangements above are settled by equity.

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

	2018	
	No. of options (thousand shares)	Weighted-average exercise price (in dollars)
Options outstanding at January 1		
Options granted	10,500	$ 30
Options expired	(230)	30
Options outstanding at December 31	10,270	30
Options exercisable at December 31	-	

C. As of December 31, 2018, the range of exercise prices of stock options outstanding was $30 (in dollars); the weighted-average remaining contractual period was 9.17 years.

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant weighted average information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per share (in dollars)
Employee stock options	2018.3.2 year(s)	$ 27.5	$ 30	56.48%	6.25 years	-	0.79%	$14.0437

Note: Volatility is calculated by using the Company's historical stock trading data (daily) with a period from the date the Company listed on Taipei Exchange to stock options grant date.

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

	Year ended December 31, 2018
Equity-settled	$ 19,325

(15) Share capital

A. As of December 31, 2018, the Company's authorised capital was $ 3,460,000, consisting of 346,000 thousand shares of ordinary stock (including 10,500 thousand shares reserved for employee stock options), and the paid-in capital was $2,105,737 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows (in shares):

	2018	2017
Options outstanding at January 1 (December 31)	$ 210,573,654	$ 210,573,654

B. With the resolution of shareholders' meeting on June 27, 2016, the Company planned to privately issue 46,000 thousand shares with par value of NT$10. On August 23, 2016, the Board of Directors approved the price of private placement as NT$35. The rights and obligations afforded by the ordinary shares in the private placement are the same with those have issued except that the shares in the private placement are not allowed to be traded freely within three years after delivery pursuant to Article 43-8 of Securities and Exchange Act.

(16) Capital surplus

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

(17) Retained earnings (accumulated deficits)

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

(a) Pay all taxes;

(b) The current year's earnings are to offset prior year's operating losses;

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

(d) Set aside as special reserve in accordance with regulations governing listed companies or requests of the competent authority;

(e) After setting aside in accordance with (a) through (c) stated above, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

The Board of Directors should determine the percentage for directors', supervisors' and employees' bonus when appropriating net income. However, stockholders can recommend the percentage during resolution. Any remaining profit is for dividend appropriation. The Company is at the early stage of industrial development, and enterprise life cycle is at the growing stage. In order to respond to future operating expansion plans, along with maintaining dividend balance and stockholders' return, the dividend policy is to appropriate through cash or new share issuance or through both or as bonus. The Board of Directors is authorized to determine actual appropriation percentage in accordance with the Company's Articles of Incorporation and regulations governing public listed companies, and takes into consideration the financials, business and operations. However, dividend appropriation should not be less than 10% of the remaining profit and cash dividend should not be less than 10% of the total dividends.

B. The Company generated operating losses for the year ended December 31, 2018, and thus had no earnings for distribution.

C. For details of employees' compensation and directors' remuneration, please refer to Note 6(24).

(18) Other equity items

	2018			
	Unrealised gains (losses) on valuation	Available-for-sale investment	Currency translation	Total
At January 1	$ -	($ 340,652)	$ 12,330	($ 328,322)
Effect of retrospective application and retrospective restatement	(340,652)	340,652	-	-
Balance at January 1, 2018 after adjustments	(340,652)	-	12,330	(328,322)
Valuation adjustment	(453,280)	-	-	(453,280)
Revaluation transferred to retained earnings – gross	787,961			787,961
Foreign currency translation adjustment				
- Group	-	-	5,531	5,531
- Associates	-	-	(165)	(165)
At December 31	($ 5,971)	$ -	$ 17,696	$ 11,725

	2017		
	Available-for-sale investment	Currency translation	Total
At January 1	($ 264,026)	$ 12,478	($ 251,548)
Valuation adjustment	(76,626)	-	(76,626)
Foreign currency translation adjustment			
- Group	-	1,116	1,116
- Associates	-	(1,264)	(1,264)
At December 31	($ 340,652)	$ 12,330	($ 328,322)

(19) Operating revenue

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2018	Battery powder			
	China	Taiwan	Other	Total
Revenue from contracts with external customer	$ 138,951	$ 2,975	$ 8,769	$ 150,695

A. Contract liabilities

(a)The Group has recognised the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities- product sales contract	$ 3,758

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	December 31, 2018
Product sales contract	$ 6,792

B. When products are sold with a right of return, the entity will recognise revenue in the amount of consideration to which the entity expects to be entitled. The expected sales discounts and returns are not recognised in revenue. The entity recognises a refund liability and an asset representing its right to recover the products from the customer:

	December 31, 2018
Current asset recognised as right to recover products from customers (shown as 'Other current assets')	$ 871
Current refund liabilities	(1,132)
	($ 261)

C. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(20) Other income

	Years ended December 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	$ 799	$ 2,188
Rental income	27	10
Other income, others	14,362	5,491
	$ 15,188	$ 7,689

(21) Other gains and losses

	Years ended December 31,	
	2018	2017
(Losses) gains on financial assets at fair value through profit or loss	($ 277,610)	$ 15,678
Impairment losses recognised in profit or loss, property, plant and equipment	(176,533)	-
Compensation losses	(34,946)	-
Foreign exchange losses	(1,758)	(27,563)
Other gains and losses	(102)	(5,101)
Gains (Losses) on disposals of property, plant and equipment	42	(1,025)
Gains on disposals of investments	-	1
	($ 490,907)	($ 18,010)

(22) Finance costs

	Years ended December 31,	
	2018	2017
Interest expense	$ 3,896	$ 3,104

(23) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 137,448	$ 155,235
Depreciation charges on property, plant and equipment	107,034	120,746
Amortisation charges on intangible assets	25,613	25,918
	$ 270,095	$ 301,899

(24) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 103,058	$ 133,901
Share-based payments	19,325	-
Labour and health insurance fees	7,945	10,834
Pension costs	3,755	5,645
Other personnel expenses	3,365	4,855
	$ 137,448	$ 155,235

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1% to 10% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. The Company had accumulated deficit for the years ended December 31, 2018 and 2017, thus, the Company did not recognise employees' compensation and directors' and supervisors' remuneration.

C. Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2018	2017
Total current tax:		
Current tax on profits for the year	$ -	$ -
Tax on undistributed surplus earnings	-	8,609
Prior year income tax overestimation	(285)	-
Total current tax:	($ 285)	$ 8,609
Deferred tax:		
Origination and reversal of temporary differences	$ -	$ -
Taxable loss	-	-
Impact of change in tax rate	(2,020)	-
Income tax (income) expense	($ 2,305)	$ 8,609

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

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

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	($ 165,816)	($ 17,109)
Items disallowed by tax regulation	30,010	-
Taxable loss not recognised as deferred tax assets	49,814	18,819
Temporary difference not recognised as deferred tax assets	85,992	(1,710)
Prior year income tax overestimation	(285)	-
Effect from changes in tax regulation	(2,020)	-
Tax on undistributed earnings	-	8,609
Income tax (income) expense	($ 2,305)	$ 8,609

C. Amounts of deferred tax assets of liabilities as a result of temporary difference and taxable loss are as follows:

	2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Taxable loss	$ 12,183	$ 1,282	$ -	$ -	$ 13,465
Deferred tax liabilities:					
Temporary differences					
- Unrealised exchange gain	($ 738)	$ 738	$ -	$ -	$ -
	$ 11,445	$ 2,020	$ -	$ -	$ 13,465

	2017				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Taxable loss	$ 11,445	$ 738	$ -	$ -	$ 12,183
Deferred tax liabilities:					
Temporary differences					
- Unrealised exchange gain	$ -	($ 738)	$ -	$ -	($ 738)
	$ 11,445	$ -	$ -	$ -	$ 11,445

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

Year ended December 31, 2018

Year incurred	Amount filed / Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 269,195	$ 58,506	$ 10,866	2022
2013	291,799	291,799	272,116	2023
2014	366,800	366,800	366,800	2024
2015	418,448	418,448	418,448	2025
2016	162,344	162,344	162,344	2026
2017	167,672	167,672	167,672	2027
2018	301,975	301,975	301,975	2028
	$ 1,978,233	$ 1,767,544	$ 1,700,221	

Year ended December 31, 2017

Year incurred	Amount filed / Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2009	$ 79,794	$ 2,709	$ 2,709	2019
2010	70,096	22,086	22,086	2020
2011	40,897	40,897	40,897	2021
2012	269,195	103,736	51,757	2022
2013	291,799	291,799	272,116	2023
2014	366,800	366,800	366,800	2024
2015	418,448	418,448	418,448	2025
2016	162,344	271,461	271,461	2026
2017	167,672	167,672	167,672	2027
	$ 1,867,045	$ 1,685,608	$ 1,613,946	

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

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 85,992	$ 56,212

F. The liFePO4 lithium battery of the Group's subsidiary, Advanced Lithium Electrochemistry, Co., Ltd., is eligible for the incentives stipulated in Regulations to Encourage Manufacturers and Technical Service Providers in Emerging Significant Strategic Industries for five years (the privilege expires in December 2022).

G. Advanced Lithium Electrochemistry Co., Ltd.'s and Aleees Eco Ark Co., Ltd.'s income tax returns through 2016 have both been assessed and approved by the Tax Authority.

H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings (losses) per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 1,107,499)	210,574	($ 5.26)

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($ 208,335)	210,574	($ 0.99)

(27) Supplement cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31, 2018	Years ended December 31, 2017
Purchase of property, plant and equipment	$ 75,229	$ 8,269
Add: Opening balance of payable on equipment	4,910	13,660
Ending balance of prepayment on equipment	-	29,149
Less: Ending balance of payable on equipment	(22,611)	(4,910)
Opening balance of prepayment on equipment	(474)	(35,589)
Cash paid during the year	$ 57,054	$ 10,579

B. Investing activities with no cash flow effects:

	Years ended December 31, 2018	Years ended December 31, 2017
Investment proceeds receivable	$ 92,904	$ -

(28) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)
At January 1, 2018	$ -	$ 97,268
Changes in cash flow from financing activities	246,462	(22,664)
At December 31, 2018	$ 246,462	$ 74,604

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party: None.

(2) Names of related parties and relationship:

Names of related parties	Relationship with the Group
FDG Electric Vehicles Limited	Significant influence over the group
FDG Kinetic Limited	Significant influence over the group
FDG Investment Holdings Limited	Other related party
FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.	Other related party
Tianjin Sinopoly New Energy Technology Co., Ltd.	Other related party
Jillin Sinopoly New Energy Technology Co., Ltd.	Other related party
Aleees Eco Ark (Cayman) Co., Ltd.	Other related party
Aleees Eco Ark (Ningbo) Ltd.	Other related party
Advanced Lithium Electrochemistry (Guizhou) Limited	Other related party (Note 1)
Shanghai Licang New Energy Technology Co.,Ltd	Associate (Note 2)
Empire Energy Co., Ltd.	Associate (Note 3)
Emerald Battery Technologies Co., Ltd	Associate

Note 1: In March 2017, the Group acquired 9% of equity shares of Advanced Lithium Electrochemistry (Guizhou) Limited which was one of the related parties of the Group from then on.

Note 2: In August 2017, the Group acquired 25% of equity shares of Shanghai Licang New Energy Technology Co., Ltd which was one of the related parties of the Group from then on.

Note 3: On February 2, 2017, the Company disposed all its investment of Empire Energy Co., Ltd. and lost significant influence, thus, this company was not listed in related parties from then on.

(3) Significant related party transactions and balances:

A. Operating revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Sales of goods:		
- Other related parties		
Jillin Sinopoly New Energy Technology Co., Ltd.	$ 31,957	$ 30,241
Others	2,834	40,857
- Associates	1,238	-
	$ 36,029	$ 71,098
Technical service revenue:		
- Other related parties		
FDG Investment Holdings Limited	$ -	$ 103,381
Others	-	410
	$ -	$ 103,791

The selling price for the sales of goods to related parties is based on regular prices. The credit terms were determined in accordance with mutual agreements. The prices and credit terms for technical service provision is based on agreement and there is no other comparable counterparty.

B. Receivables from related parties:

	December 31, 2018	December 31, 2017
Accounts receivable:		
- Other related parties		
FDG Investment Holdings Limited	$ 84,548	$ 97,072
Tianjin Sinopoly New Energy Technology Co., Ltd.	14,738	18,651
Others	8,512	11,454
	107,798	127,177
Less: Allowance for bad debts	(96,786)	-
	$ 11,012	$ 127,177

	December 31, 2018	December 31, 2017
Other receivables:		
- Other related parties		
FDG Investment Holdings Limited	$ 32,803	$ 28,675
Aleees Eco Ark (Ningbo) Ltd.	10,641	10,641
Less: Allowance for bad debts	(41,377)	(10,641)
	$ 2,067	$ 28,675

C. Prepayments

	December 31, 2018	December 31, 2017
Goods:		
- Other related party		
FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.	$ -	$ 10,323
Service fee		
－Associate	-	3,472
	$ -	$ 13,795

D. Contract liabilities / advance receipts

	December 31, 2018	December 31, 2017
Prepayments to related parties:		
- Other related party	$ 79	$ 1,237
- Associate	2	-
	$ 81	$ 1,237

E. Other transactions

	Years ended December 31,	
	2018	2017
Service expenses and other expenses:		
Shanghai Licang New Energy Technology Co., Ltd.	$ 11,233	$ 12,673

	Years ended December 31,	
	2018	2017
Other income		
- Other related party		
FDG Investment Holdings Limited	$ 3,000	$ 1,005

F. Loans to /from related parties

Loans from related parties (shown as 'Other payables')

	December 31,	
	2018	2017
- Other related party		
Advanced Lithium Electrochemistry (Guizhou) Limited	$ 89,440	$ -

As resolved by the Board of Directors on February 26, 2019, the Group plans to request an extension to May 31, 2019 for the three-month loan from Aleees (Gui Zhou) Co., Ltd. The loan that was due February 28, 2019 is secured by Advanced Lithium Electrochemistry (HK) Co., Ltd. as a joint guarantor. There was no interest incurred on the loan for the year ended December 31, 2018.

G. In 2017, the Group formally entered into a cooperative investment agreement with the Management Committee of Guizhou Guian New Area (through its wholly owned affiliate, Development Investment Co., Ltd., hereinafter referred to as 'Guian New Area') and FDG Investment Limited (through its wholly owned affiliate, FDG Kinetic (Guian) Holdings Limited. The joint venture company was established with a registered capital of RMB 250 million. FDG Investment Limited, Guian New Area, and the Company, holds 51%, 40% and 9% of equity share, respectively. As of December 31, 2018, only FDG Investment Limited has not completed its capital infusion. The Group plans to initiate a negotiation on another co-investment deal with Guian New Area with respect to new battery material production.

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 11,051	$ 15,588
Share-bases payments	7,730	-
	$ 18,781	$ 15,588

8. PLEDGED ASSETS

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

	Book value		
	December 31,		
Pledged asset	2018	2017	Purpose
Bank deposits (shown as 'Other current assets')	$ 19,527	$ 8,764	Short- term borrowings, letters of credit and pledge at customs
Accounts receivable	8,295	-	Short-term borrowings
Property, plant and equipment	236,574	219,810	Short-term and long-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

On July 18, 2016, the Group's subsidiary, Aleees Eco Ark Co., Ltd. (hereafter referred as "Aleees") received a notice of civil charge issued by Hsinchu District Court numbered No. 105-Zon-Su-Zi-147 and on April 6, 2017, received continued indictment (hereafter referred as "Zon-Su-Zi-147"). In addition to that, a bill of indictment issued by Hsinchu District Court numbered No. 107-Zon-Su-Zi-216 (hereafter referred as "Zon-Su-Zi-216") was received by Aleees on October 31, 2018. The civil charges Zon-Su-Zi-147 and Zon-Su-Zi-216 were filed by Hsin Chu Bus Co., Ltd. claiming for compensation of the driver's fee totaling $34,946 and $51,030, respectively, plus interest at 5% per annum till the debt is repaid. In its verdict on Zon-Su-Zi-147, the Hsinchu District Court stated that the accused, Aleees, shall compensate the complainant, Hsin Chu Bus Co., Ltd., for the driver's fee. In the Group's opinion, Aleees is not entirely accountable for the driver's fee, which involved the issue regarding land utilisation for recharging. As the Group believes that there was misinterpretation of the facts during the first trial, the Group has filed an appeal with the Taiwan High Court numbered Taiwan High Court No. 107-Zon-Su-Zi-805 (hereafter referred as "Zon-Su-Zi-805"). As of the reporting date, the ultimate outcome of the case cannot presently be determined. However, the Group has recognised the amount of possible losses after evaluation. The oral argument procedure for Zon-Su-Zi-216 was originally set on January 24, 2019 but the argument for the case is the same as that for Zon-Su-Zi-805, Aleees is not entirely accountable for the driver's fee. In order to avoid the differences in the judgments between two cases, the court decided to cease the appeal procedures for Zon-Su-Zi-216.

The land utilisation for recharging was recognised as illegal use by the government authority and Aleees believes it can not provide recharge service due to the problem of land use right. The problem was caused by Hsinchu City Government handing over the land to Hsin Chu Bus Co., Ltd. which then commissioned Aleees to provide recharge service. However, Aleees was mandatorily asked to demolish any structures built on the land and recover the land, causing damages to Aleees. Thus, on July 6, 2017, Aleees filed for state compensation with the Hsinchu District Court against Hsinchu City Government, seeking for $10,000 as compensation, and retained the right of claim for the remaining amount. The case is under trial with the Hsinchu District Court (No.106-

Zon-Guo--Zi-2) and in order to avoid the differences in the judgments between the case and the abovementioned Zon-Su-Zi-805, the court decided to cease the appeal procedures for Zon-Su-Zi-2. As of the reporting date, the ultimate outcome of the case cannot presently be determined.

(2) Commitments

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

	December 31,			
	2018		2017	
Property, plant and equipment	$	78,876	$	-

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

	December 31,			
	2018		2017	
Within 1 year	$	5,012	$	26,341
Over 1 ~ 5 years		3,452		96,145
Over 5 years		-		22,752
	$	8,464	$	145,238

C. License reauthorization contract:

(a) The Group has signed a license reauthorisation contract with LiFePO4+C Licensing AG on July 4, 2011. The contract requires the Group to construct a plant and produce cathode materials for Lithium iron phosphate (LiFePO4) with annual production of 1,000 tons in Quebec, Canada during the extended 3 years as stated in the contract (before July 4, 2014).

(b) The Group assessed that the needs in American and European markets were lower than its expectation, thus, the Group and LiFePO4+C Licensing AG completed an amendment for the license reauthorisation contract on August 26, 2013. The amendment extends the construction of the plant and completing requirement for operation for 12 months, which is, to build a cathode materials plant with a minimum of annual production of 1,000 tons in Quebec, Canada as of July 4, 2015. If the Group fails to build the plant on schedule, LiFePO4+C Licensing AG has the right to claim an extension fee of US$300,000 and to terminate the license reauthorisation contract.

(c) The Group assessed the potential for growth in electric cars and energy storage system in Europe, U.S. and Canada. Thus, the Group and LiFePO4+C Licensing AG completed an amendment for the license reauthorisation contract on November 19, 2014. The amendment states that the Group can choose to build a powder plant, battery plant, battery module plant or electric bus system integration plant in Quebec, Canada, that the capital expenditure is at least US$6 million as of July 4, 2015, and that the average annual full-time employment is at least 10 employees as of July 4, 2018. If the Group fails to meet its obligations as stated in the amendment and thus influences rights of the license contract, there may be a significant impact on the Group’s operation and financials.

(d) As of December 31, 2018, the Group originally needed to build a cathode materials plant, battery plant, pack plant (battery module plant) or electric bus system integration plant by July 4, 2015; however, the Group and license authoriser, LiFePO4+C Licensing AG, both agreed that China has the greatest market for LFP materials and the LFP materials market is extremely competitive. Both parties also agreed to negotiate and adjust the building construction plan to meet the future market demand and environment. The requirements of such plan will continuously be discussed by both parties to meet the actual market need by 2023.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February, 26, 2019, the Board of Directors resolved the follwing:

A. Aiming to bolster competitiveness, the Company plans to raise cash capital for future business development, indirect investment and operating needs by issuing up to 30 million private ordinary shares.

B. To complement business development plans, the Company plans to increase capital of $90,000 by share issuance for the subsidiary, Advanced Lithium Electrochemistry Co., Ltd..

C. The Company's subsidiary, Advanced Lithium Electrochemistry Co., Ltd., plans to apply for a loan totaling $240,000 in several drawdowns whenever it needs to replenish the working capital for the Company's second-tier subsidiary, Advanced Lithium Electrochemistry (China Shanghai) Ltd..

D. The Company plans to make an indirect investment of US$650 thousand in the Company's second-tier subsidiary, Advanced Lithium Electrochemistry (China Shanghai) Ltd., to meet its operating needs through the Company's subsidiary, Advanced Lithium Electrochemistry (HK) Co., Ltd..

E. The Company's subsidiary, Advanced Lithium Electrochemistry (HK) Co., Ltd., plans to acquire new shares amounting to an estimate of RMB 22,500 thousand of the Company's second-tier subsidiary, Advanced Lithium Electrochemistry (HK) Co., Ltd., for repayment of borrowings and optimisation of financial structure.

12. OTHER

(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, 2018 and 2017were as follows:

	December 31,	
	2018	2017
Total borrowings	$ 321,066	$ 97,268
Less: Cash and cash equivalents	(349,928)	(477,258)
Net debt	(28,862)	(379,990)
Total equity	1,495,434	3,031,522
Total capital	$ 1,466,572	$ 2,651,532
Debt to capital ratio	-	-

(2) Financial instruments

A. Financial instruments by category

	December 31,	
	2018	2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 749,725	$ -
Financial assets designated as at fair value through profit or loss on initial recognition	-	1,027,335
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	103,742	-
Available-for-sale financial assets	-	540,213
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	349,928	477,258
Notes receivable	29,147	63,287
Accounts receivable	19,850	133,947
Other receivables	94,502	29,080
Other financial assets (shown as 'Other current assets')	19,527	8,764
Guarantee deposits paid (shown as 'Other current assets')	7,320	7,206
	$ 1,373,741	$ 2,287,090

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 246,462	$ -
Notes payable	-	3,984
Accounts payable	6,589	70,107
Other accounts payable	233,869	67,393
Long-term borrowings (including current portion)	74,604	97,268
Guarantee deposits paid (shown as 'Other current assets')	-	188
	$ 561,524	$ 238,940

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, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 4,553	30.72	$ 139,868
HKD : NTD	28,159	3.921	110,411
RMB : NTD	62,325	4.472	278,717
Non-monedary items			
HKD : NTD	$ 275,000	3.921	$ 1,078,275
RMB : NTD	22,500	4.472	100,620
Financial liabilities			
Monetary items			
USD : NTD	$ 1,168	30.72	$ 35,881
Non-monetary items			
RMB : NTD	$ 58,061	4.472	$ 259,648

	December 31, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 9,609	29.76	$ 285,964
HKD : NTD	7,340	3.807	27,943
RMB : NTD	86,614	4.565	395,393
Non-monedary items			
HKD : NTD	$ 490,000	3.807	1,865,430
Financial liabilities			
Monetary items			
USD : NTD	$ 2,349	29.76	$ 69,906
Non-monetary items			
RMB : NTD	$ 45,465	4.565	207,548

v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to $1,758 and $27,563, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income (loss)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 1,399	$ -
HKD : NTD	1%	1,104	-
RMB : NTD	1%	2,787	-
Non-monetary items			
HKD : NTD	1%	$ 10,783	$ -
RMB : NTD	1%	-	1,006
Financial liabilities			
Monetary items			
USD : NTD	1%	($ 359)	$ -
Non-monetary items			
RMB : NTD	1%	($ 2,596)	$ -

	Year ended December 31, 2017		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income (loss)
(Foreign currency : functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 2,860	$ -
HKD : NTD	1%	279	-
RMB : NTD	1%	3,954	-
Non-monetary items			
HKD : NTD	1%	$ 10,469	$ 8,185
Financial liabilities			
Monetary items			
USD : NTD	1%	($ 699)	$ -
Non-monetary items			
RMB : NTD	1%	$ 2,075	$ -

Price risk

A. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as financial assets at fair value through other comprehensive income/ available-for-sale financial assets measured at fair value or at fair value through profit or loss.

B. The Group's investments in equity securities is comprised of foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by

1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would change due to gains/losses on equity securities classified as at fair value through profit or loss, please refer to Note 12(3)H. Other components of investment would have increased/decreased by $1,037 and $5,402, respectively, as a result of other comprehensive income classified as available-for-sale investment and investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings are at floating rates. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in NTD and USD.

ii. At December 31, 2018 and 2017, if interest rates on NTD and USD-denominated borrowings had been 0.25% higher with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been $782 and $243 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, including outstanding receivables and contractual cash flows of debt instruments at fair value through profit or loss. For bank and financial institutions, only institutions with good credit quality are accepted.

ii. The Group adopts the assumption under IFRS 9 that if the contract payments were past due over 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iii. In line with credit risk management procedure, the default occurs when the contract payments are not expected to be recovered and are reclassified to overdue receivables.

iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with product types. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
   (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
   (ii) The disappearance of an active market for that financial asset because of financial difficulties;
   (iii) Default or delinquency in interest or principal repayments;
   (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2018, the provision matrix is as follows:

	Individual disclosure	Not past due	Up to 60 days past due	61-120 days past due	121-180 days past due	181-360 days past due	Over 361 days	Total
Expected loss rate	100%	0%	0%	0-2%	0-14%	0-46%	100%	
Total book value								
- Accounts receivable	$ 8,478	$ 8,295	$ -	$ 147	$ -	$ 12,204	$ 100,861	$ 129,985
- Other receivables	$ -	$ 1	$ -	$ -	$ -	$ 3,265	$ 44,768	$ 48,034
Loss allowance	($ 8,478)	$ -	$ -	$ -	$ -	($ 1,995)	($ 145,629)	($ 156,102)

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2018		
	Accounts receivable	Other receivables	Total
At January 1_IAS39	$ 8,478	$ 15,232	$ 23,710
Adjustments under new standards	-	-	-
As January 1_IAS9	8,478	15,232	23,710
Provision for impairment	101,657	30,735	132,392
As December 31	$ 110,135	$ 45,967	$ 156,102

For provisioned loss in 2018, the impairment losses arising from customers' contracts and other receivables are $132,392.

viii. The amount recognised under the financial assets at amortised cost are mainly restricted deposits. Such financial institutions are with high credit quality, so it expects that the probability of counterparty default is remote.

ix. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

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

ii. The Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	$ 263,538	$ 795,384

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities	Within 1 year	Over 1 year	2 ~ 5 years	Over 5 years
December 31, 2018				
Short-term borrowings	$ 246,462	$ -	$ -	$ -
Accounts payable	6,589	-	-	-
Other payables	144,429	-	-	-
Other payables to related parties	89,440			
Long-term borrowings (including current portion)	23,506	23,946	31,174	-

Non-derivative financial liabilities	Within 1 year	Over 1 year	2 ~ 5 years	Over 5 years
December 31, 2017				
Short-term borrowings	$ 3,984	$ -	$ -	$ -
Accounts payable	70,107	-	-	-
Other payables	67,393	-	-	-
Long-term borrowings (including current portion)	23,068	23,504	57,012	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in convertible bonds and equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, restricted cash (shown as 'Other current asset and other non-current asset), short-term borrowings, notes payable, accounts payable, other payables and long-term liabilities (including current portion) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 is as follows:

December 31,2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Convertible bonds	$ -	$ -	$ 749,725	$ 749,725
Financial assets at fair value through other comprensive income				
Equity securities	-	-	103,742	103,742
	$ -	$ -	$ 853,467	$ 853,467

December 31,2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Convertible bonds	$ -	$ -	$ 1,027,335	$ 1,027,335
Available-for-sale financial assets				
Equity securities	540,213	-	-	540,213
	$ 540,213	$ -	$ 1,027,335	$ 1,567,548

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

(b) For high-complexity financial instruments, the fair value is measured by the appraiser assigned by the Group using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market and involve subjective judgement by the management and appraiser. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 3.

F. The valuation for convertible bonds whose fair value is categorised as Level 3 is conducted by the appraiser assigned by the Group.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 103,742	Net asset value	N/A	N/A	N/A
Hybrid instrument:					
Convertible bonds	$ 749,725	Binary tree model	Discount rate	14.70%	The lower the discount rate, the higher the fair value

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bonds	$ 1,027,335	Binary tree model	Volatility	55.71%	The higher the volatility, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Hybrid instrument	Discount rate	±1%	$ 1,617	($ 1,510)	$ -	$ -

			December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Hybrid instrument	Volatility	±1%	$ 9,841	($ 4,188)	$ -	$ -

(4) Effects on initial application of IFRS 9, 'Financial instruments'

A. Summary of significant accounting policies adopted in 2017 is provided in the consolidated financial statements for the year ended December 31, 2017.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Available-for-sale-equity Measured at fair value through other comprehensive income-equity	Total	Effects Retained earnings	Effects Other equity interest
IAS39/IFRS9	$ 1,027,335	$ 540,213	$ 1,567,548	$ -	$ -

(a)Under IAS 39, because the equity instruments, which were classified as: 'Available-for-sale financial assets' amounting to $540,213, were not held for the purpose of trading, they were reclassified as 'Financial assets at fair value through other comprehensive income (equity instruments)'.

(b) Under IAS 39, the equity instruments, which were classified as: 'Financial assets at fair value through profit or loss' amounting to $1,027,335, were reclassified as 'Financial assets at fair value through profit or loss (debt instruments)'.

C. The significant accounts as of December 31, 2017 are as follows:

Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed stocks	$ 880,865
Unlisted shares	-
Revaluation – gross	(340,652)
Accumulated impairment	-
	$ 540,213

For the year ended December 31, 2017, the Group recognised losses of $76,626 in other comprehensive income for fair value change.

D. Credit risk information as of December 31, 2017 and for the year ended December 2017 are as follows:

(a)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions and outstanding receivables.

ii. For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods

iii. The credit quality information of the Group's accounts receivable that are neither past due nor impaired is as follows:

	December 31, 2017
Group 1	$ 12,342
Group 2	-
	$ 12,342

Group 1: With good credit quality.

Group 2: Others.

iv. The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017
1 to 30 days	$ -
31 to 90 days	9,707
91 to 180 days	53,932
Over 180 days	57,966
	$ 121,605

v. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $8,478.

vi. Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
January 1	$ 2,808	$ -	$ 2,808
Provision for impairment	5,670	-	5,670
December 31	$ 8,478	$ -	$ 8,478

(5) Effects on initial application of IFRS 15, 'Financial instruments'

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales revenue

i. The Group manufactures and sells battery powder and electric vehicle products. Revenue is measured at the fair value of the consideration received or receivable taking into account value increment 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 is 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.

ii. The Group offers customers 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.

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

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales revenue	$ 748,482

C. The effects and description of adopting above accounting policies have no significant impact on comprehensive income statements. The effects and description of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies are as follows:

	December 31, 2018		
Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Other current assets	$ 871	$ -	$ 871
Contract liabilities	(3,758)	-	(3,758)
Advance sales receipts	-	(3,758)	3,758
Current provisions	-	(261)	261
Refund liabilities	(1,132)	-	(1,132)

13. SUPPLEMENTARY DISCLOSURES

The disclosure of investee companies were based on financial statements audited by independent accountants and the following transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only. The related information on investee companies were translated using the average rates of USD: NTD = 1: 30.15 and USD: NTD = 1:30.72 for the year ended December 31, 2018 and as of December 31, 2018, respectively.

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports audited by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group manages through product types. Each significant product type needs a different technique and market strategy, thus, is individually disclosed in management information.

(2) Measurement of segment information

A. The accounting policies, judgements, assumptions and estimates of the operating segments are in agreement with the significant accounting policies 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:

Year ended December 31, 2018:

	Material	Electric vehicle	Others	Eliminations	Total
Inter-segment revenue - external customers	$ 150,695	$ -	$ -	$ -	$ 150,695
Total segment income (loss)	($ 424,486)	($ 177,435)	($ 20,292)	$ -	($ 622,213)

Year ended December 31, 2017:

	Material	Electric vehicle	Others	Eliminations	Total
Inter-segment revenue - external customers	$ 645,100	$ 103,382	$ -	$ -	$ 748,482
Total segment income (loss)	($ 124,879)	($ 42,248)	($ 11,644)	$ -	($ 178,771)

(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:

	Years ended December 31, 2018	Years ended December 31, 2017
Battery powder	$ 150,695	$ 645,100
Electric bus	-	103,382
	$ 150,695	$ 748,482

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 138,951	$ 10,443	$ 725,842	$ 14,386
Japan	3,686	-	2,914	-
Taiwan	2,975	409,311	2,428	622,138
United States	2,438	-	8,320	
United Kingdom	-	108,733	-	134,318
Germany	751	-	7,598	-
Others	1,894	-	1,380	-
	$ 150,695	$ 528,487	$ 748,482	$ 770,842

(7) Major customer information

Major customer information of the Group for the years en ded December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Segment	Revenue	Segment
A	$ 38,465	Battery powder	$ 138,165	Battery powder
B	34,791	Battery powder	71,098	Battery powder
C	6,507	Battery powder	270,183	Battery powder
E	-	-	103,381	Electric vehicle
D	-	-	35,160	Battery powder

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivables - related parties	Y	$ 300,000	$ -	$ -	-	Short-term financing	$ -	Working capital financing	$ -	None	$ -	$ 261,464	$ 261,464	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: The column of "Nature of loan" shall fill in "Business transaction" or "Short-term financing".

Note 3: (1)For the Company’s loans to investees companies accounted for using equity method, the ceiling of the total lending is 40% of the parent company’s net assets while the ceiling of individual lending is 40% of the parent company’s net assets;

(2)For loans of the subsidiary - Advanced Lithium Electrochemistry Co., Ltd. To affiliates, the ceiling of the total leanding is 40% of the lending company's net assets while the ceiling of individual lending is 40% of the lending company's net assets.

Note 4: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down (Note 4)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd	(2)	$ 747,716	$ 15,000	$ -	$ -	$ -	0%	$ 747,716	Y	N	N	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(2)	747,716	894,500	590,000	590,000	-	39.45%	747,716	Y	N	N	
1	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	(2)	747,716	89,700	89,440	89,440	-	5.98%	747,716	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5)Mutual guarantee of the trade as required by the construction contract.

(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Unless agreed by stockholders, the ceiling of the Company's guarantee to other companies and individual entity is 50% of the Company's net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling the celing of the Company and its subsidiaries' guarantee to other companies and individual entity is 50% of the Company's net assets based on the latest financial statements audited or reviewed by independent accountants. The Company may provide endorsements and guarantees to the entities that are directly or indirectly owned by the Company for more than 90% ownership as logn as the total amount is not higher than 10% of the Company's net worth. For the entities that are 100% directly or indirectly owned by the Company are not subject to the 10% net woth limit.

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

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	FDG Electric Vehicles Limited convertible bonds	Investment company that has significant influence on the Group	Non-current financial assets at fair value through profit or loss, mandatorily measured at fair value	27.5 (Note)	$ 749,725	-	$ 749,725	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Aleees (Gui Zhou) Co, Ltd. capital contribution	Other related parties	Non-current financial assets at fair value through other comprehensive income	22,500,000	103,742	9%	103,742	

Note：HKD 10 million per unit.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

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

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2018		Addition		Disposal				Balance as at December 31, 2018	
Investor	Marketable securities	General ledger account	Counterparty (Note 1)	Relationship with the investor (Note 1)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal (Note 2)	Number of shares	Amount
Advanced Lithium Electrochemistry (Cayman) Co., Ltd. Limited	FDG Electric Vehicles Limited	Non-current financial assets at fair value through other comprehensive income	-	-	430,000,000	$ 540,213	-	$ -	430,000,000	$ 92,904	$ 92,904	$ -	-	$ -

Note 1: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 2: Financial assets at fair value through other comprehensive income that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of financial assets.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Relationship	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	An affiliate	Sales	$ 129,201	86%	120 days from the first day of the month following the month of sale.	Note	Note	$ 227,673	99.9%	

Note : The prices and credit term were determined in accordance with mutual agreements.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Subsidiary	$ 227,673	0.42	$ 212,211	Collect after the balance sheet date	$ -	$ -

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Advanced Lithium Electrochemistry (Coyman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	1	Other receivables	$ 25,961	Executed according to license and authorization contract	1%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Accounts receivable	227,673	Collection term is 120 days from the first day of the month following the month of sales.	11%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Sales	129,201	Collection term is 120 days from the first day of the month following the month of sales.	86%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories;

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No further disclosure of counterparty transactions, and disclosure standard of significant transactions is above $20 million.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including unvestees in Mainland China)

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Taiwan	Research, manufacturing and sale of LFP-NCO and key materials of olivine-type structure lithium battery	$ 1,494,504	$ 1,494,504	94,246,125	99.99	$ 647,284	($ 522,950)	($ 518,346)	Subsidiary (Note1)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of batty cor and its peripherals	1,675,000	1,675,000	52,800,000	100	(5,104)	(223,062)	(223,062)	Subsidiary (Note2)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investment	376,295	263,936	12,170,000	100	(153,675)	(64,734)	(64,734)	Subsidiary
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	27,926	(33,732)	(8,096)	Equity method

Note 1: Unrealised gain on sidestream intercompany transaction was included.

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

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 （Note 2）	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Advanced Lithium Electrochemistry (China Shanghai) Ltd	Design of battery and trading	$264,571	Notes 1	$ -	$ -	$ -	$ -	($ 64,808)	100	($ 64,808)	($ 259,648)	$ -	
Shanghai Licang New Energy Technology Co.,Ltd	Design of battery and trading	4,506	Notes 1	-	-	-	-	453	25	113	720	-	

Company name (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	$ -	$ -	$ -
Shanghai Licang New Energy Technology Co.,Ltd	-	-	-

Note 1: The investment in the investee companies are remitted by the parent company-Advansed Lithium Electrochemistry(Cayman)Co., Ltd through investing in an existing company in the third area -Advanced :Lithum Electrochemistry (HK) Co., Limited,which then invested in the investee in Mainland China.Thus, the investment amounts are not applicable for disclosure.

Note 2: Information based on financial statements audited by the parent company’s independent accountants.