THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **FDG Kinetic Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

FDG KINETIC

FDG Kinetic Limited
五龍動力有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 378)

MAJOR AND CONNECTED TRANSACTION
THE SUBSCRIPTION OF SHARES IN
ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD
AND
NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Alliance Capital Partners Limited
同人融資有限公司

Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined under the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 42 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 43 to 44 of this circular. A letter from Alliance Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 63 of this circular. A notice convening the SGM to be held at Rooms 3001–3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Thursday, 16 June 2016 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

30 May 2016

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"ALEEES"	Advanced Lithium Electrochemistry (Cayman) Co., Ltd, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Taipei Exchange (Stock Code: 5227);
"ALEEES Group"	ALEEES and its subsidiaries;
"ALEEES Group Restructuring"	the restructuring of the ALEEES Group under which Ark Taiwan shall cease to be a subsidiary of Ark Cayman and become a direct wholly-owned subsidiary of ALEEES;
"ALEEES Share Subscription"	the proposed subscription of ALEEES Subscription Shares by FKIL pursuant to the ALEEES Share Subscription Agreement;
"ALEEES Share Subscription Agreement"	the share subscription agreement dated 14 April 2016 and entered into between the Company, ALEEES and FKIL with respect to the subscription for ALEEES Subscription Shares, as amended and supplemented by the supplemental agreement dated 23 May 2016 with respect to the subscription for ALEEES Subscription Shares;
"ALEEES Share(s)"	ordinary share(s) of NT$10 each in the share capital of ALEEES;
"ALEEES Subscription Shares"	46,000,000 new ALEEES Shares, which represent approximately 21.85% of the total issued ALEEES Shares as enlarged by the subscription of the ALEEES Shares by FKIL;
"Ark Cayman"	Aleees Eco Ark (Cayman) Co., Ltd., a company incorporated in the Cayman Islands with limited liability, and is a wholly-owned subsidiary of ALEEES as at the Latest Practicable Date;
"Ark Cayman Acquisition"	the proposed acquisition of Ark Cayman Sale Shares by FIHL pursuant to the Ark Cayman Sale and Purchase Agreement;
"Ark Cayman Long Stop Date"	the first anniversary of the date of the Ark Cayman Sale and Purchase Agreement or such later date as the parties may agree in writing;

"Ark Cayman Sale and Purchase Agreement"	the sale and purchase agreement dated 14 April 2016 and entered into between FIHL, FDG and ALEEES with respect to the acquisition of Ark Cayman, as amended and supplemented by the Supplemental Ark Cayman Agreement;
"Ark Cayman Sale Shares"	55,811,539 shares of US$1.00 each in Ark Cayman, which represent 100% of the total issued shares of Ark Cayman as at the Latest Practicable Date;
"Ark Taiwan"	Aleees Eco Ark Co., Ltd.* (台灣立凱綠能移動股份有限公司), a company organized and existing under the laws of Taiwan;
"Ark Taiwan Acquisition"	the proposed acquisition of Ark Taiwan Asset and Ark Taiwan Equipment by FIHL or its nominee pursuant to the Ark Taiwan Asset Purchase Agreement;
"Ark Taiwan Asset"	the aggregate of (i) all tangible properties relating to the operation of the business and owned by Ark Taiwan; and (ii) all saleable inventories wherever located on the completion date of the Ark Taiwan Asset Purchase Agreement which are owned or retained by Ark Taiwan as set out in the Ark Taiwan Asset Purchase Agreement;
"Ark Taiwan Asset Purchase Agreement"	the asset purchase agreement dated 14 April 2016 and entered into between FIHL, Ark Taiwan and FDG with respect to the acquisition of Ark Taiwan Asset and Ark Taiwan Equipment, as amended and supplemented by the Supplemental Ark Taiwan Agreement;
"Ark Taiwan Equipment"	the equipment of Ark Taiwan as set out in the Ark Taiwan Asset Purchase Agreement;
"Ark Taiwan Long Stop Date"	the first anniversary of the date of the Ark Taiwan Asset Purchase Agreement or such later date as the parties may agree in writing;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of the Directors;

* *For identification purpose only*

"Business Day(s)"	a day (other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning no. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open to the public for general banking business;
"Company"	FDG Kinetic Limited, a company incorporated in Bermuda with limited liability, an indirect non wholly-owned subsidiary of FDG and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 378);
"Completion"	completion of the ALEEES Share Subscription;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Cooperation Agreement"	the cooperation agreement entered into between the Company and ALEEES;
"Director(s)"	the director(s) of the Company;
"Enlarged Group"	the Group as enlarged by the acquisition of ALEEES Subscription Shares immediately upon Completion;
"FDG"	FDG Electric Vehicles Limited, a company incorporated in Bermuda with limited liability, the controlling shareholder of the Company and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 729);
"FDG Bond Subscription Price"	HK$275 million, being the subscription price for the principal amount of the FDG Convertible Bonds;
"FDG Conversion Shares"	new FDG Shares arising from the conversion of the FDG Convertible Bonds to be allotted and issued by FDG (whether upon exercise of the conversion rights in respect of the FDG Convertible Bonds by a bondholder, or otherwise pursuant to the conditions of the FDG Convertible Bonds);
"FDG Convertible Bonds"	the unlisted zero coupon convertible bonds due 2021 in the principal amount of HK$275,000,000 to be issued by FDG in favour of ALEEES in accordance with the terms and conditions of the FDG Subscription Agreement;
"FDG Group"	FDG and its subsidiaries;

"FDG Long Stop Date"	the first anniversary of the date of the FDG Subscription Agreement or such other date as agreed by the parties in writing;
"FDG Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of FDG;
"FDG Shareholders"	the holder(s) of FDG Share(s);
"FDG Subscription"	the proposed subscription of the FDG Subscription Shares and the FDG Convertible Bonds by ALEEES pursuant to the FDG Subscription Agreement;
"FDG Subscription Agreement"	the subscription agreement dated 14 April 2016 and entered into between ALEEES and FDG with respect to the subscription of the FDG Subscription Shares and the convertible bonds of FDG, as amended and supplemented by the Supplemental FDG Agreement;
"FDG Subscription Price"	HK$0.50 per FDG Subscription Share, being the subscription price for each FDG Subscription Share as set out in the FDG Subscription Agreement;
"FDG Subscription Shares"	430,000,000 new FDG Shares;
"FIHL"	FDG Investment Holdings Limited, a company incorporated in the British Virgin Islands, and is a direct wholly-owned subsidiary of FDG;
"FKIL"	FDG Kinetic Investment Limited, a company incorporated in the British Virgin Islands, and is a direct wholly-owned subsidiary of the Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the ALEEES Share Subscription Agreement and the transactions contemplated thereunder;

"Independent Financial Adviser" or "Alliance Capital"	Alliance Capital Partners Limited, a licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Independent Shareholders"	the Shareholders who are not interested in or involved in the ALEEES Share Subscription Agreement and the transactions contemplated thereunder;
"Latest Practicable Date"	25 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan"	the loan in the principal amount of US$2,000,000 to be made available by FIHL to Ark Cayman pursuant to the Loan Agreement;
"Loan Agreement"	the loan agreement dated 14 April 2016 entered into between FIHL (as lender), Ark Cayman (as borrower) and ALEEES (as guarantor) in relation to the provision of the Loan;
"NT$" or "NTD"	New Taiwan dollar, the lawful currency of Taiwan;
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"R&D Service Agreement"	a research and development service agreement to be entered into between FIHL, FDG and Ark Taiwan;
"Restructuring"	the restructuring of the ALEEES Group pursuant to the ALEEES Share Subscription Agreement, Ark Cayman Sale and Purchase Agreement, Ark Taiwan Asset Purchase Agreement, R&D Service Agreement and Cooperation Agreement;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong);

"SGM"	the special general meeting of the Company to be convened and held on 16 June 2016 for the purpose of considering and, if thought fit, approving the ALEEES Share Subscription Agreement and the transactions contemplated thereunder;
"Share(s)"	ordinary share(s) of HK$0.20 each in the share capital of the Company;
"Shareholder(s)"	the holder(s) of the Share(s);
"substantial shareholder"	has the meaning as ascribed to it under the Listing Rules;
"Supplemental ALEEES Agreement"	the supplemental agreement dated 23 May 2016 and entered into between the Company, ALEEES and FKIL with respect to the subscription for ALEEES Subscription Shares;
"Supplemental Ark Cayman Agreement"	the supplemental agreement dated 23 May 2016 and entered into between FIHL, FDG and ALEEES with respect to the acquisition of Ark Cayman;
"Supplemental Ark Taiwan Agreement"	the supplemental agreement dated 23 May 2016 and entered into between FIHL, Ark Taiwan and FDG with respect to the acquisition of Ark Taiwan Asset and Ark Taiwan Equipment;
"Supplemental FDG Agreement"	the supplemental agreement dated 23 May 2016 and entered into between ALEEES and FDG with respect to the subscription of the FDG Subscription Shares and the convertible bonds of FDG;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers;
"Taipei Exchange"	Taipei Exchange, formerly known as Gre-Tai Securities Market (GTSM), is one of the securities exchanges in Taiwan;
"US$"	United States dollar, the lawful currency of the United States of America; and
"%"	per cent.

Note: The financial statements of ALEEES are presented in NT$. ALEEES's financial information and other figures in NT$ are converted into HK$ at the rate of NT$4.17 : HK$1.00 and such HK$ figures throughout this circular are for indicative purpose only.

FDG Kinetic Limited
五龍動力有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 378)

Executive Directors:
Mr. Cao Zhong *(Chairman)*
Mr. Sun Ziqiang *(Vice Chairman)*
Mr. Miao Zhenguo *(Chief Executive Officer)*
Mr. Jaime Che

Non-executive Directors:
Dr. Chen Yanping
Professor Chen Guohua

Independent non-executive Directors:
Mr. Hung Chi Yuen Andrew
Mr. Sit Fung Shuen Victor
Mr. Toh Hock Ghim

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal place of business in Hong Kong:
Rooms 3001–3005, 30th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

30 May 2016

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
THE SUBSCRIPTION OF SHARES IN
ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the joint announcement of the Company and FDG dated 14 April 2016 in relation to, among other things, the ALEEES Share Subscription. On 14 April 2016 (after trading hours) and 23 May 2016, the Company, FKIL (a direct wholly-owned subsidiary of the Company) and ALEEES entered into the ALEEES Share Subscription Agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for ALEEES Subscription Shares pursuant to the terms and conditions of the ALEEES Share Subscription Agreement.

The purpose of this circular is to provide you with, among other things, the details of the ALEEES Share Subscription Agreement and the transactions contemplated thereunder, a letter of advice from the Independent Board Committee to the Independent Shareholders, and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the ALEEES Share Subscription Agreement.

THE SUBSCRIPTION

On 14 April 2016 and 23 May 2016, the Company, FKIL (a direct wholly-owned subsidiary of the Company) and ALEEES entered into the ALEEES Share Subscription Agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for ALEEES Subscription Shares pursuant to the terms and conditions of the ALEEES Share Subscription Agreement.

The principal terms of the ALEEES Share Subscription Agreement are summarised as follows:

Date

the principal agreement on 14 April 2016 (as amended and supplemented by the Supplemental ALEEES Agreement on 23 May 2016)

Parties

(i) FKIL (a direct wholly-owned subsidiary of the Company), as the subscriber;

(ii) ALEEES, as the issuer; and

(iii) the Company, as guarantor.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, ALEEES and its respective ultimate beneficial owners are independent of the Company and its respective connected persons.

Subject matter

Pursuant to the ALEEES Share Subscription Agreement, ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for the ALEEES Subscription Shares at the subscription price of NT$35 per ALEEES Subscription Share.

Consideration

The total subscription price for the ALEEES Subscription Shares is a sum of NT$1,610,000,000 payable in cash upon Completion.

The subscription price per ALEEES Subscription Share of NT$35 represents:

(i) a premium of approximately 20.07% over the closing price of NT$29.15 per ALEEES Subscription Share as quoted on the Taipei Exchange on the date of the ALEEES Share Subscription Agreement;

(ii) a premium of approximately 20.11% over the average closing price of approximately NT$29.14 per ALEEES Subscription Share as quoted on the Taipei Exchange for the last five (5) consecutive trading days up to and including the date of the ALEEES Share Subscription Agreement;

(iii) a premium of approximately 18.56% over the average closing price of approximately NT$29.52 per ALEEES Subscription Share as quoted on the Taipei Exchange for the last ten (10) consecutive trading days up to and including the date of the ALEEES Share Subscription Agreement;

(iv) a premium of approximately 16.32% over the average closing price of approximately NT$30.09 per ALEEES Subscription Share as quoted on the Taipei Exchange for the last thirty (30) consecutive trading days up to and including the date of the ALEEES Share Subscription Agreement; and

(v) a premium of appropriately 5.74% over to closing price of NT$33.10 per ALEEES Subscription Share as quoted on the Taipei Exchange on the Latest Practicable Date.

Upon Completion, the Group will have an approximately 21.85% equity stake in ALEEES and will become the single largest shareholder of ALEEES. The Group would pay a premium on the ALEEES Shares over the prevailing market prices for acquiring a large bloc of equity interest in order to become the single largest shareholder of ALEEES and to have the right to appoint two directors of ALEEES.

The average daily trading volume of ALEEES Shares from 14 April 2014 to the date of the ALEEES Share Subscription Agreement ranged from approximately 193,377 ALEEES Shares to approximately 2,372,496 ALEEES Shares, representing approximately 0.12% to 1.44% of the total number of issued ALEEES Shares as at the date of the ALEEES Share Subscription Agreement. The Group considers the Restructuring, including the ALEEES Share Subscription, a long-term strategic cooperation with ALEEES which helps to further strengthen the Group's position in the new energy transportation industry chain. The Group does not intend to treat the ALEEES Subscription Shares as a short-term investment and therefore would not be much affected by the low liquidity and trading volume of ALEEES Shares. In addition, since the liquidity and trading volume of ALEEES Shares have been low, it would be difficult for the Company to acquire such a large bloc of equity interest from the open market in a timely manner without imposing upward pressure to the trading price of the ALEEES Shares.

The consideration of approximately HK$387 million is significantly greater than the Company's pro rata portion of the adjusted net asset value of the ALEEES Group as at 31 December 2015 of approximately HK$192 million. In considering the subscription price per ALEEES Subscription Share of NT$35, since the ALEEES Shares are listed securities, the Company is of the view that the market price of the ALEEES Shares is more relevant than the net asset value per ALEEES Share. Nevertheless, the Group considers the goodwill appropriate as the result of unlocking the intrinsic value of the cathode materials business after completion of the Restructuring.

Upon completion of the Restructuring, the ALEEES Group's batteries and electric vehicles research & development capabilities would be acquired by FDG and the ALEEES Group would primarily focus on the research and development, manufacturing and sales of cathode materials for lithium ferrous phosphate ("**LFP**") batteries pursuant to the Ark Cayman Sales and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement. Please refer to the section headed "Change in the business structure of ALEEES" in this circular for the structure of the ALEEES Group upon completion of the Restructuring. The ALEEES Group was loss making for each of the years ended 31 December 2014 and 31 December 2015. However, the cathode material business of the ALEEES Group, which was the business segment that would be retained after completion of the Restructuring, was profit-making with a gross profit of approximately HK$121 million and operating income of approximately HK$42 million for the year ended 31 December 2015 according to the management accounts of the ALEEES Group. In addition, ALEEES is expected to increase its income stream by providing technology licensing and consultancy services to the PRC subsidiary(ies) of the Company pursuant to the Cooperation Agreement. Therefore, the ALEEES Group's financial results is expected to improve substantially upon completion of the Restructuring due to decrease in the administration expenses and research and development expenses of the batteries and electric vehicles research & development business segment.

As part of the Restructuring, the Cooperation Agreement allows the Company to manufacture cathode materials for LFP batteries based on the business model of the cathode material business of the ALEEES Group. Therefore the business set up under the Cooperation Agreement is expected to increase the revenue and profit streams for the Company with reference to the historical financial results of the cathode material business segment of ALEEES.

The subscription price per ALEEES Subscription Share of NT$35 was determined after arm's length negotiations between the Company and ALEEES after taking into consideration of (i) the prevailing market price of the ALEEES Shares; (ii) the size of the ALEEES Subscription Shares bloc; (iii) the Company's right to appoint two directors of ALEEES; (iv) the liquidity and trading volume of ALEEES Shares; (v) the investment cost is significantly greater than the Company's portion of the adjusted net asset value of the ALEEES Group; (vi) the ALEEES Group was loss making for each of the two years ended 31 December 2014 and 31 December 2015 and (vii) the business prospects of the ALEEES Group upon completion of the

Restructuring. The Directors (including the independent non-executive Directors, but excluding each of Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che and Dr. Chen Yanping, who is interested in the transactions contemplated under the ALEEES Share Subscription Agreement and has all abstained from voting due to their interests in FDG Shares) consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon, among other things, the following conditions being fulfilled or waived:

(i) the shareholders meeting and board of directors approvals of ALEEES (if required) for (i) the issue of ALEEES Subscription Shares, and (ii) the subscription by ALEEES of the FDG Subscription Shares under applicable laws and regulations (including, without limitation, the authorization and approvals as set out in the ALEEES Share Subscription Agreement);

(ii) the passing of resolutions by the Shareholder(s) at a general meeting of the Company approving the transaction contemplated under the ALEEES Share Subscription Agreement, including the subscription of the ALEEES Subscription Shares pursuant to the Listing Rules and applicable laws;

(iii) the FDG Subscription Agreement having been duly executed and become unconditional, save for the completion of the ALEEES Share Subscription Agreement;

(iv) the Ark Cayman Sale and Purchase Agreement having been duly executed and become unconditional (save for the condition related to the ALEEES Share Subscription Agreement);

(v) the Ark Taiwan Asset Purchase Agreement having been duly executed and become unconditional (save for the condition related to the ALEEES Share Subscription Agreement);

(vi) the R&D Service Agreement having been duly executed and become unconditional (save for the condition related to the ALEEES Share Subscription Agreement);

(vii) all necessary approvals and consents required to be obtained by any member of the Company from any governmental authority or other third party in respect of the ALEEES Share Subscription Agreement and/or the transactions contemplated thereunder shall have been obtained unconditionally, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to ALEEES acting reasonably;

(viii) there having been no material breach of the Cooperation Agreement;

(ix) there having been no material breach of the Loan Agreement;

(x) (i) there shall not have been commenced or threatened against ALEEES or FKIL any proceeding and (ii) there shall be no legal issue under applicable laws (including, without limitation, any concerns raised by or any negative comments from any governmental authority) (A) involving any challenge to, or seeking damages or other relief in connection with, the issue of ALEEES Subscription Shares, or (B) that may have the effect of preventing, delaying or making illegal the issue of ALEEES Subscription Shares;

(xi) the condition in the FDG Subscription Agreement regarding the average closing price of FDG Share for the last five (5) consecutive trading days immediately preceding the completion date of the ALEEES Share Subscription Agreement shall not be lower than HK$0.4 having been satisfied or waived in accordance to the FDG Subscription Agreement;

(xii) the average closing price for the five (5) consecutive trading days immediately preceding the completion date of ALEEES Share Subscription Agreement of the ALEEES Shares shall not be lower than 80% of NT$35;

(xiii) all of the representations and warranties in the ALEEES Share Subscription Agreement given by ALEEES being true, accurate and not misleading in all material respects as of the date of Completion;

(xiv) ALEEES having performed and complied with all agreements and covenants required by the ALEEES Share Subscription Agreement to be performed or complied with by it on or prior to the completion of the ALEEES Share Subscription;

(xv) no material adverse change of ALEEES having occurred or is reasonably expected to occur since the date of the ALEEES Share Subscription Agreement;

(xvi) all of the representations and warranties in the ALEEES Share Subscription Agreement given by FKIL being true, accurate and not misleading in all material respects as of the date of Completion;

(xvii) FKIL being permitted to invest in ALEEES under applicable laws and the governmental approval(s) and/or filing(s) in accordance with applicable laws (including the laws of Taiwan) for its subscription of the ALEEES Shares (if any) having been obtained;

(xviii) FKIL having performed and complied with all agreements and covenants required by the ALEEES Share Subscription Agreement to be performed or complied with by it on or prior to the Completion;

(xix) no material adverse change of FKIL having occurred or is reasonably expected to occur since the date of the ALEEES Share Subscription Agreement; and

(xx) the issue price of the ALEEES Subscription Shares having been approved by the board of directors of ALEEES in a stipulated price determination meeting.

None of the above conditions can be waived by the parties to the ALEEES Share Subscription Agreement save that FKIL may, in its absolute discretion, waive the condition in paragraph (xii).

Undertaking by the Company

Pursuant to the ALEEES Share Subscription Agreement, the Company agrees to be jointly and severally liable with FKIL to ALEEES for any and all obligations that FKIL needs to perform under the ALEEES Share Subscription Agreement, any amounts that FKIL is required to pay to ALEEES, and any liabilities that FKIL owed to ALEEES for FKIL's breach of any of the obligations, commitments, undertakings or warranties given by FKIL under the ALEEES Share Subscription Agreement.

Undertaking by ALEEES

Pursuant to the ALEEES Share Subscription Agreement, ALEEES undertakes to FKIL, among others, that it shall not without the prior written consent of FKIL at any time during the period between the date of the ALEEES Share Subscription Agreement and the completion date of the ALEEES Share Subscription:

(i) save for the issue and subscription of ALEEES Subscription Shares, allot or issue or agree to allot or issue any shares in ALEEES or other convertible securities of ALEEES at an issue price lower than NT$35 as set out in the ALEEES Share Subscription Agreement; and

(ii) shall not dispose or transfer any of its principal business or assets.

Right of appointment

Pursuant to the ALEEES Share Subscription Agreement, once ALEEES Subscription Shares are issued to FKIL with the applicable approval from the governmental authority of Taiwan (if required), ALEEES shall exert its best efforts to assist two candidates nominated by FKIL to be elected as the directors of ALEEES.

Completion

Upon the fulfillment or waiver by ALEEES or FKIL of the conditions precedent of the ALEEES Share Subscription Agreement, Completion shall take place on the date agreed by the parties but shall be no later than five (5) business day after satisfaction or waiver of the relevant conditions precedent, or such other date that shall be mutually agreed upon by each party in writing.

Following Completion, the issued ALEEES Shares will be owned as to approximately 21.85% by the Company and will be accounted for as an associated company of the Company.

Transfer restriction

Pursuant to the Securities and Exchange Law of Taiwan laid out in the ALEEES Share Subscription Agreement, ALEEES Subscription Shares cannot be transferred except (i) where shares in ALEEES are transferred to persons stipulated under the Securities Exchange Law of Taiwan at least one full year after delivery date of the ALEEES Subscription Shares and within three years of the said delivery date; (ii) where three full years have elapsed since the delivery date of the ALEEES Subscription Shares; (iii) where a transfer occurs by operation of act or regulation; (iv) where it is a direct private transfer of securities not in excess of one trading unit and the interval between any two such transfers is not less than three months; or (v) where otherwise approved by the governmental authority regulating securities matters in Taiwan.

Source of funding

The ALEEES Share Subscription is intended to be funded by the Company's internal cash of approximately HK$100 million to HK$150 million, and debt financing and/or FDG's support of approximately HK$250 million to HK$300 million.

Termination

The ALEEES Share Subscription Agreement may be terminated at any time prior to the completion date of the ALEEES Share Subscription Agreement upon (i) written consent of the parties; (ii) written notice delivered by non-defaulting party to the party in default in the event of any breach of any provision under the ALEEES Share Subscription Agreement which is not cured within thirty (30) calendar days after receipt of a written notice by the defaulting party from the non-defaulting party; (iii) written notice from either party to the other party in the event that completion of the ALEEES Share Subscription Agreement does not occur on or prior to the first anniversary from the date of the ALEEES Share Subscription Agreement; and (iv) written notice from either party to the other party if there occurred a material adverse change (as set out in the ALEEES Share Subscription Agreement).

OTHER AGREEMENTS ANCILLARY OR INCIDENTAL TO THE SUBSCRIPTION

Set out below are the principal terms of each of the FDG Subscription Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement, the R&D Service Agreement, the Cooperation Agreement and the Loan Agreement which will be or had been entered into in connection with, or incidental to the Subscription:

(a) The principal terms of the FDG Subscription Agreement are summarised as follows:

Date

the principal agreement on 14 April 2016 (as amended and supplemented by the Supplemental FDG Agreement on 23 May 2016)

Parties

(i) FDG; and

(ii) ALEEES.

Subject matter

Subject to and conditional upon fulfilment of all the conditions precedent set out in the FDG Subscription Agreement, FDG conditionally agreed to allot and issue and ALEEES conditionally agreed to subscribe for (i) FDG Subscription Shares at the FDG Subscription Price; and (ii) FDG Convertible Bonds at the FDG Bond Subscription Price. The total subscription price amounts to HK$490 million and shall be payable in cash in Hong Kong dollars upon completion of the FDG Subscription.

The FDG Subscription Shares represent:

(i) approximately 1.96% of the issued share capital of FDG as at the Latest Practicable Date; and

(ii) approximately 1.92% of the issued share capital of FDG as enlarged by the allotment and issue of the FDG Subscription Shares (assuming there will not be any change in the issued share capital of FDG between the Latest Practicable Date and the completion date of the FDG Subscription).

The aggregate nominal value of the FDG Subscription Shares is HK$4,300,000.

Subscription price

The FDG Subscription Price of HK$0.50 per FDG Subscription Share represents:

(i) a premium of approximately 8.70% over the closing price of HK$0.46 per FDG Share as quoted on the Stock Exchange on the date of the FDG Subscription Agreement;

(ii) a premium of approximately 10.13% over the average closing price of approximately HK$0.454 per FDG Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the date of the FDG Subscription Agreement;

(iii) a premium of approximately 13.12% over the average closing price of approximately HK$0.442 per FDG Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the date of the FDG Subscription Agreement; and

(iv) a premium of approximately 13.64% over the average closing price of approximately HK$0.440 per FDG Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the date of the FDG Subscription Agreement.

The FDG Subscription Shares have a market value of approximately HK$197.8 million, based on the closing price of HK$0.46 per FDG Share on 14 April 2016 (being the date of the FDG Subscription Agreement). Based on the net proceeds of approximately HK$214.4 million, the net price per FDG Subscription Share is approximately HK$0.499.

Conditions precedent

Completion of the FDG Subscription is conditional upon, among other things, the following conditions being fulfilled or waived:

(i) (a) the approval of the FDG Shareholders of the transactions contemplated under the FDG Subscription Agreement, including the allotment and issuance of the FDG Subscription Shares and the FDG Convertible Bonds (if applicable);

(b) the approval of the shareholders of ALEEES of the transactions contemplated under the FDG Subscription Agreement, including the subscription of FDG Subscription Shares and FDG Convertible Bonds by ALEEES (if applicable);

(ii) the Stock Exchange having granted the listing of, and permission to deal in, the FDG Subscription Shares and the FDG Conversion Shares;

(iii) each of the warranties in the FDG Subscription Agreement being true and accurate in all material respects and not misleading in any material respect;

(iv) (a) all necessary approvals and consents required to be obtained by any member of FDG from any government authority or other third party in respect of the FDG Subscription Agreement and/or the transactions contemplated thereunder being obtained unconditionally, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to ALEEES acting reasonably;

(b) all necessary approvals and consents required to be obtained by any member of ALEEES from any government authority or other third party in respect of the FDG Subscription Agreement and/or the transactions contemplated thereunder being obtained unconditionally, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to FDG acting reasonably;

(v) the average closing price for five (5) consecutive trading days immediately preceding the completion date of FDG Subscription Agreement of the FDG Shares not being lower than 80% of the FDG Subscription Price;

(vi) the ALEEES Share Subscription Agreement having been duly executed and completed;

(vii) the Ark Cayman Sale and Purchase Agreement having been duly executed and completed;

(viii) The Ark Taiwan Asset Purchase Agreement having been duly executed and completed;

(ix) the Cooperation Agreement having been duly executed and there being no material breach of such agreement by the parties;

(x) the Loan Agreement having been duly executed and there being no material breach of such agreement by the parties therein; and

(xi) the R&D Service Agreement having been duly executed and becoming effective.

ALEEES may, in its absolute discretion, waive conditions in paragraph (iii) and (v) above at any time by notice in writing to such effect to FDG and FDG may, in its absolute discretion, waive conditions in paragraph (ix) to (xi) at any time by notice in writing to such effect to ALEEES. In the event that the conditions precedent above have not been fulfilled or waived prior to the FDG Long Stop Date, the FDG Subscription Agreement shall terminate and cease to be of any effect except for surviving clauses as set out in the FDG Subscription Agreement.

Ranking of the FDG Subscription Shares and the FDG Conversion Shares

The FDG Subscription Shares and the FDG Conversion Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the FDG Shares in issue on the date of allotment and issue of the FDG Subscription Shares and the FDG Conversion Shares, respectively.

Completion

Upon the fulfillment or waiver of the respective conditions precedent for the FDG Subscription as set out in the FDG Subscription Agreement, completion of the FDG Subscription shall take place on the next business day after the date on which all the respective conditions precedent in the FDG Subscription Agreement have been satisfied and/or waived or such other date as may be agreed between FDG and ALEEES in writing.

Lock-up undertaking

Pursuant to the FDG Subscription Agreement, ALEEES undertakes to FDG, among others, that without the prior written consent of FDG, it will not sell, contract to sell or otherwise dispose of or transfer, directly or indirectly, any of the FDG Subscription Shares; and any of the FDG Convertible Bonds or the FDG Conversion Shares upon exercise of the conversion rights pursuant to the FDG Subscription Agreement, during the period from the completion date of the FDG Subscription to the 183rd day after the first anniversary of the completion date of the FDG Subscription (both dates inclusive).

Undertaking by FDG

Pursuant to the FDG Subscription Agreement, FDG undertakes to ALEEES, among others, that it shall not without the prior written consent of ALEEES (such consent cannot be unreasonably withheld or delayed) at any time during the period between the date of the FDG Subscription Agreement and the completion date of the FDG Subscription (both days inclusive), save for the FDG Subscription Shares and the FDG Convertible Bonds, allot or issue or agree to allot or issue any FDG Shares or other convertible securities of FDG at an issue price lower than HK$0.50 per FDG Share provided it shall not restrict the power of FDG to grant options under the share option scheme of FDG adopted in compliance with Chapter 17 of the Listing Rules before the date of the FDG Subscription Agreement and FDG Shares falling to be issued upon exercise of such options granted or of conversion right of any existing convertible securities or to undertake any rights issue, open offer or similar corporate exercise which are available to all FDG Shareholders on a pro-rata basis.

Termination

The FDG Subscription Agreement may be terminated at any time prior to the completion date of the FDG Subscription Agreement upon (i) written consent of the parties; (ii) written notice delivered by non-defaulting party to the party in default in the event of any breach of any provision under the FDG Subscription Agreement which is not cured within 30 calendar days after receipt of a written notice by the defaulting party from the non-defaulting party; (iii) written notice from either party to the other party in the event that completion of the FDG Subscription Agreement does not occur on or prior to the FDG Long Stop Date; (iv) written notice from either party to the other party if there occurred a material adverse change (as set out in the FDG Subscription Agreement).

FDG Convertible Bonds

The terms of the FDG Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarized below:

Issuer:	FDG
Subscriber:	ALEEES
Principal amount:	HK$275,000,000
Interest:	The FDG Convertible Bonds bear no interest
Maturity Date:	The date falling on the fifth anniversary of the date of issue of the FDG Convertible Bonds, or the next immediately following business day if such date is not a business day.
Status of the FDG Convertible Bonds:	The FDG Convertible Bonds constitute direct, unsecured, unsubordinated and unconditional obligations of FDG and, save for exceptions as may be provided by mandatory provisions of applicable law, at all times rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of FDG without any preference or priority among themselves.

Conversion:	Provided that upon conversion and issue of FDG Convertible Bonds, (i) the bondholder and/or any persons acting in concert with it within the meaning of the Takeovers Code will not come under any obligation to make a general offer under Rule 26.1 of the Takeovers Code for FDG Shares not already owned or agreed to be acquired by it or any such persons acting in concert with it; (ii) the shareholding in FDG held by the public shall not be less than 25% or such other minimum prescribed percentage set out in the Listing Rules from time to time for shareholding of FDG to be held by the public; or (iii) the allotment and issue of the FDG Shares would not exceed the mandate to allot and issue such FDG Shares, a bondholder may convert the whole or any part (in an authorized denomination) of the outstanding principal amount of the FDG Convertible Bonds into FDG Conversion Shares at any time from after the issuance until the maturity date of the FDG Convertible Bonds.
Mandatory conversion:	The FDG Convertible Bonds shall be fully and mandatorily converted at one time into FDG Conversion Shares at the conversion price of HK$0.50 per FDG Conversion Share following the occurrence of the triggering event before the maturity date, being in respect of any day, the average closing price per FDG Share as stated in the Stock Exchange's daily quotations sheet for each of the last thirty (30) consecutive trading days immediately preceding (and excluding) such day exceeds HK$0.6 (subject to adjustments).
Conversion Price:	The conversion price is HK$0.50 per FDG Conversion Share, subject to adjustments from time to time. The events giving rise to such adjustments are summarised as follows: (i) an alteration to the nominal value of the FDG Shares as a result of consolidation or subdivision;

(ii) an issue of FDG Shares credited as fully paid to the FDG Shareholders by way of capitalization of profits or reserves (including any bonus issue by FDG), other than FDG Shares issued in lieu of the whole or any part of a cash dividend, being a dividend which the FDG Shareholders would otherwise have received in cash;

(iii) a capital distribution paid or made by FDG (including declaration of dividends in the FDG Shares) to the FDG Shareholders;

(iv) an issue of FDG Shares by FDG to all or substantially all FDG Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any FDG Shares at less than 80% of the current market price;

(v) an issue of FDG Shares by FDG to all or substantially all FDG Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any securities at less than 80% of the current market price;

(vi) an issue of FDG Shares by FDG wholly for cash or the issue or grant of options, warrants or other rights to subscribe for or purchase any FDG Shares at less than 80% of the current market price;

(vii) an issue of securities by FDG wholly for cash which carry rights of conversion into, or exchange or subscription for, FDG Shares upon conversion, exchange or subscription at a consideration per FDG Share which is less than 80% of the current market price; and

(viii) an issue, sale or distribution of any securities by FDG or any of its subsidiaries or any other person in connection with an offer by or on behalf of FDG or any of its subsidiary or such other person pursuant to which offer the FDG Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them.

FDG Conversion Shares: Assuming there is an immediate exercise in full of the conversion rights attaching to the FDG Convertible Bonds in the aggregate principal amount of HK$275,000,000 at the conversion price by the bondholder(s), FDG will issue a maximum of 550,000,000 FDG Conversion Shares, representing:

(i) approximately 2.50% of the issued share capital of FDG as at the Latest Practicable Date; and

(ii) approximately 2.44% of the issued share capital of FDG as enlarged by the allotment and issue of the FDG Conversion Shares (assuming there will not be any change in the issued share capital of FDG between Latest Practicable Date and the date of exercise of the conversion right).

Transferability: Subject to the lock-up period in the FDG Subscription Agreement, the FDG Convertible Bonds may be assigned or transferred to any third party, subject to the terms and conditions of the FDG Convertible Bonds, the Stock Exchange or its or their rules and regulations, the approval for listing and all applicable laws and regulations.

Redemption rights: FDG may at any time from the 183rd day after the second anniversary of the completion date of the FDG Subscription Agreement up to the commencement of the seven (7) calendar day period ending on the maturity date of the FDG Convertible Bonds elect to redeem the whole or part (being an authorized denomination) of the then outstanding principal amount of the FDG Convertible Bonds.

Voting rights: The bondholders are not entitled to receive notices of, attend or vote at any meetings of FDG by reason only of being bondholders.

Events of default: On the occurrence of certain events of default below, the holder(s) of the FDG Convertible Bonds shall be entitled to demand for immediate repayment of the principal amount outstanding under the FDG Convertible Bonds:

(i) a default is made for more than seven (7) business days in the payment of the principal when and as the same ought to be paid in accordance with the conditions of the FDG Convertible Bonds;

(ii) a default is made by FDG in the performance or observance of any covenant, condition or provision of the FDG Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal) and such default continues for the period of ten (10) business days next following the service by a bondholder or on the FDG a notice requiring such default to be remedied;

(iii) a resolution is passed or an order of a court of competent jurisdiction is made that FDG be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by bondholders together, holding at least 75% of the then outstanding principal amount of the FDG Convertible Bonds and such resolution or order is not withdrawn or discharged within ten (10) business days;

(iv) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the FDG or any major operating subsidiary and whose total assets represent more than 35% of the total assets of FDG ("**Material Subsidiary**") (as the case may be) for more than ten (10) business days;

(v) a distress, execution or seizure order before judgement is levied or enforced upon or sued out against the whole or a material part of the assets or undertaking of FDG or any Material Subsidiary (as the case may be) and is not discharged within fourteen (14) calendar days thereof;

(vi) FDG or any Material Subsidiary is unable to pay its debts as and when they fall due for more than ten (10) business days or FDG or any Material Subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors and such proceedings shall not have been discharged within a period of sixty (60) calendar days;

(vii) proceedings shall have been initiated against FDG or any Material Subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of sixty (60) calendar days;

(viii) any event occurs for more than ten (10) business day which has an analogous effect to any of the events referred to in paragraphs (i) to (vii) above; and

(ix) the listing of the FDG Shares is withdrawn from the Stock Exchange for more than ten (10) business day.

(b) The principal terms of the Ark Cayman Sale and Purchase Agreement are summarised as follows:

Date

the principal agreement on 14 April 2016 (as amended and supplemented by the Supplemental Ark Cayman Agreement on 23 May 2016)

Parties

(i) FIHL (a direct wholly-owned subsidiary of FDG), as the purchaser;

(ii) ALEEES, as the vendor; and

(iii) FDG, as the guarantor.

Subject matter

Pursuant to the Ark Cayman Sale and Purchase Agreement, ALEEES conditionally agreed to sell and FIHL conditionally agreed to acquire the Ark Cayman Sale Shares, representing all the issued share capital of Ark Cayman, together with all rights attaching to them as at and from the date of the Ark Cayman Sale and Purchase Agreement.

Pursuant to the Ark Cayman Sale and Purchase Agreement, the Ark Cayman Acquisition shall be conditional upon completion of the ALEEES Group Restructuring. As at the Latest Practicable Date, the ALEEES Group Restructuring had not been completed.

Consideration

The total consideration for the Ark Cayman Acquisition is HK$28,000,000 payable in cash by FIHL by way of depositing the sum into a designated account opened by ALEEES on the completion date of the Ark Cayman Acquisition. The amount of consideration shall be used by ALEEES as partial payment for the FDG Bond Subscription Price under the FDG Subscription Agreement.

Conditions precedent

Pursuant to the Ark Cayman Sale and Purchase Agreement, completion of Ark Cayman Acquisition is conditional upon, among other things, the following conditions being fulfilled or waived:

(i) the transactions contemplated under the ALEEES Share Subscription Agreement having been duly executed and become unconditional (save for the conditions precedent related to the Ark Cayman Sale and Purchase Agreement);

(ii) the Ark Taiwan Asset Purchase Agreement having been duly executed and become unconditional (save for the conditions precedent related to the Ark Cayman Sale and Purchase Agreement);

(iii) the FDG Subscription Agreement having been duly executed become unconditional (save for the conditions precedent related to the Ark Cayman Sale and Purchase Agreement and the ALEEES Share Subscription Agreement);

(iv) the Cooperation Agreement having been effective and there being no material breach of the Cooperation Agreement by the parties therein;

(v) the Loan Agreement having been effective and there being no material breach of the Loan Agreement by the parties therein;

(vi) FDG having obtained the approval by its shareholders in general meeting in connection with the transaction documents as set out in the Ark Cayman Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules (if applicable);

(vii) ALEEES having complied with all applicable, shareholders' approval (if required) and other requirements under its memorandum and articles of association and applicable laws in Taiwan for the transactions contemplated in the Ark Cayman Sale and Purchase Agreement;

(viii) the ALEEES Group Restructuring having been completed;

(ix) the R&D Service Agreement having been duly executed and become unconditional (save for the condition that the Ark Cayman Sale and Purchase Agreement becoming unconditional);

(x) the agreement for the assignment of the intellectual property of Ark Taiwan to Ark Cayman having been duly executed and there being no material breach of such agreement by the parties therein;

(xi) all necessary approvals and consents required to be obtained by any of Ark Cayman and its subsidiaries, ALEEES, FIHL, and/or FDG from any government authority or other third party in respect of the Ark Cayman Acquisition Agreement and/or the transactions contemplated in the Ark Cayman Sale and Purchase Agreement being obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to FIHL or ALEEES (as the case may be) acting reasonably;

(xii) ALEEES' warranties remaining true and accurate in all material respects and not misleading in any respect as of the completion date of the Ark Cayman Acquisition by reference to the facts and circumstances subsisting as at the completion date of the Ark Cayman Acquisition and ALEEES having performed all its obligations under the Ark Cayman Sale and Purchase Agreement which are required to be performed by it at or prior to the completion date of the Ark Cayman Acquisition;

(xiii) FIHL's warranties remaining true and accurate in all material respects and not misleading in any respect and FIHL having performed all its obligations under the Ark Cayman Sale and Purchase Agreement which are required to be performed by it at or prior to the completion date of the Ark Cayman Sale and Purchase Agreement;

(xiv) except as disclosed to FIHL, Ark Cayman and its subsidiaries having no outstanding debts, liabilities, or obligations;

(xv) no event has, or series of events have, occurred after the date of Ark Cayman Sale and Purchase Agreement which constitute(s) or is reasonably likely to result in a material adverse effect on Ark Cayman and its subsidiaries; and

(xvi) no event has, or series of events have, occurred after the date of the Ark Cayman Sale and Purchase Agreement which constitute(s) or is reasonably likely to result in a material adverse effect on FIHL or FDG.

FIHL may, in its absolute discretion, waive conditions in paragraphs (i) to (v), (vii) to (x), (xii), (xiv) and (xv) above at any time. ALEEES may, in its absolute discretion, waive conditions in paragraphs (vi), (xiii) and (xvi) above at any time. If one or more conditions precedent above have not been fulfilled or waived by the Ark Cayman Long Stop Date, then the parties may terminate the Ark Cayman Sale and Purchase Agreement by giving notice in writing to the other party.

Provision of guarantee

Pursuant to the Ark Cayman Sale and Purchase Agreement, FDG guarantees to ALEEES the performance by FIHL of all its obligations under the Ark Cayman Sale and Purchase Agreement, and agrees to be jointly and severally liable with FIHL to ALEEES for any and all obligations that FIHL needs to perform, any amounts that FIHL is required to pay to ALEEES, and any liabilities that FIHL owed to ALEEES for FIHL's breach of any of the obligations, undertakings or warranties given by FIHL under the Ark Cayman Sale and Purchase Agreement.

Completion

Upon the fulfillment or waiver of the conditions precedent of the Ark Cayman Sale and Purchase Agreement, completion of the Ark Cayman Acquisition shall take place on the fifth business day following the date on which the relevant conditions above have been satisfied or waived by FIHL or ALEEES in accordance with the Ark Cayman Sale and Purchase Agreement.

Upon completion of the Ark Cayman Acquisition, Ark Cayman will become a wholly-owned subsidiary of FDG.

(c) The principal terms of the Ark Taiwan Asset Purchase Agreement are summarised as follows:

Date

the principal agreement on 14 April 2016 (as amended and supplemented by the Supplemental Ark Taiwan Agreement on 23 May 2016)

Parties

(i) FIHL, as the purchaser;

(ii) Ark Taiwan, as the seller; and

(iii) FDG, as guarantor.

Subject matter

Pursuant to the Ark Taiwan Asset Purchase Agreement, Ark Taiwan conditionally agreed to sell and deliver to FIHL or its nominee, and FIHL conditionally agreed to purchase and accept or procure its nominee to purchase and accept the Ark Taiwan Asset and the Ark Taiwan Equipment.

Consideration

In respect of the Ark Taiwan Asset

The consideration for the acquisition of the Ark Taiwan Asset is HK$72 million (subject to asset depreciation adjustments in accordance with the Ark Taiwan Asset Purchase Agreement in the event that completion of the Ark Taiwan Asset Purchase Agreement falls on a date after 14 October 2016), and payable in cash within seven (7) days from the completion date of the Ark Taiwan Asset Purchase Agreement.

In respect of the Ark Taiwan Equipment

The maximum aggregate consideration for the acquisition of the Ark Taiwan Equipment (which comprises of the actual purchase price and the actual installation costs of the Ark Taiwan Equipment) shall not exceed NT$138,000,000. The actual amount of the consideration shall be determined by the invoices from Ark Taiwan relating to the Ark Taiwan Equipment and shall be payable in cash on the completion date of the Ark Taiwan Asset Purchase Agreement. Subject to the maximum aggregate consideration for the acquisition of the Ark Taiwan Equipment, FIHL shall be required to pay Ark Taiwan such amount stated in the invoices related to the Ark Taiwan Equipment within fourteen (14) days upon receipt of the invoices from Ark Taiwan and at the request of Ark Taiwan after the completion date of the Ark Taiwan Asset Purchase Agreement.

Conditions precedent

Completion of the Ark Taiwan Acquisition is conditional upon, among other things, the following conditions being fulfilled or waived:

(i) the proposed sales and transactions contemplated under the Ark Taiwan Asset Purchase Agreement having been approved and adopted by the board meetings and the shareholders meetings of FIHL and Ark Taiwan respectively (if required);

(ii) the ALEEES Share Subscription Agreement having been duly executed and become unconditional, save for the condition precedent related to the Ark Taiwan Asset Purchase Agreement;

(iii) the FDG Subscription Agreement having been duly executed and become unconditional, save for the condition precedent related to the Ark Taiwan Asset Purchase Agreement and the ALEEES Share Subscription Agreement;

(iv) the Ark Cayman Sale and Purchase Agreement having been duly executed and become unconditional, save for the condition precedent related to the Ark Taiwan Asset Purchase Agreement;

(v) the R&D Service Agreement having been duly executed and become unconditional, save for the condition precedent related to the Ark Taiwan Asset Purchase Agreement;

(vi) there having been no material breach of the Cooperation Agreement;

(vii) there having been no material breach of the Loan Agreement;

(viii) the representations and warranties of Ark Taiwan and FIHL in the Ark Taiwan Asset Purchase Agreement being true and correct in all material respects on and as of the completion date of the Ark Taiwan Asset Purchase Agreement as though such representations and warranties were made on and as of such time, and Ark Taiwan having performed and complied with all covenants, obligations and conditions of the Ark Taiwan Asset Purchase Agreement required to be performed and complied with by it as of the completion date of the Ark Taiwan Asset Purchase Agreement;

(ix) there having been no material adverse change in the Ark Taiwan Asset and the Ark Taiwan Equipment or any incident which at the reasonable discretion of FIHL may impair the value, effect, ownership or function of the Ark Taiwan Asset and the Ark Taiwan Equipment;

(x) all required third-party consent in connection with the sale of the Ark Taiwan Asset and Ark Taiwan Equipment having been duly obtained;

(xi) Ark Taiwan having been restructured to be a direct wholly-owned subsidiary of ALEEES;

(xii) no temporary restraining order, preliminary or permanent injunction or other order having been issued by any court of competent jurisdiction, or other legal restraint or prohibition preventing the consummation of the transactions contemplated by the Ark Taiwan Asset Purchase Agreement shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other governmental authority or instrumentality, domestic or foreign, seeking any of the foregoing be pending; nor shall there be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the transactions contemplated by the Ark Taiwan Asset Purchase Agreement, which makes the consummation of such transactions illegal; and

(xiii) FIHL having confirmed the invoice(s) and the documents evidencing the payment made to settle such invoice(s) provided by Ark Taiwan in accordance with the Ark Taiwan Asset Purchase Agreement.

If one or more conditions set out above have not been fulfilled or waived by the Ark Taiwan Long Stop Date, the Ark Taiwan Asset Purchase Agreement shall be automatically terminated.

Undertaking by FDG

Pursuant to the Ark Taiwan Asset Purchase Agreement, FDG agrees to be jointly and severally liable with FIHL to Ark Taiwan for any amounts for which FIHL would have been liable to Ark Taiwan in damages for breaches in any of FIHL's obligations under the Ark Taiwan Asset Purchase Agreement.

Completion

Upon the fulfillment or waiver of the conditions precedent of the Ark Taiwan Asset Purchase Agreement, completion of the Ark Taiwan Acquisition shall take place on the fifth business day after satisfaction or waiver of all conditions precedent in accordance with the Ark Taiwan Asset Purchase Agreement or any other business day as mutually agreed by Ark Taiwan and FIHL.

(d) The principal terms of the R&D Service Agreement are summarised as follows:

In connection with the Ark Cayman Acquisition, FIHL, Ark Taiwan and FDG have entered into the R&D Service Agreement, pursuant to which FIHL has conditionally agreed to appoint Ark Taiwan to research and develop battery cells, battery modules and electric vehicle design and other technical research and development work.

The R&D Service Agreement will take effect on the fifth business day after satisfaction or waiver by both parties of the following conditions:

(i) the R&D Service Agreement having been duly approved by the shareholders of FDG and ALEEES (if required);

(ii) the ALEEES Share Subscription Agreement having been duly executed and all conditions precedent therein having been satisfied (save for the conditions precedent related to the R&D Service Agreement);

(iii) the FDG Subscription Agreement having been duly executed and all conditions precedent therein having been satisfied (save for the conditions precedent related to the R&D Service Agreement);

(iv) the Ark Taiwan Asset Purchase Agreement having been duly executed and all conditions precedent therein having been satisfied (save for the conditions precedent related to the R&D Service Agreement);

(v) the Ark Cayman Sale and Purchase Agreement having been duly executed and all conditions precedent therein having been satisfied (save for the conditions precedent related to the R&D Service Agreement); and

(vi) there having been no material breach of the Cooperation Agreement and the Loan Agreement.

If one or more of the above conditions have not been fulfilled within one year from the execution of the R&D Service Agreement, the R&D Service Agreement shall be automatically terminated. The R&D Service Agreement will remain in force until 30 September 2023 and may be automatically renewed for one year thereafter. The R&D Service Agreement may be terminated by either party by serving a three-month written notice on the other party.

(e) The principal terms of the Cooperation Agreement are summarised as follows:

In connection with the ALEEES Share Subscription, the Company and ALEEES have entered into the Cooperation Agreement, pursuant to which ALEEES has agreed to be engaged as a consultant to the Company in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of the Company in the construction of factories and production of M-series cathode materials for lithium-ion battery.

The Cooperation Agreement will take effect upon satisfaction of the following conditions:

(i) the ALEEES Share Subscription Agreement having become duly executed and duly approved by the shareholders of the Company and ALEEES;

(ii) the FDG Subscription Agreement having become duly executed and duly approved by the shareholders of FDG and ALEEES (if required);

(iii) the Ark Taiwan Asset Purchase Agreement having become duly executed;

(iv) the Ark Cayman Sale and Purchase Agreement having been executed;

(v) the Loan Agreement having become duly executed; and

(vi) the R&D Service Agreement having become duly executed.

The Cooperation Agreement will remain in force until the expiry of the term of patents as set out in the Cooperation Agreement.

The factory that will be constructed under the Cooperation Agreement is expected to be completed within 12 months from the start of construction and will reach 90% utilization rate within 9 months thereon. ALEEES will charge a management fee per kilogram of cathode material produced based of the monthly raw material wastage rate. It is expected the cathode materials produced by the Company under the Cooperation Agreement will be required by Sinopoly Battery Limited, a wholly-owned subsidiary of Synergy Dragon Limited ("SDL") which is 75% owned by FDG and 25% owned by the Company.

(f) The principal terms of the Loan Agreement are summarised as follows:

Date

14 April 2016

Parties

(i) FIHL, as the lender;

(ii) Ark Cayman, as the borrower; and

(iii) ALEEES, as the guarantor.

Subject matter

Pursuant to the Loan Agreement, FIHL agreed to make available to Ark Cayman the Loan in the amount of US$2,000,000 which shall be drawn down in one drawing within one month after fulfillment or waiver by FIHL of the conditions precedent pursuant to the Loan Agreement.

Maturity date

The maturity date of the Loan is one year from the drawdown date of the Loan.

Conditions precedent

The provision of the Loan is conditional upon, among other things, the fulfillment or waiver by FIHL of the following conditions precedent:

(i) the ALEEES Share Subscription Agreement having been duly executed and the transactions contemplated under the ALEEES Share Subscription Agreement being duly approved by the shareholders meetings of ALEEES and the Company;

(ii) the FDG Subscription Agreement having been duly executed and the transactions contemplated under the FDG Subscription Agreement being approved by the shareholders meetings of ALEEES and FDG (if required);

(iii) the Ark Taiwan Asset Purchase Agreement having been executed;

(iv) the Ark Cayman Sales and Purchase Agreement having been duly executed;

(v) the Cooperation Agreement having been duly executed;

(vi) the R&D Service Agreement having been duly executed;

(vii) there having been no breach of the representation, warranties and undertaking given by Ark Cayman pursuant to the Loan Agreement; and

(viii) no event of default under the Loan Agreement having occurred.

Repayment

Ark Cayman shall repay in a lump sum the entire outstanding principal amount of the Loan that remains due upon the expiration of the term of the Loan or within seven (7) business days after receipt of the termination notice issued by FIHL if an event of default or a prospective event of default has occurred.

Early prepayment

Ark Cayman may at any time, by giving three business days' prior written notice to FIHL, prepay the Loan in whole or in part on a business day without premium, break cost or penalty.

Interest

Interest of the Loan shall be calculated at 3% per annum on any outstanding principal amount under the Loan Agreement. The interest period will be a period of three months and Ark Cayman shall pay the interest of the preceding interest period on the first business day after the expiration of such three months.

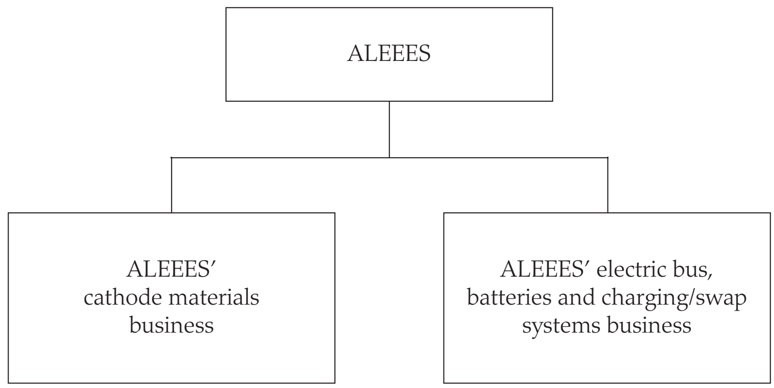
Guarantee

ALEEES agrees to guarantee the performance of Ark Cayman in accordance with the terms and conditions of the Loan Agreement. ALEEES shall be discharged and released from its guaranty responsibilities in connection with the performance of Ark Cayman under the Loan Agreement once the total shares of Ark Cayman held by ALEEES are transferred to FIHL or any entity designated by FIHL in accordance with the Ark Cayman Sales and Purchase Agreement.

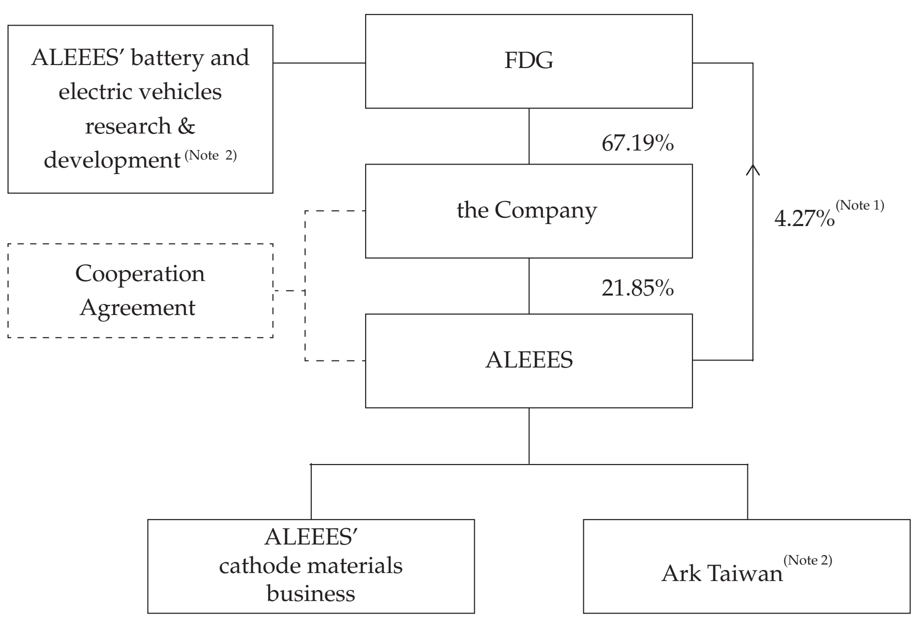
The Loan is intended to be funded by FDG's internal cash.

CHANGE IN THE BUSINESS STRUCTURE OF ALEEES

(i) Business structure of ALEEES as at the Latest Practicable Date:



(ii) Business and shareholding structure of ALEEES upon Completion, the completion of the Cooperation Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement, the R&D Service Agreement and the FDG Subscription Agreement:



Note 1: Upon completion of the FDG Subscription Agreement, ALEEES will hold approximately 1.92% of the issued share capital of FDG before conversion of the FDG Convertible Bonds. ALEEES will hold approximately 4.27% of the issued share capital of FDG upon conversion of all FDG Convertible Bonds held by ALEEES.

Note 2: FDG will acquire the batteries and electric vehicles research and development capabilities of ALEEES pursuant to the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement. Ark Taiwan which is engaged in electric batteries and automobiles manufacturing is retained in ALEEES.

REASONS FOR THE ALEEES SHARE SUBSCRIPTION

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for LFP batteries. It is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for Sinopoly Battery Limited. The completion of the ALEEES Share Subscription Agreement is inter-conditional with the Cooperation Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement.

The Cooperation Agreement helps the FDG Group to secure long-term access to upstream raw materials to cope with the growing demand of electric vehicles. The demand for electric vehicles is expected to remain strong in the future with continual governmental support in the PRC. The FDG Group's Hangzhou production facility has also commenced commercial production of electric vehicles in 2016 and is ramping up its production to meet the growing demand. The increase in production of electric vehicles will drive demand for lithium-ion batteries and thus cathode materials. Therefore, the Cooperation Agreement is important for the FDG Group to secure long-term access to the quality cathode materials and provides Sinopoly Battery Limited steady supply of raw materials for the manufacturing of lithium-ion batteries. It also helps Sinopoly Battery Limited to enhance its competitive edge through efficient cost control of its main raw materials.

The Company acquired Premier Property Management Limited ("**PPM**"), whose subsidiary is a manufacturer of the cathode materials for nickel-cobalt-manganese lithium-ion battery, in October 2015 and the Cooperation Agreement will allow the Company to expand its battery cathode material portfolio to include LFP chemistry. PPM and the ALEEES Group are the manufacturers of cathode materials for different types of lithium-ion battery which share similarity in their raw materials, equipment used in research and development and quality control and customer base. The Group intends to integrate the procurement of raw materials, research and development of cathode materials, quality control and sales of finished products of the subsidiary of PPM and the subsidiary set up under the Cooperation Agreement in order to increase the bargaining power with the suppliers, lower the overall costs and increase market share of both companies.

In addition, the PRC government is forbidding public electric buses from using nickel-cobalt-manganese lithium-ion battery until it has passed the safety certification. Therefore, the public electric buses will primarily use LFP battery and such strategic expansion will position the Company to capture the future growth in this segment. The business model set up under the Cooperation Agreement is expected to increase the revenue and profit streams for the Company with reference to the historical financial results of the cathode material business segment of ALEEES.

The acquisition of 21.85% stake in ALEEES, one of the largest cathode materials manufacturers in the world, represents a quality investment of the Company in the clean energy sector which is in line with the "Green and Growth" investment philosophy of the Company. Having recently acquired a nickel-cobalt-manganese cathode materials manufacturer, the ALEEES Shares Subscription diversifies the Company's portfolio while remaining committed in the battery related businesses. Moreover, ALEEES' expenses, especially the administration expenses and research and development expenses, are expected to decrease substantially upon completion of the Restructuring, which will bring positive impacts to ALEEES' financial results. The Company will also enjoy the positive financial impacts as the single largest shareholder after the ALEEES Share Subscription. Nevertheless, the Restructuring is a series of transactions representing a strategic cooperation with ALEEES which help further strengthen the Group's position in the new energy transportation industry chain.

The Board is of the view that the ALEEES Share Subscription (i) is in line with the "Green and Growth" investment philosophy of the Company; (ii) will further diversify its current investment portfolio and lower the portfolio risk; (iii) will bring positive financial impacts to the Company and (iv) will further strengthen the Group's position in the new energy transportation industry chain.

EFFECTS OF THE ALEEES SHARE SUBSCRIPTION ON EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Upon Completion, ALEEES will become an associated company of the Company. The unaudited pro forma financial information of the Enlarged Group, illustrating the financial effects as if the ALEEES Share Subscription and the transactions contemplated under the ALEEES Share Subscription Agreement had been completed, is set out in Appendix V headed "Unaudited Pro Forma Financial Information on the Enlarged Group" to this circular.

Effect on earnings

As disclosed in the second interim report of the Company for the twelve months ended 31 December 2015, loss attributable to shareholders amounted to approximately HK$1,895.9 million. As approximately 21.85% of the issued shares of ALEEES are being acquired, ALEEES will become an associate of the Company upon Completion. The potential future gain of ALEEES will be equity accounted in the financial statement of the Group. Upon completion of the Restructuring and based on the optimistic prospects of the cathode materials industry in the PRC and the growing demand for cathode materials battery products as mentioned above, it is expected that the ALEEES Share Subscription would bring positive impact to the earnings of the Group in the future.

Effect on assets and liabilities

As disclosed in the second interim report of the Company for the twelve months ended 31 December 2015, the consolidated total assets and total liabilities attributable to shareholders as at 31 December 2015 were approximately HK$2,703.0 million and HK$849.5 million respectively. The net asset value per Share was approximately HK$0.361 as at 31 December 2015. Based on the unaudited pro forma financial information as set out in Appendix V to this circular, the consolidated total assets attributable to shareholders and total liabilities would remain unchanged. The net asset value per Share would hence be approximately HK$0.361 as a result of the ALEEES Share Subscription.

INFORMATION OF THE GROUP

The Group is principally engaged in cathode materials production and direct investments, including financing, securities trading and asset management. It focuses in the energy conservation, environmental protection and clean energy sectors. As at the Latest Practicable Date, the Company has (i) a 25% equity interest in Synergy Dragon Limited, whose subsidiaries are an integrated high-tech enterprise which specializes in production, sales and research and development of high capacity lithium-ion battery and its related products; (ii) a 100% equity interest in Premier Property Management Limited, whose subsidiary is principally engaged in the production, sales and research and development of the cathode materials for nickel cobalt-manganese lithium-ion battery; and (iii) a 45% equity interest in 華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Co., Ltd.*), a wind power electricity developer and operator in the PRC.

INFORMATION OF ALEEES AND THE ALEEES GROUP

ALEEES is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Taipei Exchange since 9 December 2013 (Stock Code: 5227). The ALEEES Group is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries as well as manufacture, research and development and sales of electric buses, batteries and battery charging/swap systems, which all falls under the emerging industry of new energy technologies. It is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for the FDG Group's battery operation.

Set out below are the consolidated financial information of ALEEES extracted from the financial reports of the ALEEES Group for the financial years ended 31 December 2014 and 31 December 2015 prepared in accordance with the Taiwan Financial Reporting Standard ("**Taiwan FRS**"):

	For the financial year ended 31 December 2014	**For the financial year ended 31 December 2015**
	HK$'000	*HK$'000*
Turnover	207,392	262,506
Gross profit	10,297	71,812
Net loss before/after taxation	(135,038)	(103,305)
Net asset value	406,318	480,558

* *For identification purpose only*

Set out below are the financial information of the cathode materials segment provided by the management of ALEEES for the financial years ended 31 December 2014 and 31 December 2015:

	For the financial year ended 31 December 2014		For the financial year ended 31 December 2015	
	HK$'000	%	*HK$'000*	%
Turnover	198,213	100	267,451	100
Gross profit	56,284	28	120,812	45
Operating (loss)/income	(23,441)	(12)	42,085	16

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the ALEEES Share Subscription exceeds 25% but is less than 100%, the ALEEES Share Subscription constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, ALEEES and its respective ultimate beneficial owners are independent of the Company and its connected persons. Nevertheless, whilst ALEEES is not a connected person of the Company when it entered into the ALEEES Share Subscription Agreement, the ALEEES Share Subscription is conditional upon the FDG Subscription Agreement having been duly executed and becoming unconditional pursuant to the FDG Subscription Agreement. Accordingly, ALEEES is considered to be a "deemed connected person" of the Company pursuant to Rule 14A.20 of the Listing Rules, and therefore the ALEEES Share Subscription is also a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the ALEEES Share Subscription exceed 5%, the ALEEES Share Subscription is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules in respect of the inclusion of the accountants' report on ALEEES in this circular. As an alternative, the Company has included in this circular, (a) the published consolidated annual audited consolidated financial statements for the preceding three years together with the latest published unaudited consolidated quarterly financial statements of ALEEES prepared in accordance with the Taiwan FRS; (b) a reconciliation of ALEEES's financial information for the differences between its accounting policies under Taiwan FRS and the Company's accounting policies under Hong Kong Financial Reporting Standard ("**HKFRS**") together with the explanation of those differences; and (c) additional information which is required for an accountants' report under the Listing Rules but not disclosed in the ALEEES's published accounts, which are set out in Appendix II to this circular.

The Company has also included the pro forma financial information of the Enlarged Group which combines the financial information of the ALEEES Group in accordance with HKFRS pursuant to Rule 14.67(6)(a)(ii) of the Listing Rules based on the published audited financial statements of the ALEEES Group, which is set out in Appendix V of this circular. In addition, the Company has also included the management discussion and analysis of the ALEEES Group pursuant to Rule 14.67(7) of the Listing Rules, which is set out in Appendix IV of this circular. The Company considers that these alternative disclosures will provide the Shareholders and the potential investors with sufficient financial information of the ALEEES Group as well as the impact of the ALEEES Share Subscription on the Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, ALEEES and/or its affiliated companies did not hold any Shares. As at the Latest Practicable Date, FDG is interested in 3,450,532,490 Shares. The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for FDG, no Shareholder has a material interest in the ALEEES Share Subscription. As such, no Shareholder other than FDG and its associates is required to abstain from voting on the proposed resolution(s) to approve the transactions contemplated under the ALEEES Share Subscription Agreement at the SGM.

As at the date of ALEEES Share Subscription Agreement, Mr. Cao Zhong, Mr. Miao Zhenguo and Mr. Jaime Che, executive Directors and Dr. Chen Yanping, non-executive Director, are interested or deemed to be interested in FDG Shares and therefore, Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che and Dr. Chen Yanping have abstained from voting on the relevant board resolutions to approve the ALEEES Share Subscription. Save for the above, none of the Directors have a material interest in the ALEEES Share Subscription. As such, none of the Directors are required to abstain from voting on the relevant board resolutions to approve the ALEEES Share Subscription.

The Independent Board Committee comprising all the independent non-executive directors has been formed to advise the Independent Shareholders on the ALEEES Share Subscription Agreement. The Independent Financial Adviser was appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee dated 30 May 2016 set out on pages 43 to 44 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the ALEEES Share Subscription Agreement and the transactions contemplated thereunder; and (ii) the letter from Alliance Capital dated 30 May 2016 as set out on pages 45 to 63 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the ALEEES Share Subscription Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

Taking into consideration of the reasons set out in the section headed "Reasons for the ALEEES Share Subscription" and the fairness of the consideration set out in the section headed "Consideration" above, the Directors (including the independent non-executive Directors after taking into account the advice of Alliance Capital, but excluding Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che and Dr. Chen Yanping, who are interested in the transactions contemplated under the ALEEES Share Subscription Agreement) consider that the terms of the ALEEES Share Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and the ALEEES Share Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of Alliance Capital, but excluding Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che and Dr. Chen Yanping, who are interested in the transactions contemplated under the ALEEES Share Subscription Agreement) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM to approve the ALEEES Share Subscription Agreement and the transactions contemplated thereunder.

SGM

The Company will convene the SGM at Rooms 3001–3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Thursday, 16 June 2016 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve, among other things, the ALEEES Share Subscription Agreement and the transactions contemplated thereunder.

The notice of the SGM is set out on pages SGM-1 and SGM-2 of this circular. The voting on resolution(s) to be proposed at the SGM will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

The Company will publish an announcement on the results of the SGM with respect to whether or not the proposed resolution(s) have been passed by the Independent Shareholders. A form of proxy for use by the Independent Shareholders at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

GENERAL

As the Completion is subject to the fulfillment or waiver (as the case may be) of a number of conditions precedent, the ALEEES Share Subscription and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
FDG Kinetic Limited
Jaime Che
Executive Director

FDG Kinetic Limited
五龍動力有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 378)

30 May 2016

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION THE SUBSCRIPTION OF SHARES IN ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD AND NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular dated 30 May 2016 (the "**Circular**") issued by the Company of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular have the same meanings herein.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the ALEEES Share Subscription Agreement and the transactions contemplated thereunder. Alliance Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board set out on pages 7 to 42 of the Circular; (ii) the letter from Alliance Capital as set out on pages 45 to 63 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the ALEEES Share Subscription Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation; and (iii) the additional information as set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the ALEEES Share Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the ALEEES Share Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Mr. Hung Chi Yuen Andrew **Mr. Sit Fung Shuen Victor** **Mr. Toh Hock Ghim**
Independent non-executive Directors

The following is the full text of the letter from Alliance Capital Partners Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the major and connected transaction relating to the ALEEES Share Subscription, which has been prepared for the purpose of inclusion in this circular.

Alliance Capital Partners Limited
同人融資有限公司

30 May 2016

To the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

I. INTRODUCTION

We, Alliance Capital Partners Limited, refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of above captioned major and connected transaction, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 30 May 2016 (the "**Circular**") of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the joint announcement of the Company and FDG dated 14 April 2016 in relation to, among other things, the ALEEES Share Subscription. On 14 April 2016 and 23 May 2016, the Company, FKIL (a direct wholly-owned subsidiary of the Company) and ALEEES entered into the ALEEES Share Subscription Agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for ALEEES Subscription Shares pursuant to the terms and conditions of the ALEEES Share Subscription Agreement.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the ALEEES Share Subscription exceeds 25% but is all less than 100%, the ALEEES Share Subscription constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, ALEEES and its respective ultimate beneficial owners are independent of the Company and its connected persons. Nevertheless, whilst ALEEES is not a connected person of the Company when it entered into the ALEEES Share Subscription Agreement, the ALEEES Share Subscription is conditional upon the FDG Subscription Agreement having been duly executed and becoming unconditional pursuant to the FDG Subscription Agreement. Accordingly, ALEEES is considered to be a "**deemed connected person**" of the Company pursuant to Rule 14A.20 of the Listing Rules, and therefore the ALEEES Share Subscription is also a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the ALEEES Share Subscription exceed 5%, the ALEEES Share Subscription is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise Independent Shareholders on the ALEEES Share Subscription Agreement.

We are appointed, with the approval of the Independent Board Committee, to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to whether (i) the ALEEES Share Subscription Agreement are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the ALEEES Share Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the ALEEES Share Subscription Agreement is on normal commercial terms and in the ordinary course of business of the Company; and (iv) the Independent Shareholders should vote in favour of the ALEEES Share Subscription Agreement.

Alliance Capital Partners Limited acted as the independent financial adviser to the then independent board committee and independent shareholders of FDG in 2014. As at the Latest Practicable Date, we were not associated with the Company, FDG, ALEEES or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any other parties that could reasonably be regarded as relevant to the independence of Alliance Capital Partners Limited. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committee and the Independent Shareholders.

II. BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on statements, information and representations referred to in the Circular as well as information and representations provided to us by the Directors. We have assumed that all such information and representations provided by the Directors, for which they are solely responsible, are true and accurate at the time when they were made. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to doubt the truth and accuracy of the information and representations provided to us and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and/or referred to in the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, and any of the connected persons of the Company which have entered into the ALEEES Share Subscription Agreement with the Group, or any of their respective subsidiaries or associates.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

On 14 April 2016 and 23 May 2016, the Company, FKIL (a direct wholly-owned subsidiary of the Company) and ALEEES entered into the ALEEES Share Subscription Agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for ALEEES Subscription Shares pursuant to the terms and conditions of the ALEEES Share Subscription Agreement.

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the ALEEES Share Subscription Agreement, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in cathode materials production and direct investments, including financing, securities trading and asset management. It focuses in the energy conservation, environmental protection and clean energy sectors. As at the Latest Practicable Date, the Group has (i) a 100% equity interest in Premier Property Management Limited, whose subsidiary is principally engaged in the production, sales and research and development of the cathode materials for nickel cobalt-manganese lithium-ion battery; (ii) a 25% equity interest in Synergy Dragon Limited, whose subsidiaries are an integrated high-tech enterprise which specializes in production, sales and research and development of high capacity lithium-ion battery and its related products; and (iii) a 45% equity interest in 華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Co., Ltd.*), a wind power electricity developer and operator in the PRC.

* *for identification purpose only*

Review of profit and loss of the Group

The following table sets out certain selected items of the consolidated profit and loss of the Company for each of three years ended 31 December 2013, 31 December 2014 and 31 December 2015 as extracted from the respective annual reports for the years ended 31 December 2013, 31 December 2014 and second interim report for the twelve months ended 31 December 2015 of the Company.

	For twelve months ended 31 December		
	2013	**2014**	**2015**
	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	32,647	19,580	60,984
Loss before taxation	(19,269)	(48,642)	(1,896,480)
Loss for the year/period	(22,229)	(48,642)	(1,895,910)
Loss for the year/period attributable to			
– the Shareholders	(22,229)	(48,635)	(1,895,910)
– non-controlling interests	–	(7)	–
Loss per share attributable to the Shareholders	*HK cents*	*HK cents*	*HK cents*
– Basic and diluted	(0.90)	(1.04)	(39.42)

For the year ended 31 December 2014, the Group's loss attributable to the Shareholders amounted to approximately HK$48.6 million, representing a significant increase of approximately HK$26.4 million (or approximately 118.9%) when compared with that of approximately HK$22.2 million for the year ended 31 December 2013. Based on the annual report of the Company for the year ended 31 December 2014, the substantial increase in loss was mainly due to the share of loss incurred by investment in Agnita Limited ("**Agnita**"). In accordance with the business plan of Agnita, revenue of Agnita in 2014 was minimal and limited only to design service of traditional vehicles. Significant overhead and research and development expenses were incurred for electric vehicles while production was yet to commence to generate revenue.

For twelve months ended 31 December 2015, the Group's loss attributable to the Shareholders amounted to approximately HK$1,895.9 million and loss per share was approximately HK$0.39. Based on the second interim report of the Company for the twelve months ended 31 December 2015 and according to our discussion with the management of the Company, such substantial increase in loss was mainly due to non-cash impairment losses, namely (1) an impairment loss of approximately HK$163.6 million on interest in an associate, Agnita because the carrying amount of Agnita (net of share of loss of Agnita and share of other comprehensive income of Agnita) exceeds the proceeds from disposal of interest in Agnita; and (2) an impairment loss of approximately HK$1,693.1 million on interest in an associate, Synergy Dragon Limited ("**SDL**"). The consideration of the acquisition of SDL was settled by the issuance of convertible bonds by the Company at the face value of HK$750 million whereas the fair value of such convertible bonds as evaluated by an external valuer as at 31 December 2015 was approximately HK$2,443.1 million. The impairment loss of approximately HK$1,693.1 million represented the excess of carrying amount of the Group's interest in SDL over its recoverable amount. Excluding the above non-cash items, the Group's loss attributable to the Shareholders for the twelve months ended 31 December 2015 would be approximately HK$39.2 million, representing a decrease of 19.3% when compared with that of approximately HK$48.6 million for the twelve months ended 31 December 2014.

Review of financial position of the Group

The following table sets out the selected items of the consolidated statement of balance sheet of the Company as at 31 December 2013, 31 December 2014 and 31 December 2015 as extracted from the respective annual reports for the years ended 31 December 2013, 31 December 2014 and second interim report for the twelve months ended 31 December 2015 of the Company.

	As at 31 December		
	2013	**2014**	**2015**
	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Total assets	1,364,398	1,304,109	2,702,957
Total liabilities	27,898	16,510	849,481
Net assets ("**NAV**")	1,336,500	1,287,599	1,853,476
Equity attributable to			
– the Shareholders	1,336,460	1,287,599	1,853,476
– non-controlling interests	40	–	–
NAV per adjusted Share (HK$) *(note1)*	0.29	0.27	0.36
Gearing ratio *(note 2)*	–	–	5.90%

Notes:

1. The historical ratios of NAV per adjusted Share are calculated based on NAV attributable to the Shareholders set out in corresponding annual or second interim report and the adjusted total number of Shares issued as at year-end date (31 December 2014: 4,691,416,085; 31 December 2013: 4,675,666,085).

2. Gearing ratio without taking into account of the liability components of convertible bonds (2015: approximately HK$592.6 million; 2014: nil; 2013: nil) is calculated on the basis of bank loans and other borrowings divided by the total equity attributable to the Shareholders.

Total assets of the Group decreased from approximately HK$1,364.4 million as at 31 December 2013 to approximately HK$1,304.1 million as at 31 December 2014, which was mainly attributable to the reduction in financial assets at fair value through profit or loss of approximately HK$17.5 million. Total liabilities decreased from approximately HK$27.9 million as at 31 December 2013 to approximately HK$16.5 million as at 31 December 2014, which was mainly attributable to the reduction in accruals and other payables of approximately $6.2 million and current taxation of approximately HK$2.8 million. As a result, the NAV attributable to the Shareholders decreased by approximately HK$48.9 million (or approximately 3.7%) to approximately HK$1,287.6 million as at 31 December 2014, when compared with that of approximately HK$1,336.5 million as at 31 December 2013.

As at 31 December 2015, after issuance of 269,230,770 consideration shares in October 2015 to SK China Company Limited and SKC Co., Ltd. and net proceeds of approximately HK$264.4 million received from equity fund raising in August 2015, the Group's net assets increased significantly to approximately HK$1,853.5 million (31 December 2014: approximately HK$1,287.6 million). NAV per adjusted Share was approximately HK$0.36 (31 December 2014: approximately HK$0.27). The Group's total assets were approximately HK$2,703.0 million as at 31 December 2015, of which approximately HK$751.2 million was carrying value of interest in an associate, and approximately HK$296.0 million was cash and cash equivalents.

The gearing ratios as at 31 December 2013, 31 December 2014, 31 December 2015 were approximately nil, nil, and approximately 5.90%, respectively. The gearing ratio increased significantly from nil as at 31 December 2014 to approximately 5.90% as at 31 December 2015 because the bank loan and other borrowings had increased. For the acquisition of SDL as mentioned in the previous paragraph, the Company issued the convertible bonds at the face value of HK$750 million, which resulted in an increase of non-current liabilities.

Information of ALEEES and the ALEEES Group

ALEEES is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Taipei Exchange since 9 December 2013 (Stock Code: 5227.TWO). Based on the information stated in the Letter from the Board and Appendix IV to the Circular, we understand that the ALEEES Group is principally engaged in the business of (1) production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate ("**LFP**") batteries as well as (2) manufacture, research and development and sales of electric buses, batteries and battery charging/swap systems, which all fall under the emerging industry of new energy technologies. The ALEEES Group is one of the largest cathode materials manufacturers in the world; it sold over 5,700 tons of cathode materials for LFP batteries in accumulation in 2014, represented a market share of approximately 20% in the entire world market. It sold over 8,000 tons in accumulation up to the end of 2015. It is also a primary supplier of cathode materials for the FDG Group's battery operation.

The table below sets out the consolidated financial information of ALEEES extracted from financial reports of ALEEES Group for the financial years ended 31 December 2014 and 31 December 2015 prepared in accordance with the Taiwan Financial Reporting Standard:

	For the financial year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Turnover	207,392	262,506
Gross profit	10,297	71,812
Net loss before/after taxation	(135,038)	(103,305)
NAV	406,318	480,558

As disclosed in Appendix II to the Circular, the turnover of ALEEES increased 26.6% from approximately HK$207.4 million for the year ended 31 December 2014 to approximately HK$262.5 million for the year ended 31 December 2015; while the gross profit of ALEEES increased significantly at a rate of 597.4% from approximately HK$10.3 million for the year ended 31 December 2014 to approximately HK$71.8 million for the year ended 31 December 2015. ALEEES recorded a loss for the years ended 31 December 2014 and 31 December 2015.

The net asset value of the ALEEES Group increased from approximately HK$406.3 million as at 31 December 2014 to approximately HK$480.6 million as at 31 December 2015.

2. Industry overview

We have reviewed the trends and outlook of the electric vehicles industry as well as cathode materials for LFP batteries industry as set out below. In this section, we have relied on relevant public information and the information as disclosed in Appendix IV to the Circular. We have not, however, carried out any independent verification of the information.

Electric vehicles and batteries

Against the backdrop of the challenging and complex economic situations, PRC's automobile market maintained stable growth. According to the statistics released by China Association of Automobile Manufacturers ("**CAAM**"), a total of 24.5 million units of automobiles were produced in the PRC in 2015, up by 3.3% while the sales of automobiles there rose by 4.7% year-on-year to 24.6 million units in 2015. The PRC ranked first globally in terms of the production and domestic sales of automobiles for seven consecutive years.

New energy automobile was the highlight of PRC's automobile market due to explosive growth in its sales in 2015. According to the statistics released by the Equipment Industry Department of the Ministry of Industry and Information Technology of the PRC, the sales of new energy automobiles surged by 3.4 times year-on-year to approximately 331,000 units. In particular, sales of pure electric vehicles grew by 4.5 times to approximately 247,000 units while those of plug-in hybrid vehicles increased by 1.8 times to approximately 84,000 units. As to new energy passenger vehicles, sales of pure electric passenger vehicles grew by 3 times while plug-in hybrid passenger vehicles increased by 2.5 times.

Driven by supporting policies, the demand for new-energy vehicles and special-purpose electric vehicles has been gradually increasing. In the "Industry Development Planning for Energy-saving and New-energy Vehicles Up to 2020" published by the State Council, a target has been set to increase sales of vehicles powered by new energy to more than 5 million units by 2020. Meanwhile, the notice "Made in China 2025" also published by the State Council expressly stated that support will be given to the development of the energy-saving and new energy vehicle industries.

CAAM is a social organization founded in Beijing in May 1987, with the approval of the Ministry of Civil Affairs of the PRC. CAAM has over 2000 members and the members consist of enterprises and institutions as well as organizations engaged in production and management of automobiles, auto parts and vehicle-related industries in the PRC. Several awards were granted to the CAAM by the PRC government authorities including, but not limited to, i) China Social Organization Evaluation Grade of 5As granted by the Ministry of Civil Affairs in July 2013; and ii) excellent association in industry monitoring analysis and the information statistics granted by Ministry of Industry and Information Technology in December 2013.

Cathode materials for LFP batteries

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

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

3. Key terms of the ALEEES Share Subscription Agreement

FKIL (a direct wholly-owned subsidiary of the Company), the Company and ALEEES entered into the ALEEES Share Subscription Agreement pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for ALEEES Subscription Shares at a subscription price of NT$35 pursuant to the terms and conditions of the ALEEES Share Subscription Agreement.

Details of the terms of the ALEEES Share Subscription Agreement are set out under the section headed "The Subscription" in the Letter from the Board.

Consideration

The total subscription price for the ALEEES Subscription Shares is a sum of NT$1,610,000,000 payable in cash upon Completion.

As stated in the Letter from the Board, the subscription price per ALEEES Subscription Share of NT$35 (the "**Subscription Price**") was determined after arm's length negotiations between the Company and ALEEES after taking into consideration (i) the prevailing market price of the ALEEES Shares; (ii) the size of the ALEEES Subscription Shares bloc; (iii) the Company's right to appoint two directors of ALEEES; (iv) the liquidity and trading volume of ALEEES Shares; (v) the investment cost is significantly greater than the Company's portion of the adjusted net asset value of the ALEEES Group; (vi) the ALEEES Group was loss making for each of the two years ended 31 December 2014 and 31 December 2015 and (vii) the business prospects of the ALEEES Group upon completion of the Restructuring.

The Subscription Price represents:

(i) a premium of approximately 20.07% over the closing price of NT$29.15 per ALEEES Subscription Share as quoted on the Taipei Exchange on the date of the ALEEES Share Subscription Agreement;

(ii) a premium of approximately 20.11% over the average closing price of approximately NT$29.14 per ALEEES Subscription Share as quoted on the Taipei Exchange for the last five consecutive trading days up to and including the date of the ALEEES Share Subscription Agreement;

(iii) a premium of approximately 18.56% over the average closing price of approximately NT$29.52 per ALEEES Subscription Share as quoted on the Taipei Exchange for the last ten consecutive trading days up to and including the date of the ALEEES Share Subscription Agreement; and

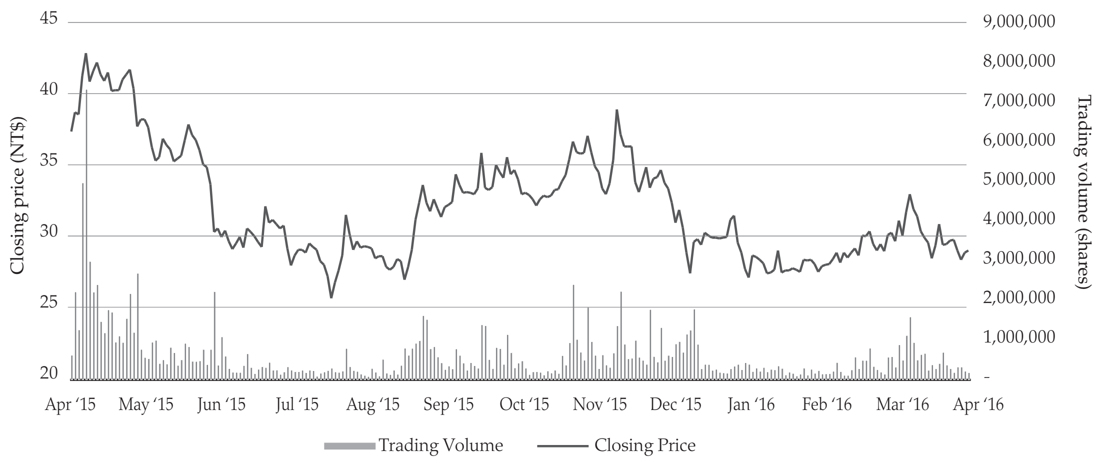
(iv) a premium of approximately 16.32% over the average closing price of approximately NT$30.09 per ALEEES Subscription Share as quoted on the Taipei Exchange for the last thirty consecutive trading days up to and including the date of the ALEEES Share Subscription Agreement.

(v) a premium of approximately 5.74% over the closing price of NT$33.10 per ALEEES Subscription Share as quoted on the Taipei Exchange as at Latest Practicable Date.

4. Analysis on the consideration of ALEEES Share Subscription

Share price performance and trading volume of the ALEEES Shares

The chart below shows the daily closing price and trading volume of the ALEEES Shares for the period from 14 April 2015 (one year prior to date of the ALEEES Share Subscription Agreement) up to the date of the ALEEES Share Subscription Agreement (the "**ALEEES Review Period**"), excluding those days on which the ALEEES Shares were suspended for trading. We consider that a review period of one year for the prices of ALEEES Shares is appropriate as it would cover a period that is long enough to reflect the performance of ALEEES Shares.



Source: website of Taipei Exchange

Price performance of the ALEEES Shares

Closing Prices of the ALEEES Shares

The following table summarizes the closing prices of ALEEES Shares during the ALEEES Review Period.

Month/period	**Highest closing price** *(NT$)*	**Lowest closing price** *(NT$)*	**Average daily closing price** *(NT$)*
2015			
14 April – 30 April	43.00	37.50	40.73
May	41.85	35.40	37.84
June	37.25	29.25	31.76
July	31.65	25.80	29.17
August	33.75	27.10	29.31
September	36.00	31.50	33.20
October	36.80	32.30	33.89
November	39.05	33.10	35.32
December	34.80	27.55	31.16
2016			
January	29.70	27.25	28.18
February	29.30	27.65	28.50
March	33.10	28.60	30.30
1 April – 14 April	29.90	28.50	29.34

Source: website of Taipei Exchange

During the ALEEES Review Period, the highest closing price and the lowest closing price of the ALEEES Shares quoted on the Taipei Exchange was NT$43.00 on 20 April 2015 and NT$25.80 on 27 July 2015, respectively; the average closing price of ALEEES Share was NT$32.21 during the period. The Subscription Price falls within the range of the historical closing prices, and represents a premium of approximately 8.66% over the average closing price of NT$32.21.

Trading volume of ALEEES Shares

The following table sets out the trading volume of ALEEES Shares during the ALEEES Review Period:

Month/period	**Maximum daily trading volume for the month/ period** *(thousand shares)*	**Minimum daily trading volume for the month/ period** *(thousand shares)*	**Average dailytrading volume for the month/ period** *(thousand shares)*	**Percentage of average daily trading volume to the total number of the issued ALEEES Shares** *% (Note)*
2015				
14 April – 30 April	8,153	689	2,658	1.62%
May	2,988	404	1,050	0.64%
June	2,474	172	573	0.35%
July	879	98	278	0.17%
August	1,800	91	475	0.29%
September	1,693	269	696	0.42%
October	2,673	134	553	0.34%
November	2,481	312	935	0.57%
December	1,984	184	695	0.42%
2016				
January	479	107	277	0.17%
February	637	123	257	0.16%
March	1,764	156	608	0.37%
1 April – 14 April	768	199	356	0.22%

Source: website of Taipei Exchange

Note: The number of ALEEES Shares used in the calculation is 164,573,654 ALEEES Shares as at the date of ALEEES Subscription Agreement.

As illustrated in the above table, the average daily trading volume of ALEEES Shares during ALEEES Review Period ranged from approximately 257,000 ALEEES Shares to approximately 2,658,000 ALEEES Shares, representing approximately 0.16% to 1.62% of the total number of issued ALEEES Shares as at the date of ALEEES Share Subscription Agreement. We consider that the trading of ALEEES Shares have been illiquid and the trading volume has been low. In this connection, we have considered whether a discount for lack of marketability ("**DLOM**") should be applied to the valuation of the ALEEES Shares under the ALEEES Share Subscription. Based on our best knowledge, the theory behind DLOM is that a discount would exist between the value of a company's stock that is and is not marketable. Ownership interest of closely held companies is not readily marketable as compared to similar interest in public companies; therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. As the ALEEES Shares are listed in the Taipei Exchange, we are of the view that DLOM is not applicable.

Upon Completion, the Group will have an approximately 21.85% equity stake in ALEEES and become the single largest shareholder of ALEEES. Given the low liquidity of ALEEES Shares, it would be difficult for the Group to acquire such a large block of equity interest from the open market in a timely manner without imposing upward pressure to the trading price of the ALEEES Shares; therefore, we consider it is justifiable to the Group that the Subscription Price is at a premium to the recent closing price of ALEEES Shares; to the extent that, despite the said premium, the Subscription Price falls within the range of the historical closing prices.

Comparable analysis

In further assessing whether the Subscription Price is fair and reasonable, we have considered commonly used valuation benchmarks. As ALEEES recorded loss and loss before interest, tax, depreciation and amortization for the year ended 31 December 2015, we consider that price-to-earnings ratio (the ''P/E Ratio'') and enterprise value to earnings before interest, tax, depreciation and amortization ratio ("**EV/EBITDA Ratio**") are not applicable in this case. In this connection, we have compared the price-to-net asset value ratio (the "**P/NAV Ratio**") and the price-to-sales ratio (the "**P/S Ratio**") as implied by the Subscription Price under the ALEEES Share Subscription with P/NAV Ratios and P/S Ratios of the comparable companies.

We have identified comparable companies (the "**Comparable Companies**") (1) that are listed in the Taipei Exchange; (2) whose principal businesses include research, development, manufacturing and distribution of lithium ferrous phosphate batteries and its related products; and (3) with operation principally based in Taiwan. The Comparable Companies have been selected exhaustively based on the criteria set out above which have been identified, to the best of our efforts, in our research through public sources and hence are fair and representative. Based on our best endeavour and as far as we are aware, we have identified one company, namely, Changs Ascending Enterprise Co., Ltd ("**CAEC**") (stock code: 8038.TWO), which we believe is the closest comparable company to ALEEES that matches with all three selection criteria aforementioned. For reference purpose, we have also identified two other companies, namely Mechema Chemicals International Corp (stock code: 4721.TWO) and Coremax Corporation (stock code: 4739.TWO), that are listed in Taipei Exchange with operation principally based in Taiwan. However, they are principally engaged in the production and trading of a variety of chemical products with only part of the products related to raw materials for batteries of electric vehicles. Thus, we are of the view that these two companies are not directly comparable and do not represent a close reference to the valuation of ALEEES Shares.

Company name	Closing price as at date of ALEEES Share Subscription Agreement	Market capitalization	Revenue	Consolidated profit/loss attributable to equity holders	NAV Attributable to equity holders	P/NAV Ratio	P/S Ratio
		(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 4)*	*(Note 5)*
		(NT$ million)	*(NT$ '000)*	*(NT$ '000)*	*(NT$ '000)*	*(times)*	*(times)*
CAEC (stock code: 8038.TWO) *(Note 7)*	65.80	3,515.69	72,272	(80,229)	673,499	5.22	48.65
Mechema Chemicals International Corp (stock code: 4721.TWO)	32.55	2,440.80	2,021,860	116,184	1,097,596	2.22	1.21
Coremax Corporation (stock code: 4739.TWO)	52.8	3,905.32	3,905,992	115,450	1,724,970	2.26	1.00
ALEEES as implied by the Subscription Price	**35.00**	**7,370.08** *(note 6)*	**1,094,651**	**(430,783)**	**2,003,914**	**3.68**	**6.73**

Source: website of the Taipei Exchange and the respective latest annual reports

Notes:

1. The market capitalisation of the Comparable Companies are calculated based on their respective closing share price and number of issued shares listed at the Taipei Exchange as at the date of ALEEES Share Subscription Agreement.

2. The consolidated profit, consolidated NAV, and revenue are extracted from the respective latest annual reports of the Comparable Companies.

3. NAV per share are calculated based on the latest published consolidated net assets attributable to equity holders and their total outstanding issues as at the date of ALEEES Share Subscription Agreement.

4. The historical P/NAV Ratios of the Comparable Companies are calculated based on their respective latest published consolidated net assets attributable to equity holders and market capitalization based on their respective closing prices as at the date of ALEEES Share Subscription Agreement.

5. The historical P/S Ratios of the Comparable Companies are calculated based on their respective latest published revenue in annual reports and market capitalization based on their respective closing price as at the date of ALEEES Share Subscription Agreement.

6. The market capitalization of ALEEES is calculated based on the Subscription Price and total number of issued ALEEES Shares of 164,573,654 as at the date of ALEEES Share Subscription Agreement together with 46,000,000 ALEEES Subscription Shares.

7. CAEC is the closest comparable company based on our selection criteria.

We note that the Subscription Price is set at a premium to NAV per ALEEES Share while the P/NAV Ratio based on the Subscription Price is the much lower when compared with the P/NAV Ratio of CAEC. Furthermore, the P/S Ratio based on the Subscription Price is significantly lower than that of CAEC.

We have considered to broaden our comparable analysis to the companies listed in the Stock Exchange and identified two companies ("**Hong Kong Comparable Companies**") namely, Tianneng Power International Limited (stock code: 0819.HK) and Chaowei Power Holdings Limited (stock code: 0951.HK) that are mainly engaged in production of motive battery products applicable to electric vehicles and new energy storage battery products with production base in the PRC. Having considered that (1) the market sentiment of capital markets in Hong Kong is different from that in Taiwan; (2) the business of Hong Kong Comparable Companies are related to motive batteries instead of raw materials as what ALEEES is engaged in; (3) their production bases are in the PRC instead of Taiwan, we are of view that the Hong Kong Comparable Companies are not suitable for the purpose of our comparable analysis.

5. Reasons for and benefits of entering into the ALEEES Share Subscription

5.1 Business synergies between the FDG Group, the Group and ALEEES

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for LFP batteries. It is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for Sinopoly Battery Limited, a wholly owned subsidiary of SDL and a lithium-ion battery manufacturer within the FDG Group. The completion of the ALEEES Share Subscription Agreement is inter-conditional with the Cooperation Agreement entered into between the Company and ALEEES; and the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement entered into between ALEEES and the FDG Group.

Pursuant to the Cooperation Agreement, ALEEES has agreed to be engaged as a consultant to the Company in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of the Company in the construction of factories and production of M-series cathode materials for lithium-ion battery. The Cooperation Agreement helps the FDG Group to secure long-term access to upstream raw materials to cope with the growing demand of electric vehicles. The demand for electric vehicles is expected to remain strong in the future with continual governmental support in the PRC. The FDG Group's Hangzhou production facility has also commenced commercial production of electric vehicles in 2016 and is ramping up its production to meet the growing demand. The increase in production of electric vehicles will drive demand for lithium-ion batteries and thus cathode materials. Therefore, the Cooperation Agreement is important for the FDG Group to secure long-term access to the quality cathode materials and provides Sinopoly Battery Limited steady supply of raw materials for the manufacturing of lithium-ion batteries. It also helps Sinopoly Battery Limited to enhance its competitive edge through efficient cost control of its main raw materials. Thus, it is expected that (1) the construction of factories and (2) the provision of technology licensing and consultancy services by ALEEES through the Cooperation Agreement will be beneficial to the Group and are in the interests of the Company and the Shareholders as a whole.

The Company acquired Premier Property Management Limited ("**PPM**"), whose subsidiary is a manufacturer of the cathode materials for nickel-cobalt-manganese lithium-ion battery, in October 2015 and both of the ALEEES Share Subscription Agreement and the Cooperation Agreement will allow the Company to expand its battery cathode material portfolio to include LFP chemistry. PPM and the ALEEES Group are the manufacturers of cathode materials for different types of lithium-ion battery which share similarity in their raw materials, equipment used in research and development and quality control and customer base. The Group intends to integrate the procurement of raw materials, research and development of cathode materials, quality control and sales of finished products of the subsidiary of PPM and the subsidiary set up under the Cooperation Agreement in order to increase the bargaining power with the suppliers, lower the overall costs and increase market share of both companies. As the PRC government is forbidding public electric buses from using nickel-cobalt-manganese lithium-ion battery until it has passed the safety certification, public electric buses will primarily use LFP battery and such strategic expansion will position the Company to capture the future growth in this segment. The business model set up under the Cooperation Agreement is expected to increase the revenue and profit streams for the Company with reference to the historical financial results of the cathode material business segment of ALEEES.

As stated in the Letter from the Board, the table below sets out the financial information of the cathode materials segment provided by the management of ALEEES for the financial years ended 31 December 2014 and 31 December 2015:

	For the financial year ended 31 December 2014	**For the financial year ended 31 December 2015**
	HK$'000	*HK$'000*
Turnover	198,213	267,451
Gross profit	56,284	120,812
Operating (loss)/income	(23,441)	42,085

Moreover, pursuant to the Ark Cayman Sale and Purchase Agreement, ALEEES' batteries and electric vehicles research and development capabilities will be sold to FDG. Pursuant to the Ark Taiwan Asset Purchase Agreement, Ark Taiwan has agreed to sell and deliver its certain asset and equipment related to ALEEES' batteries and electric vehicles research and development capabilities to FIHL, a wholly-owned subsidiary of FDG. Pursuant to R&D Service Agreement, FIHL has conditionally agreed to appoint Ark Taiwan to research and develop battery cells, battery modules and electric vehicle design and other technical research and development work. Therefore, it is expected that ALEEES' expenses, especially the administration expenses and research and development expenses, will be decreased substantially as a result of the Ark Cayman Acquisition, Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement, which will bring positive impacts to ALEEES' financial results and in turn, be beneficial to the Company.

5.2 Prospects of the electric vehicle industry in the PRC

Details of the background of the electric vehicle industry in the PRC have been set out under the paragraph headed ''Industry Overview'' in the letter, the Board advised that they are optimistic about the long term prospects and potential of the electric vehicle industry in the PRC attributable to (i) policies issued by the government to support the electric vehicle industry; and (ii) recent severe air pollution and increase in health awareness of the public to use electric vehicles. Moreover, the PRC government is forbidding public electric buses from using nickel-cobalt-manganese lithium-ion battery until it has passed the safety certification. Therefore, public electric buses will primarily use LFP battery and the ALEEES Shares Subscription and the arrangements under the Cooperation Agreement will position the Company to capture the future growth in this segment.

5.3 In line with the investment philosophy of the Company

The Directors advised that it is the strategy of the Group to enhance its business portfolio and the Board is of the view that the ALEEES Share Subscription is in line with the "Green and Growth" investment philosophy of the Company, and will further strengthen the Group's position in the new energy transportation industry chain. The acquisition of approximately 21.85% stake in ALEEES, one of the largest cathode materials manufacturers in the world, represents a quality investment of the Company in the clean energy sector which is in line with the investment philosophy of the Company. Having recently acquired a nickel-cobalt-manganese cathode materials manufacturer, the ALEEES Shares Subscription diversifies the Company's portfolio while remaining committed in the battery related businesses. The Group will keep on identifying and evaluating sound investment or business opportunities in green business related to its current investment portfolio from time to time to utilize its cash and enhance the growth potential of the Group and return to the Shareholders. The Group will take appropriate measures such as making investments for treasury management purposes that are in line with the Group's investment focus.

The Board is of the view and we concur that the ALEEES Share Subscription (i) is in line with the "Green and Growth" investment philosophy of the Company; (ii) will further diversify its current investment portfolio and lower the portfolio risk; (iii) will bring positive financial impacts to the Company and (iv) will further strengthen the Group's position in the new energy transportation industry chain. As such, we are of the view that the ALEEES Share Subscription is in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the ALEEES Share Subscription

Upon Completion, the Group will have an approximately 21.85% equity stake in ALEEES, which will become an associated company of the Group and will be accounted for under equity method in the Group's consolidated financial statements.

Earnings

The Company has an after-tax loss of approximately HK$1,895.9 million, or approximately HK$0.39 per Share (calculated based weighted average number of 4,810,062,028 ordinary shares for the twelve months ended 31 December 2015) for the twelve months ended 31 December 2015. Had the ALEEES Share Subscription been completed on 1 January 2015, an additional after-tax loss of HK$22.57 million (calculated based on the ALEEES Group's after-tax loss of HK$103.3 million and an approximately 21.85% equity interest to be acquired) would have been added to the after-tax loss of approximately HK$1,895.9 million as mentioned above, making it approximately HK$1,918.5 million in total or approximately HK$0.40 per share, representing an insignificant increase of 1.19%.

Net asset value

As at 31 December 2015, the Group's net assets attributable to the Shareholders were HK$1,853.5 million, or HK$0.36 per Share (calculated based on 5,135,646,855 Shares in issue as at 31 December 2015). Had the ALEEES Share Subscription been completed on 31 December 2015, according to the Appendix V to the Circular, the net assets would remain unchanged.

Cashflow

As stated in the Letter from the Board, the ALEEES Share Subscription is intended to be funded by the Company's internal cash of approximately HK$100 million to HK$150 million, and debt financing and/or FDG's support of approximately HK$250 million to HK$300 million. Upon Completion, the cash and cash equivalent balance of the Group will be reduced by the consideration and any related transaction costs in relation to the ALEEES Share Subscription.

IV. RECOMMENDATION

In arriving at our recommendation in respect of the ALEEES Share Subscription, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the ALEEES Share Subscription is consistent with the strategy of the Group to enhance its business portfolio;
- the ALEEES Share Subscription, together with the Cooperation Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement, which are inter-conditional, will bring business synergy to the Group; and
- the Subscription Price is fair and reasonable.

Having considered the above, we are of the view that ALEEES Share Subscription and the transactions contemplated thereunder are on normal commercial terms and in the ordinary course of business of the Company, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the ALEEES Share Subscription and the other transactions contemplated in connection therewith at the SGM.

Yours faithfully,
For and on behalf of
Alliance Capital Partners Limited
Andric Yew
Managing Director

Mr. Andric Yew is a licensed person and responsible officer of Alliance Capital Partners Limited, a licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Andric Yew has more than 15 years of experience in corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014 AND THE TWELVE MONTHS ENDED 31 DECEMBER 2015

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2012, 2013 and 2014 and the unaudited consolidated financial statements of the Group for the twelve months ended 31 December 2015 are disclosed in pages 39 to 123 of the annual report of the Company for the year ended 31 December 2012, pages 43 to 131 of the annual report of the Company for the year ended 31 December 2013, pages 49 to 131 of the annual report of the Company for the year ended 31 December 2014 and pages 2 to 58 of the second interim report of the Company for the twelve months ended 31 December 2015 respectively, all of which are published on both the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.fdgkinetic.com). Quick links to the annual reports and the second interim report of the Company are set out below:

1. Annual report of the Company for the year ended 31 December 2012:
http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0422/LTN20130422421.pdf

2. Annual report of the Company for the year ended 31 December 2013:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0423/LTN20140423693.pdf

3. Annual report of the Company for the year ended 31 December 2014:
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0423/LTN20150423753.pdf

4. Second interim report of the Company for the twelve months ended 31 December 2015:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0316/LTN20160316353.pdf

I. INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$714.17 million which comprised (i) the secured and unguaranteed bank loan of approximately HK$76.74 million, (ii) the unsecured and unguaranteed convertible bonds of approximately HK$604.88 million; and (iii) unsecured and guaranteed other borrowings of approximately HK$32.55 million. The secured bank loan was secured by mortgage over certain land and buildings. The unsecured other borrowings were guaranteed by the Company.

Contingent liabilities

As at the close of business on 31 March 2016, the Group had no material contingent liabilities.

Save as aforesaid or as otherwise disclosed in this circular, and apart from intra-group liabilities, the Group did not have any material borrowings (including bank overdrafts, liabilities under acceptances other than normal trade bills, acceptance credits and finance lease commitments), debt securities issued and outstanding or authorised or otherwise created but unissued, mortgages and charges, loan capital and contingent liabilities or guarantees as at the close of business on 31 March 2016. The Directors confirmed that there had been no material change in the indebtedness of the Group since 31 March 2016.

II. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the available financial resources, shareholder's support from the FDG Group, the ALEEES Share Subscription, and in the absence of unforeseeable circumstances, the Group will have sufficient working capital for its present requirement for the next twelve months from the date of this circular.

III. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, save and except for below as disclosed in the second interim report of the Company for the twelve months ended 31 December 2015:

The loss for the twelve months ended 31 December 2015 has significantly increased to approximately HK$1,895,910,000. It is mainly due to the non-cash impairment losses on interest in associates amounted to HK$1,856,717,000, which consists of (1) an impairment loss of approximately HK$163,604,000 on interest in an associate, Agnita Limited ("**Agnita**") because the carrying amount of Agnita (net of share of loss of Agnita and share of other comprehensive income of Agnita) exceeds the proceeds from disposal of interest in Agnita and (2) an impairment loss of approximately HK$1,693,113,000 representing the excess of the Group's carrying amount of interest in an associate, Synergy Dragon Limited, over its recoverable amount.

IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in cathode materials production and direct investments, including financing, securities trading and asset management. It focuses in the energy conservation, environmental protection and clean energy sectors. It is an indirect non-wholly-owned subsidiary of FDG.

The Group's investment portfolio includes (i) a 25% equity interest in SDL, whose subsidiaries are an integrated high-tech enterprise which specializes in production, sales and research and development of high capacity lithium-ion battery and its related products; (ii) a 100% equity interest in PPM, whose subsidiary is principally engaged in the production, sales and research and development of the cathode materials for nickel cobalt-manganese lithium-ion battery; and (iii) a 45% equity interest in 華能壽光風力發電有限公司 (Huaneng Shouguang Wind Power Co., Ltd.*), a wind power electricity developer and operator in the PRC.

* *For identification purpose only*

ALEEES is principally engaged in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries. It is one of the largest cathode materials manufacturers in the world. It is also a primary supplier of cathode materials for Sinopoly Battery Limited, a wholly-owned subsidiary of SDL which is 75% owned by FDG and 25% owned by the Company and a lithium-ion battery manufacturer within the FDG Group. The completion of the ALEEES Share Subscription Agreement is inter-conditional with the Cooperation Agreement, the Ark Cayman Sale and Purchase Agreement, the Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement.

The Cooperation Agreement helps the FDG Group to secure long-term access to upstream raw materials to cope with the growing demand of electric vehicles. The demand for electric vehicles is expected to remain strong in the future with continual governmental support in the PRC. The FDG Group's Hangzhou production facility has also commenced commercial production of electric vehicles in 2016 and is ramping up its production to meet the growing demand. The increase in production of electric vehicles will drive demand for lithium-ion batteries and thus cathode materials. Therefore, the Cooperation Agreement is important for the FDG Group to secure long-term access to the quality cathode materials and provides Sinopoly Battery Limited steady supply of raw materials for the manufacturing of lithium-ion batteries. It also helps Sinopoly Battery Limited to enhance its competitive edge through efficient cost control of its main raw materials.

The Company acquired PPM, a manufacturer of the cathode materials for nickel-cobalt-manganese lithium-ion battery in October 2015 and the Cooperation Agreement will allow the Company to expand its battery cathode material portfolio to include lithium ferrous phosphate chemistry. PPM and the ALEEES Group are the manufacturers of cathode materials for different types of lithium-ion battery which share similarity in their raw materials, equipment used in research and development and quality control and customer base. The Group intends to integrate the procurement of raw materials, research and development of cathode materials, quality control and sales of finished products of PPM and the subsidiary set up under the Cooperation Agreement in order to increase the bargaining power with the suppliers, lower the overall costs and increase market share of both companies.

In addition, the PRC government is forbidding public electric buses from using nickel-cobalt-manganese lithium-ion battery until it has passed the safety certification. Therefore, the public electric buses will primarily use lithium ferrous phosphate battery and such strategic expansion will position the Company to capture the future growth in this segment. The business model set up under the Cooperation Agreement is expected to increase the revenue and profit streams for the Company with reference to the historical financial results of the cathode material business segment of ALEEES.

The acquisition of approximately 21.85% stake in ALEEES, one of the largest cathode materials manufacturers in the world, represents a quality investment of the Company in the clean energy sector which is in line with the "Green and Growth" investment philosophy of the Company. Having recently acquired a nickel-cobalt-manganese cathode materials manufacturer, the ALEEES Shares Subscription diversifies the Company's portfolio while remaining committed in the battery related businesses. Moreover, ALEEES' expenses, especially the administration expenses and research and development expenses, are expected to decrease substantially upon completion of the Restructuring, which will bring positive impacts to ALEEES' financial results. The Company will also enjoy the positive financial impacts as the single largest shareholder after the ALEEES Share Subscription. Nevertheless, the Restructuring is a series of transactions representing a strategic cooperation with ALEEES which help further strengthen the Group's position in the new energy transportation industry chain.

The Group will keep on identifying and evaluating sound investment or business opportunities in green business related to its current investment portfolio from time to time to utilize its cash and enhance the growth potential of the Group and return to the Shareholders. The Group will take appropriate measures such as making investments for treasury management purposes that are in line with the Group's investment focus.

V. OTHER INFORMATION

(a) Financial resources and gearing ratio

As at 31 December 2013, 2014 and 2015, the equity attributable to owners of the Company was approximately HK$1,336.5 million, HK$1,287.6 million and HK$1,853.5 million respectively. The net current assets as at 31 December 2013, 2014 and 2015 was approximately HK$636.1 million, HK$594.5 million and HK$441.4 million respectively, while cash and cash equivalents amounted to approximately HK$399.6 million, HK$366.7 million and HK$296.0 million respectively. The Group had other borrowing as at 31 December 2013 amounted to HK$31,000. As at 31 December 2014, the Group had no bank loan and other borrowings. The bank loans and other borrowings as at 31 December 2015 was approximately HK$108.9 million.

(b) Charge on Group assets

As at 31 December 2013 and 2014, none of the Group assets were charged. There were pledged of assets as at 31 December 2015 with details disclosed under the section headed "Indebtedness" above. In addition, certain bank deposits of approximately HK$7.6 million were pledged for bills payable.

(c) Foreign currencies and treasury policy

During the years ended 31 December 2013 and 2014 and the twelve months ended 31 December 2015, most of the business transactions, assets and liabilities of the Group were denominated in HK$, RMB, United States Dollars and Singapore Dollars. The Group had no material foreign exchange exposure risks during the years ended 31 December 2013 and 2014 and the twelve months ended 31 December 2015.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, including the terms of bank loans, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities or committed lines of funding (from major financial institutions or other group companies) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

During the years ended 31 December 2013 and 2014 and the twelve months ended 31 December 2015, the Group did not have any financial instruments for hedging purposes.

Liquidity and Financial Resources

As at 31 December 2015, the Group's net assets attributable to equity shareholders of the Company amounted to approximately HK$1,853.5 million. The Group's total assets of approximately HK$2,703.0 million mainly consisted of goodwill of approximately HK$485.0 million, intangible assets of approximately HK$104.1 million , property, plant and equipment and interests in leasehold land held for own use under operating lease of approximately HK$231.4 million, interest in an associate of approximately HK$751.2 million, interest in joint ventures of approximately HK$104.0 million, the FDG 3-year secured bond of HK$370.0 million, loan and other receivables of approximately HK$143.2 million and cash and cash equivalents of approximately HK$296.0 million.

As at 31 December 2015, the bank loans and other borrowings included (i) bank loans of approximately HK$76.3 million, denominated in Renminbi ("**RMB**"), were secured, interest bearing at floating rates and repayable within five years. Such bank loans were granted under a general banking facilities by a bank in the PRC. The general banking facilities were secured by, inter alia, certain land and buildings with carrying amounts of approximately HK$131.0 million in favour of the lender by way of the fixed charges and floating charges over all the plant and machinery and inventories; and (ii) the other borrowings of approximately HK$32.6 million, denominated in United States dollars, were unsecured, interest bearing at a fixed rate and repayable within one year. The Group's bank loans and other borrowings are mostly event driven, with little seasonality.

As at 31 December 2015, the Group's non-current liabilities mainly comprised the liability component of the convertible bonds of approximately HK$592.6 million and long term portion of bank loans of approximately HK$64.4 million.

As at 31 December 2015, the Group's gearing ratio, without taking into account of the liability component of convertible bonds of approximately HK$592.6 million, was approximately 5.9% calculated on the basis of bank loans and other borrowings of approximately HK$108.9 million (31 December 2014: Nil) to total equity attributable to owners of the Company of approximately HK$1,853.5 million.

Capital Structure

Issuance of convertible bonds due 2018

On 4 August 2015, the Company has issued 8% coupon per annum convertible bonds due 2018 with an aggregate principal amount of HK$750,000,000 to Union Grace Holdings Limited. The convertible bonds could be converted into 2,205,882,352 shares of the Company (adjusted after share subdivision described below) based on the prevailing conversion price of HK$0.34 per share. Details of this transaction are more specifically described under the section headed "Material Acquisitions and Disposal" below.

Placing and top-up subscription

On 5 August 2015, a total of 35,000,000 top-up subscription shares have been allotted and issued to Sinopoly Strategic Investment Limited ("**Sinopoly Strategic**") at the subscription price of HK$7.73 per top-up subscription share in accordance with the terms of the placing and top-up subscription agreement entered into between the Company, Sinopoly Strategic (as vendor), and Guotai Junan Securities (Hong Kong) Limited (as the placing agent) (the "**Placing Agent**"). Pursuant to which, the Placing Agent agreed to procure the placing of up to 35,000,000 shares of the Company held by Sinopoly Strategic at the placing price of HK$7.73 per share, and Sinopoly Strategic agreed to subscribe for up to 35,000,000 new shares of the Company at the subscription price of HK$7.73 per share. As a result, the number of shares of the Company in issue increased from 938,283,217 shares to 973,283,217 shares as at 5 August 2015. Details of the placing and top-up subscription agreement are set out in the joint announcement of the Company and FDG dated 23 July 2015.

Share subdivision and change in board lot size

On 14 September 2015, each of the existing issued and unissued shares of par value of HK$1.00 each in the share capital of the Company were subdivided into five (5) subdivided shares of par value of HK$0.20 each (the "**Share Subdivision**"), and the board lot size for trading in the shares of the Company was changed from 10,000 shares to 2,000 subdivided shares. As a result of the Share Subdivision, the number of shares of the Company in issue increased from 973,283,217 shares of HK$1.00 each to 4,866,416,085 shares of HK$0.20 each. The Share Subdivision was approved by the shareholders of the Company at the special general meeting held on 11 September 2015 and became effective on 14 September 2015. Details of the Share Subdivision and change in board lot size of the shares of the Company are set out in the announcement of the Company dated 10 August 2015 and circular of the Company dated 19 August 2015.

Issuance of consideration shares

On 29 October 2015, a total of 269,230,770 new shares of the Company were issued and allotted to SK China Company Limited and SKC Co., Ltd. (as vendors) as part of the consideration pursuant to the sale and purchase agreement. As a result, the number of shares of the Company in issue increased from 4,866,416,085 shares to 5,135,646,855 shares as at 29 October 2015.

Material Acquisitions and Disposals

Below are material acquisitions and disposal of the Company for the twelve months period ended 31 December 2015:

Disposal of 41.5% interests and shareholder's loan in Agnita Limited

On 2 November 2014, it was announced that a sale and purchase agreement was entered into between CIAM Investment (BVI) Limited ("**CIAM BVI**", a direct wholly owned subsidiary of the Company), which was renamed as FDG Kinetic

Investment (BVI) Limited, and Preferred Market Limited ("**Preferred Market**", an indirect wholly-owned subsidiary of FDG) dated 31 October 2014 in relation to: (i) the disposal of 41.5% of the issued share capital of Agnita and all rights and benefits in the shareholder's loan in the principal amount of HK$150,000,000 extended by CIAM BVI to Agnita, and (ii) cancel the call option previously granted by Preferred Market to CIAM BVI in respect of 8.5% of Agnita's issued share capital at a consideration of HK$520,000,000, which would be settled by HK$150,000,000 in cash and the balance of HK$370,000,000 by the issuance of 8% non-convertible bonds with a tenor of three years to be issued by FDG to the Company (collectively the "**Agnita Transaction**").

At the special general meeting of the Company held on 23 December 2014, an ordinary resolution was passed by the independent shareholders of the Company to approve the Agnita Transaction, completion of which took place on 27 February 2015 following the close of the offer (the "**Offer**") made by Sinopoly Strategic Investment Limited (a wholly-owned subsidiary of FDG) to acquire all the issued shares and share options of the Company on 23 February 2015. Agnita then ceased to be an associate of the Company and the Company became a subsidiary of FDG.

A loss of approximately HK$163,604,000 was recognised at the time the Offer had become unconditional as to acceptance on 3 February 2015 and a gain on disposal of HK$1,404,000 was recognised on completion date of the Agnita Transaction.

Details of the Agnita Transaction are set out in the joint announcements of the Company and FDG dated 2 November 2014 and 27 February 2015 respectively, the circular of the Company dated 5 December 2014 and the composite document issued jointly by the Company and FDG dated 30 January 2015.

Acquisition of 25% interests in SDL

On 20 April 2015, the Company and FDG jointly announced that Cherrylink Investments Limited ("**Cherrylink**", a wholly owned subsidiary of the Company, as purchaser) and Union Grace Holdings Limited ("**Union Grace**", an indirect wholly-owned subsidiary of FDG, as vendor) entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") pursuant to which Cherrylink conditionally agreed to purchase and Union Grace conditionally agreed to sell 25 shares (the "**Sale Shares**") in SDL (a wholly owned subsidiary of Union Grace), which represent 25% of the issued shares of SDL (the "**Acquisition**"). The consideration for the Sale Shares was HK$750,000,000, which was satisfied by 8% coupon per annum convertible bonds with an aggregate principal amount of HK$750,000,000 issued by the Company to Union Grace upon completion of the Sale and Purchase Agreement. The convertible bonds are convertible into shares in the Company at the initial conversion price of HK$1.70 per share (adjusted to HK$0.34 per share as a result of the Share Subdivision).

SDL is an investment holding company. Its wholly-owned subsidiary, Sinopoly Battery Limited (being an indirect wholly-owned subsidiary of FDG before completion of the Sale and Purchase Agreement), is an integrated high-tech enterprise which specializes in production, sales and research and development of high capacity lithium-ion battery and its related products. The Acquisition was therefore in line with the "Green and Growth" investment philosophy of the Company which will strengthen the Group's position in the new energy transportation industry chain and will further diversify its current investment portfolio.

At the special general meeting of the Company held on 27 July 2015, an ordinary resolution was passed by the independent shareholders of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, completion of which took place on 4 August 2015.

Following completion of the Sale and Purchase Agreement, the issued shares of SDL have been owned as to 25% by Cherrylink and as to 75% by Union Grace. SDL has been accounted for as an associated company of the Company and has become a non wholly-owned subsidiary of FDG.

SDL and its subsidiaries ("**SDL Group**") had turnover for the three financial years ended 31 March 2013, 2014 and 2015 of approximately HK$61.0 million, HK$76.8 million and HK$301.4 million, respectively. All revenue of the SDL Group for the financial year ended 31 March 2013 was derived from sales of lithium-ion battery and its related products and most of the revenue of the SDL Group for the financial year ended 2014 and 2015 were derived from sales of lithium-ion battery and its related products. The SDL Group recorded net loss for each of the three financial years ended 31 March 2013, 2014 and 2015 of approximately HK$104.3 million, HK$118.1 million and HK$45.3 million, respectively. The net liabilities of the SDL Group were approximately HK$163.1 million, HK$277.8 million and HK$323.5 million as at 31 March 2013, 2014 and 2015.

Details of the Sale and Purchase Agreement are set out in the joint announcement of the Company and FDG dated 20 April 2015 and the circular of the Company dated 6 July 2015.

The details of the accountant's report on SDL Group is on page 58 to page 100 in the circular dated 6 July 2015 (http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0705/LTN20150705019.pdf) issued by the Company.

Acquisition of 100% interests in Premier Property Management Limited

On 5 September 2015, the Company and FDG jointly announced that Kingspark Group Limited ("**Kingspark**", a direct wholly-owned subsidiary of the Company, as purchaser), SK China Company Limited (the "**First Vendor**") and SKC Co., Ltd. (the "**Second Vendor**") entered into a sale and purchase agreement pursuant to which (i) Kingspark conditionally agreed to purchase and the First Vendor conditionally agreed to sell 39,291,010 shares of Premier Property Management Limited ("**Premier Property**"), representing approximately 90.91% of the issued shares of Premier Property; and (ii) Kingspark conditionally agreed to purchase and the Second Vendor conditionally agreed to sell 3,929,000 shares of Premier Property, representing approximately 9.09% of the issued shares of Premier

Property. The total consideration for the acquisition of the entire issued share capital of Premier Property by Kingspark was HK$722,000,000, which was satisfied by the Company by way of (i) the payment of HK$338,182,608 in cash and the issuance of 244,755,815 shares of the Company to the First Vendor; and (ii) the payment of HK$33,817,392 in cash and the issuance of 24,474,955 shares of the Company to the Second Vendor. Completion of the acquisition took place on 29 October 2015 upon which (i) Premier Property has become an indirect wholly owned subsidiary of the Company; and (ii) the equity interest of the Company held by FDG reduced from approximately 70.91% to approximately 67.19%.

Premier Property and its subsidiary are principally engaged in the manufacturing of the cathode materials for nickel-cobalt-manganese lithium-ion battery which is a key component of an electric vehicle. With a "Green and Growth" investment philosophy, the Company considered the electric vehicle battery industry having great potential, and development in the electric vehicle battery related industry will be the future direction for the Company.

Details of the transaction above are set out in the joint announcements of the Company and FDG dated 5 September 2015, 8 September 2015 and 29 October 2015, and note 28 of the second interim report for the twelve months ended 31 December 2015 of the Company.

Human Resources

There were no material changes in human resources structure and compensation approach during the twelve months ended 31 December 2015. Except as at 31 March 2015, the Group terminated the Intercompanies Services and Cost Allocation Agreement signed between the Company and CITIC International Assets Management Limited ("**CIAM**") and ceased to leverage the human resources of CIAM on mid-back office support. A new team has been deployed to carry on with the business of the Group.

Regarding the share option scheme of the Company, all the outstanding share options as at 31 December 2014 issued under the share option scheme were cancelled in exchange for the convertible bond or shares issued by FDG as the voluntary conditional offer contemplated by FDG. The share option scheme adopted by the Company in October 2007 remains valid. Other than the above, no share option was granted, exercised, cancelled or lapsed by the share option scheme during the twelve months ended 31 December 2015.

(A) CONSOLIDATED FINANCIAL STATEMENTS OF THE ALEEES GROUP

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Set out below are the audited financial statements of the ALEEES Group for the year ended 31 December 2013 together with the relevant notes thereto as extracted from the annual report of ALEEES for the year ended 31 December 2013.

The annual report for the year ended 31 December 2013 of ALEEES is available free of charge, in read only, printable format on the ALEEES Group's website **http://www.aleees.com**.

In this section, "Company" shall be constructed as ALEEES and "Group" shall be constructed as the ALEEES Group.

This annual report for the year ended 31 December 2013 of ALEEES has been issued in the Chinese language with a separate English translation. In case there is any inconsistency between the English version and the Chinese version of the annual report of ALEEES, the Chinese version shall prevail.

Report of Independent Accountants

PWCR13000397

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

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

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in Taiwan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

PricewaterhouseCoopers, Taiwan
25 March 2014

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

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

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

Liabilities and Equity	Notes	31 December 2013 Amount	%	31 December 2012 Amount	%	1 January 2012 Amount	%
Current Liabilities							
Short-term borrowings	*6(9)*	$ 91,194	3	$ 106,557	5	$ 37,491	2
Notes payable		24,187	1	–	–	–	–
Accounts payable		71,871	3	49,541	3	57,156	3
Accounts payable – related parties	*7*	10,965	–	5,480	–	2,081	–
Other payables	*6(10)*	147,101	5	186,380	9	96,485	6
Provisions for liabilities – current	*6(11)*	14,210	1	23,210	1	14,474	1
Other current liabilities	*6(12) and 7*	88,042	3	94,430	5	71,416	4
Total Current Liabilities		447,570	16	465,598	23	279,103	16
Non-current liabilities							
Long-term borrowings	*6(12)*	45,999	2	98,938	5	127,875	8
Deferred income tax liabilities	*6(24)*	–	–	724	–	2,100	–
Total Non-current Liabilities		45,999	2	99,662	5	129,975	8
Total Liabilities		493,569	18	565,260	28	409,078	24
Equity Attributable to Owners of Parent							
Share capital	*6(15)*						
Common shares		1,420,737	52	1,129,537	56	1,030,813	60
Capital surplus	*6(16)*						
Capital surplus		1,201,118	43	517,581	25	577,656	34
Retained earnings	*6(17)(23)*						
Accumulated deficit		(362,809)	(13)	(177,495)	(9)	(311,504)	(18)
Other equity	*6(18)*						
Other equity		1,673	–	(1,817)	–	–	–
Treasury shares	*6(15)*	–	–	(7,273)	–	–	–
Equity attributable to owners of the parent		2,260,719	82	1,460,533	72	1,296,965	76

Liabilities and Equity	*Notes*	31 December 2013 Amount	%	31 December 2012 Amount	%	1 January 2012 Amount	%
Non-controlling interest		10	–	3	–	(2)	–
Total Equity		2,260,729	82	1,460,536	72	1,296,963	76
Significant contingent liabilities and unrecognized contract commitments	*9*						
Significant events after the balance sheet date	*11*						
Significant disaster loss							
Total liabilities and equity	*10*	$ 2,754,298	100	$ 2,025,796	100	$ 1,706,041	100

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		For the years ended 31 December			
		2013		2012	
	Notes	**Amount**	**%**	**Amount**	**%**
Operating revenue	7	$ 577,069	100	$ 653,251	100
Operating costs	6(4)(22) and 7	(546,821)	(95)	(440,852)	(68)
Gross profit		30,248	5	212,399	32
Operating expenses	6(22)				
Selling expenses		(134,800)	(23)	(175,638)	(27)
General & administrative expenses		(150,296)	(26)	(114,760)	(17)
Research and development expenses		(150,482)	(26)	(108,977)	(17)
Total operating expenses		(435,578)	(75)	(399,375)	(61)
Operating loss		(405,330)	(70)	(186,976)	(29)
Non-operating income and expenses					
Other income	6(19)	10,745	2	5,962	1
Other gains and losses	6(20)	(547)	–	(17,754)	(2)
Finance costs	6(21)	(4,778)	(1)	(5,345)	(1)
Share of loss of associates and joint ventures accounted for under equity method	6(5)	(8,450)	(2)	(18,393)	(3)
Total non-operating income and expenses		(3,030)	(1)	(35,530)	(5)
Loss before income tax, net		(408,360)	(71)	(222,506)	(34)
Income tax expense	6(24)	–	–	(464)	–
Net loss for the year		($408,360)	(71)	($222,970)	(34)
Other comprehensive income, net					
Cumulative translation differences of foreign operations	6(18)	$ 3,490	1	($1,817)	–
Total comprehensive loss for the year		($404,870)	(70)	($224,787)	(34)

		For the years ended 31 December			
		2013		2012	
	Notes	Amount	%	Amount	%
Loss attributable to:					
Equity holders of the Company		($408,358)	(71)	($222,967)	(34)
Non-controlling interest		(2)	–	(3)	–
Total		($408,360)	(71)	($222,970)	(34)
Comprehensive loss attributable to:					
Equity holders of the Company		($404,868)	(70)	($224,784)	(34)
Non-controlling interest		(2)	–	(3)	–
Total		($404,870)	(70)	($224,787)	(34)
Basic loss per common share	*6(25)*				
Basic loss per share		($3.36)		($2.05)	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent									
			Capital surplus								
	Notes	Common share	Paid-in capital in excess of par value	Treasury stock transactions	Others	Accumulated deficit	Cumulative translation differences of foreign operations	Treasury stock	Total	Non-controlling interest	Total equity
For the year ended 31 December 2012											
Balance at 1 January 2012		$ 1,030,813	$ 573,246	$ –	$ 4,410	($311,504)	$ –	$ –	$ 1,296,965	($2)	$ 1,296,963
Capital issued for cash	*6(15)*	100,000	300,000	–	–	–	–	–	400,000	–	400,000
Capital surplus used to offset accumulated deficit	*6(17)*	–	(360,717)	–	–	360,717	–	–	–	–	–
Purchase of treasury shares	*6(15)*	–	–	–	–	–	–	(7,273)	(7,273)	–	(7,273)
Cancellation of treasury shares	*6(15)*	(1,276)	(578)	1,220	–	–	–	–	(634)	–	(634)
Changes in share of associates and joint ventures accounted for under equity method	*6(5)*	–	–	–	–	(3,741)	–	–	(3,741)	–	(3,741)
Net loss		–	–	–	–	(222,967)	–	–	(222,967)	(3)	(222,970)
Other comprehensive loss	*6(18)*	–	–	–	–	–	(1,817)	–	(1,817)	–	(1,817)
Changes in non-controlling equity		–	–	–	–	–	–	–	–	8	8
Balance at 31 December 2012		$ 1,129,537	$ 511,951	$ 1,220	$ 4,410	($177,495)	($1,817)	($7,273)	$ 1,460,533	$ 3	$ 1,460,536

	Notes	Equity attributable to owners of the parent								Non-controlling interest	Total equity
			Capital surplus								
		Common share	Paid-in capital in excess of par value	Treasury stock transactions	Others	Accumulated deficit	Cumulative translation differences of foreign operations	Treasury stock	Total		
For the year ended 31 December 2013											
Balance at 1 January 2013		$ 1,129,537	$ 511,951	$ 1,220	$ 4,410	($177,495)	($1,817)	($7,273)	$ 1,460,533	$ 3	$ 1,460,536
Capital issued for cash	*6(15)*	291,200	905,452	–	–	–	–	–	1,196,652	–	1,196,652
Capital surplus used to offset accumulated deficit	*6(17)*	–	(223,044)	–	–	223,044	–	–	–	–	–
Purchase of treasury shares	*6(15)*	–	–	–	–	–	–	(895)	(895)	–	(895)
Net loss		–	–	–	–	(408,358)	–	–	(408,358)	(2)	(408,360)
Other comprehensive income	*6(5)(18)*	–	–	–	–	–	3,490	–	3,490	–	3,490
Compensation related to share-based payment	*6(14)(15)*	–	343	786	–	–	–	8,168	9,297	–	9,297
Changes in non-controlling equity		–	–	–	–	–	–	–	–	9	9
Balance at 31 December 2013		$ 1,420,737	$ 1,194,702	$ 2,006	$ 4,410	($362,809)	$ 1,673	$ –	$ 2,260,719	$ 10	$ 2,260,729

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

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

	Notes	For the years end 31 December 2013	2012
Cash used in operations		(330,531)	(147,117)
Receipt of interest		582	452
Interest paid		(5,257)	(5,345)
Income tax paid	6(24)	–	(465)
Net cash used in operations		(335,206)	(152,475)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) other non-current assets	6(8)	24,947	(10,558)
Acquisition of property, plant and equipment	6(6)	(212,232)	(223,807)
Proceeds from disposal of property, plant and equipment	6(6)	308	9,787
Increase in refundable deposits	6(8)	(8,801)	(337)
Acquisition of intangible assets	6(7)	(4,377)	(3,724)
Net cash used in investing activities		(200,155)	(228,639)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(9)	330,101	331,816
Decrease in short-term borrowings	6(9)	(345,464)	(262,749)
Decrease in long-term borrowings	6(12)	(73,472)	(33,834)
Acquisition of treasury shares	6(15)	(895)	(7,907)
Proceeds from issurance of common shares	6(15)	1,196,652	400,000
Treasury shares purchased by employees	6(15)	8,168	–
Net cash provided by financing activities		1,115,090	427,326
Effect of changes in foreign currency exchange		(4,108)	(326)
Increase in cash and cash equivalents		575,621	45,886
Cash and cash equivalents at beginning of year		246,146	200,260
Cash and cash equivalents at end of year		$ 821,767	$ 246,146

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2013 AND 2012

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

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

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

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparers received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	1 July 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	1 January 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or New Standards, loss. (That determination is made at initial recognition and is not reassessed subsequently.)	19 November 2013 (Not mandatory)
Disclosures – transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	1 July 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters shall apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	1 July 2011

New Standards, Interpretations and Amendments	**Main Amendments**	**IASB Effective Date**
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption measured at fair value is recovered entirely by sale, unless there exist any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes – recovery of revalue non-depreciable assets'.	1 January 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	1 January 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	1 January 2013
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	1 January 2013
IAS 27, 'Separate Financial Statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated Financial Statements'.	1 January 2013
IAS 28,'Investments in Associates and Joint Ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint Arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	1 January 2013
IFRS 13, 'Fair value measurements'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	1 January 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service costs will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognized in other comprehensive income.	1 January 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	1 July 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognized as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	1 January 2013
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	1 January 2013
Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognized amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	1 January 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, "Financial instruments", and IAS 20, "Accounting for government grants and disclosure of government assistance", prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	1 January 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	1 January 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	1 January 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	1 January 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognized in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	1 January 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	1 January 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	1 January 2014
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'.	19 November 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Services related contributions from employees or third-party (amendments to IAS 19)	The amendment allows contributions from employees or third-party that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	1 July 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	1 July 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

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

(2) Basis of preparation

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of Investor	**Name of Subsidiary**	**Main Business Activities**	**31 December 2013**	**31 December 2012**	**1 January 2012**	**Description**
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	99.99	99.99	99.99	*Note 1*
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.	Trading	–	–	100	*Note 2*
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	100	*Note 3*
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Investment holdings	100	100	100	*Note 4*
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Research and development, trading	100	100	100	*Note 5*

			Ownership (%)			
Name of Investor	Name of Subsidiary	Main Business Activities	31 December 2013	31 December 2012	1 January 2012	Description
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Manufacturing and installation of electricity generation, transmission and distribution machinery, and manufacturing and distribution of batteries, cars and peripherals	100	100	100	*Note 6*

Note 1: The Company underwent an organizational restructuring by applying several times to the Investment Commission, Ministry of Economic Affairs to approve transfers of 11,999,000 shares in Advanced Lithium Electrochemistry Co., Ltd. on 27 December 2007, 2 January 2008 and 9 January 2008, and the transfers were approved on 2 January, 8 January, 9 January and 11 January 2008, respectively. The Company obtained 99.99% shares of Advanced Lithium Electrochemistry Co., Ltd., and remitted paid-in capitol by cash to original stockholders of Advanced Lithium Electrochemistry Co., Ltd. on 9 January and 15 January 2008, and consolidated Advanced Lithium Electrochemistry Co., Ltd. The subsidiary was established in April 2005, and the subsidiary ended its development stage on 1 January 2009 and started to produce significant revenue.

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

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

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

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

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

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. The restrictions on fund remittance from subsidiaries to the parent company:

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Available-for-sale financial assets

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

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

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs.

And any changes in the fair value of these financial assets are recognized in other comprehensive income.

(8) Loans and receivables

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

(9) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a) Financial assets measured at amortised cost

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

(b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

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

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

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

(11) Leases (lessor)

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

(12) Inventories

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

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method/associates

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

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

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

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

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

(14) Property, plant and equipment

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

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

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

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

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

(15) Leases (lessee)

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

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions – Defined contribution plans

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

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

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

(23) Employee share-based payment

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

(24) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings of domestic subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

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

(25) Share capital

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

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income tax) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

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

(27) Revenue recognition

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

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

(28) Operating segments

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

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

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

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

Financial assets – impairment of equity investments

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

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

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

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

C. Realisability of deferred income tax assets

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

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

D. Evaluation of inventories

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

B. Information about the cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

(2) Available-for-sale financial assets

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

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

(3) Accounts receivable

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

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

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

Note:

Group 1: Credit quality assessed high rating.

Group 2: Others.

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

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

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

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

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

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

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

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

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

(4) Inventories

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

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

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

Expenses and losses incurred on inventories for the years:

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

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

(5) Investments accounted for using equity method

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

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

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

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

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

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

(6) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Testing equipment	Office equipment	Construction in progress and equipment to be inspected	Others	Total
At 1 January 2012								
Cost	$ 147,910	$ 84,418	$ 344,823	$ 89,974	$ 26,229	$ 33	$ 119,671	$ 813,058
Accumulated depreciation	–	(19,771)	(89,599)	(25,168)	(11,148)	–	(17,907)	(163,593)
	$ 147,910	$ 64,647	$ 255,224	$ 64,806	$ 15,081	$ 33	$ 101,764	$ 649,465
2012								
Opening net book amount	$ 147,910	$ 64,647	$ 255,224	$ 64,806	$ 15,081	$ 33	$ 101,764	$ 649,465
Additions	–	4,494	54,887	19,422	9,504	169,913	25,885	284,105
Disposals	–	(80)	(4,092)	(8,972)	(37)	–	(896)	(14,077)
Reclassifications	–	10,257	82,734	6,933	2,145	(114,668)	63,883	51,284
Depreciation charge	–	(5,999)	(49,370)	(11,837)	(5,974)	–	(30,216)	(103,396)
Net exchange differences	–	–	–	(484)	(82)	–	2	(564)
Closing net book amount	$ 147,910	$ 73,319	$ 339,383	$ 69,868	$ 20,637	$ 55,278	$ 160,422	$ 866,817
At 31 December 2012								
Cost	$ 147,910	$ 99,045	$ 476,009	$ 104,294	$ 37,036	$ 55,278	$ 200,527	$1,120,099
Accumulated depreciation	–	(25,726)	(136,625)	(34,427)	(16,399)	–	(40,105)	(253,282)
	$ 147,910	$ 73,319	$ 339,384	$ 69,867	$ 20,637	$ 55,278	$ 160,422	$ 866,817

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

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

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

(7) Intangible assets

A. The Group signed a license contract for reauthorization with LiFeP04+C Licensing AG on 4 July 2011. Under the contract, the Group may not authorize the license to others except for affiliates. Authorization period is from 1 September 2011 to 9 July 2023. Under the contract, the Group needs to pay (1) first fixed royalty of US$10,000 thousand which is recognized as 'intangible assets – licence fee' and is amortised over approximately 12 years; (2) royalty before the contract date, which was paid on 14 July 2011 and was recognized as expenses for the year ended 31 December 2011; (3) royalty after the contract date, which is paid in accordance with the percentage of sales of powder during the authorization period. The Group recognized royalty as expenses amounting to $65,479 and $76,658 for the years ended 31 December 2013 and 2012, respectively. As of 31 December 2013 and 2012, unpaid royalty was $21,690 and $17,565, respectively.

B. The Group signed a second revised license contract on 26 August 2013. The schedule for plant construction is extended for 12 months, which means the completion date for plant construction in Canada is extended from 4 July 2013 to 4 July 2015.

	License fees	Computer software	Total
At 1 January 2013			
Cost	$ 302,314	$ 28,214	$ 330,528
Accumulated amortisation	(40,073)	(14,789)	(54,862)
	$ 262,241	$ 13,425	$ 275,666
2013			
Opening net book amount	$ 262,241	$ 13,425	$ 275,666
Additions	–	4,377	4,377
Amortisation charge	(25,585)	(10,321)	(35,906)
Closing net book amount	$ 236,656	$ 7,481	$ 244,137
At 31 December 2013			
Cost	$ 302,314	$ 31,880	$ 334,194
Accumulated amortisation	(65,658)	(24,399)	(90,057)
	$ 236,656	$ 7,481	$ 244,137
At 1 January 2012			
Cost	$ 302,314	$ 21,106	$ 323,420
Accumulated amortisation	(14,488)	(5,410)	(19,898)
	$ 287,826	$ 15,696	$ 303,522
2012			
Opening net book amount	$ 287,826	$ 15,696	$ 303,522
Additions	–	3,725	3,725
Reclassifications	–	2,696	2,696
Amortisation charge	(25,585)	(8,692)	(34,277)
Closing net book amount	$ 262,241	$ 13,425	$ 275,666
At 31 December 2012			
Cost	$ 302,314	$ 28,214	$ 330,528
Accumulated amortisation	(40,073)	(14,789)	(54,862)
	$ 262,241	$ 13,425	$ 275,666

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

(8) Other non-current assets

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

(9) Short-term borrowings

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

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

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

(10) Other payables

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

(11) Provisions

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

	Provisions for sale returns and discounts	Warranty liabilities	Total
At 1 January 2012	$ 14,474	$ –	$ 14,474
Recognized during the year	6,041	2,695	8,736
Unused amounts reversed	–	–	–
At 31 December 2012	$ 20,515	$ 2,695	$ 23,210

Analysis of total provisions:

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

A. Provisions for sale returns and discounts

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

B. Warranty liabilities

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

(12) Long-term borrowings

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

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

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

The Group has the following undrawn borrowing facilities:

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

(13) Pensions

A. Effective 1 July 2005, Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. have established a defined contribution pension plan (the "**New Plan**") under the Labor Pension Act (the "**Act**"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Company's Mainland China subsidiaries, Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on 22% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

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

(14) Share-based payment

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

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

For the year ended 31 December 2012: None.

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

	For the year ended 31 December 2013	
	Number of options (In thousand)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	–	$ –
Options granted	2,356	41.82
Options exercised	(1,376)	41.82
Options expired	(980)	41.82
Options outstanding at end of the period	–	–
Options exercisable at end of the period	–	–

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

Type of Arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
First cash capital increase reserved for employee pre-emption in 2013	2013.6.6	$ 37.52	$ 40	27.62%	0.021	–	0.43%	$ 0.034
Second cash capital increase reserved for employee pre-emption in 2013	2013.12.2	$ 44.53	$ 45	37.42%	0.008	–	0.87%	$ 0.4006

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

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

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

(15) Share capital

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

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

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

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

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

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

E. Treasury shares

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

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

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

No transaction for treasury shares as of 1 January 2012.

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

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

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

(c) The Board of Directors have resolved to buyback treasury stocks in 2012 on 29 March 2012, and the Company has bought back 500,000 shares to transfer to employees between 10 April and 15 May 2012. The actual amount of treasury stocks bought back by the Company during the buyback period was 52,508 shares, with the purchase price of $773.

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

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

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

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

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

(i) The Board of Directors have resolved to transfer all buyback treasury stocks amounting to 550,131 shares to employees on 16 September 2013. The expected transfer price was US$0.5 (or equivalent NTD amount). As of 31 December 2013, the cumulative buyback shares amounted to 677,728 shares with a total price of $8,802, accumulated amount of retired shares was 127,597 shares with a total price of $634, and shares transferred to employees amounted to 550,131 shares.

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

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

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

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

(16) Capital surplus

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(18) Other equity items

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

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

(19) Other income

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

(20) Other gains and losses

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

(21) Finance costs

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

(22) Expenses by nature

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

(23) Employee benefit expense

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. ***Reconciliation between income tax expense and accounting profit***

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

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

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

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

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

31 December 2013: None.

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

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

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

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

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

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

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

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

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

(25) Losses per share

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

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

(26) Non-cash transactions

Investing activities with partial cash payments:

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party: None.

(2) Significant related party transactions and balances:

A. *Sales of goods:*

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

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

B. *Purchases of goods:*

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

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

C. *Accounts payable:*

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

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

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

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

E. *Other transactions:*

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

(3) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

A. The Company's subsidiary — Advanced Lithium Electrochemistry Co., Ltd. ("**Aleees (Taiwan)**") has ordered premix machine, mix tank, rolling machine, buffer tank of slurry, NMP recovery system, 5 filter PUMP, and vacuum oven and other equipment from NETWORK Appliance Limited ("**NAL company**") for US$185,985 on 28 April 2008, and agreed that NAL company hand over equipment on 15 August 2008 and Aleees (Taiwan) pay 25% of down payment after the contract is signed and stamped with the company's seal. Maxtiger Co., Ltd. ("**Maxtiger Company**") is the guarantor of the contract. After the contract was signed, Aleees (Taiwan) has paid US$46,496 on 10 June 2008 to NAL Company's appointed payee Maxtiger Company under the contract terms. However, as of 25 September 2008, NAL Company has not yet again handed over the equipment, even after a legal confirmation letter has been mailed. Aleees (Taiwan) has again mailed a legal confirmation letter to notify NAL Company for order cancellation and request for a return of down payment, and also notified Maxtiger Company about the issue. However, both NAL Company and Maxtiger Company ignored the notification and since Maxtiger Company is the guarantor, Aleees (Taiwan) has filed for return of payments after a request of the court mediation in July 2010 failed. An Administrative Judgement of Taiwan Taoyuan District Court, (100 Su Tsu No. 197 (2011)) has ruled that Aleees (Taiwan) won the first instance on 20 December 2011. However, Maxtiger Company disagreed with the judgement and appealed, and on 11 December 2012, the Taiwan High Court dismissed the appeal and sustained the original ruling, along with Maxtiger Company paying Aleees (Taiwan)'s lawyer fees for the second instance. Maxtiger Company has filed an appellate brief for the third instance to the Supreme Court on 23 January 2013. An Administrative Judgement of the Supreme Court (102 Tai-Shang-Zhi No. 2088 (2013) ruled and dismissed the appeal on 6 November 2013.

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

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

(2) Commitments

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

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

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

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

10. SIGNIFICANT DISASTER LOSS

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

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

12. OTHERS

(1) Capital management

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

The gearing ratios at 31 December 2013, 31 December 2012 and 1 January 2012 were as follows:

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group evaluates above-mentioned risks periodically in order to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group expected that currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	31 December 2013				
		Foreign currency Amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD: NTD	$	45,697	29.805	$	1,361,999
Non-monetary items: None.					
Financial liabilities					
Monetary items					
USD: NTD	$	26,488	29.805	$	789,475
Non-monetary items: None.					

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

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

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

	For the year ended 31 December 2012 Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 6,945	$ –
Financial liabilities			
Monetary items			
USD: NTD	1%	($5,882)	$ –
JPY: NTD	2%	(240)	–

Price risk

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

Interest rate risk

i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings are at floating rates. During the years ended 31 December 2013 and 2012, the Group's borrowings at variable rate were denominated in NTD and USD.

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

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk includes outstanding receivables.

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

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

(c) Liquidity risk

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

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

	Within 1 year	Over 1 year
Non-derivative financial liabilities:		
31 December 2013		
Short-term borrowings	$ 91,194	$ –
Notes payable	24,187	–
Accounts payable	82,836	–
Other payables	114,682	–
Long-term borrowings (including current portion)	12,010	45,999

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

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

(3) Fair value estimation

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

13. SUPPLEMENTARY DISCLOSURES

The disclosure of investee companies were based on financial statements audited by independent auditors and the following transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only. The related information on investee companies are translated with average rate of USD: NTD = 1: 29.66325 and USD: NTD = 1: 29.805 for the year ended 31 December 2013 and as of 31 December 2013, respectively.

(1) Significant transactions information

A. Loans to others:

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

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

(1) The Company is '0'.

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

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

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

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

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

B. *Provision of endorsements and guarantees to others:*

Number *(Note 1)*	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor *(Note 2)*	Limit on endorsements/ guarantees provided for a single party *(Note 3)*	Maximum outstanding endorsement/ guarantee amount during the year ended 31 December 2013	Outstanding endorsement/ guarantee amount during the year ended 31 December 2013	Actual amount drawn down *(Note 4)*	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided *(Note 3)*	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(4)	$904,288	$365,000	$365,000	$365,000	–	16%	$904,288	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	(2)	335,046	59,610	59,610	59,610	–	18%	335,046	N	Y	N	

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

(1) The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Have business relationship.

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

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

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

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

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

Note 3: Unless agreed by stockholders, the ceiling of the Company's guarantee to other companies and individual entity is 40% of the Company's net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling of the Company and its subsidiaries' guarantee to other companies and individual entity is 40% of the Company's net assets based on the latest financial statements audited or reviewed by accountants.

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

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

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

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

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

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

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

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

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

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

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

H. Receivables from related parties reaching NT$300 million or 20% of paid-in capital or more:

					Overdue receivables			
Creditor	**Counterparty**	**Relationship with the counterparty**	**Balance as at 31 December 2013** *(Note 1)*	**Turnover rate**	**Amount**	**Action taken**	**Amount collected subsequent to the balance sheet date**	**Allowance for doubtful accounts**
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	An affiliate	$297,336	2.15	–	Collect after the balance sheet date	$82,284	–

I. ***Derivative financial instruments undertaken during the year ended 31 December 2013: None.***

J. Significant inter-company transactions during the year ended 31 December 2013:

				Transaction			
Number	**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 (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	1	Other receivables	$24,920	In accordance with license reauthorization contract	1
0	Advanced Lithium Electrochemistry (Cayman) Co.,Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	1	Other receivables	44,708	*Note 4*	2
0	Advanced Lithium Electrochemistry (Cayman) Co.,Ltd.	Aleees Eco Ark Co., Ltd.	1	Other receivables	223,538	*Note 4*	8
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	3	Accounts receivable	297,336	Collection term is 120 days from the first day of the month following the month of sales.	11
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	3	Sales	459,169	Collection term is 120 days from the first day of the month following the month of sales.	80
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	3	Other receivables	144	Collection term is 120 days from the first day of the month following the month of sales.	–

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: Amount lending to subsidiaries by the parent company.

Note 5: No further disclosure of counterparty transactions.

(2) Information on investees

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at 31 December 2013	Initial investment amount: Balance as at 31 December 2012	Shares held as at 31 December 2013: Number of shares	Shares held as at 31 December 2013: Ownership (%)	Shares held as at 31 December 2013: Book value	Net profit (loss) of the investee for the year ended 31 December 2013	Investment income (loss) recognized by the Company for the year ended 31 December 2013	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Taiwan	Research, manufacturing and sale of LFP-NCO and key materials of olivine-type structure lithium battery	$ 1,677,000	$ 1,277,000	83,699,000	99.99	$ 834,997	($128,283)	($128,281)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investment	48,883	48,883	1,515,000	100	(22,099)	(22,957)	(22,957)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Emerald Battery Technologies Co., Ltd.	Taiwan	Manufacturing and distribution of batteries and electrical components	60,000	60,000	6,000,000	24	64,766	(34,389)	(8,254)	Equity method
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Empire Energy Co., Ltd.	Taiwan	Manufacturing and distribution of batteries, car and its peripherals	9,500	9,500	950,000	21.11	3,726	(4,295)	(196)	Equity method *(Note)*
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Cayman Islands	Various types of investment	974,947	353,060	32,450,000	100	594,424	(253,013)	(253,013)	Subsidiary
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	China	Design of battery and trading	47,655	47,655	–	100	(22,168)	(22,882)	(22,882)	Indirect subsidiaries
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of batteries, car and its peripherals	697,000	347,000	24,700,000	100	313,645	(257,223)	(257,223)	Indirect subsidiaries

Note: Unrealised gain on downstream transactions was eliminated.

(3) Information on investments in Mainland China

A. Basic information:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of 1 January 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended 31 December 2013: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended 31 December 2013: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of 31 December 2013	Net income of investee as of 31 December 2013	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended 31 December 2013 *(Note 2)*	Book value of investment in Mainland China as of 31 December 2013	Accumulated amount of investment income remitted back to Taiwan as of 31 December 2013	Footnote
Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Design of battery and trading	$ 47,655	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	$ –	$ –	$ –	$ –	($22,882)	100	($22,882)	($22,168)	$ –	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of 31 December 2013	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd. *(Note 1)*	$ –	$ –	$ –

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

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

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to Note 13(1) J.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

(2) Measurement of segment information

A. The accounting policies, judgements, assumptions and estimates of the operating segments are in agreement with the significant accounting policies summarized in Notes 4 and 5.

B. The Group has some supporting sales and services that did not reach the quantitative threshold for reportable segments and thus, were not included in the reportable segments. Their operating results are disclosed collectively under 'other segments'.

C. The Group's assets are shared and liabilities are managed and dispatched under unified policies; thus, under operating management, assets and liabilities are not allocated to each operating segment, financial income and expenses, profit or loss relating to investment and profit or loss on disposal of assets are not distributed to each operating segment, nor used for performance measurement, but are consolidated under 'other segments'.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended 31 December 2013:

	Battery powders	Electric buses	Others	Eliminations	Total
Inter-segment revenue – external customers	$ 978,086	$ 66,025	$ –	($467,042)	$ 577,069
Total segment revenue	($157,917)	($236,854)	($10,559)	$ –	($405,330)

For the year ended 31 December 2012:

	Battery powders	Electric buses	Others	Eliminations	Total
Inter-segment revenue – external customers	$ 1,004,860	$ 55,740	$ –	($407,349)	$ 653,251
Total segment revenue	($233,638)	($59,741)	($11,571)	$ 117,974	($186,976)

(4) Reconciliation for segment income (loss)

The reconciliation for segment income (loss) for the year and Company's profit (loss) is as follows:

A. Revenue:

	For the years ended 31 December 2013	2012
Consolidated revenue of reportable segments	$ 1,044,111	$ 1,060,600
Eliminations	(467,042)	(407,349)
Consolidated revenue of the Company and its subsidiaries	$ 577,069	$ 653,251

B. Profit/ (Loss):

	For the years ended 31 December 2013	2012
Consolidated profit (loss) of reportable segments	($394,771)	($293,379)
Profit (loss) of other non-reportable segments and undistributed profit (loss)	(10,559)	(11,571)
Eliminations	–	117,974
Consolidated operating profit (loss) of the Company and its subsidiaries	($405,330)	($186,976)

(5) Information on products and services

Revenue from external customers is from sale of materials for Lithium Iron Phosphate Nano Co-crystalline Olivine (LFP-NCO) and key materials of olivine-type structure lithium battery, services for charge or change battery of electric vehicles and manufacturing and sale of electric vehicles.

Details of income balance are as follows:

	For the years ended 31 December 2013	2012
Battery powders	$ 511,044	$ 597,511
Electric buses	66,025	55,740
	$ 577,069	$ 653,251

(6) Geographical information

Geographical information for the years ended 31 December 2013 and 2012 is as follows:

	For the years ended 31 December			
	2013		2012	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 563,404	$ 1,235,963	$ 631,473	$ 1,204,371
Others	13,665	–	21,778	–
	$ 577,069	$ 1,235,963	$ 653,251	$ 1,204,371

(7) Major customer information

Major customer information of the Group for the years ended 31 December 2013 and 2012 is as follows:

	For the years ended 31 December			
	2013		2012	
	Revenue	Segment	Revenue	Segment
B	$ 150,934	Battery powders	$ 188,659	Battery powders
C	41,021	Battery powders	120,324	Battery powders
A	38,518	Battery powders	67,112	Battery powders

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments/liabilities that were vested/settled arising from share-based payment transactions prior to the transition date.

B. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

C. Designation of previously recognized financial instruments

The Group has elected to designate investments, which were originally measured at cost, as 'available-for-sale financial assets'.

D. Borrowing costs

The Group has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, 'Borrowing Costs', amended in 2007 and apply IAS 23 from the transition date.

E. Business combinations

The Group has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("**the transition date**"). This exemption also applies to the Group's previous acquisitions of investments in associates.

(2) Except for hedge accounting to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on 1 January 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after 1 January 2004.

C. Non-controlling interest

Requirements of IAS 27 (amended in 2008) that shall be applied prospectively are as follows:

(a) Requirements concerning total comprehensive income (loss) attributed to owners of the parent and non-controlling interest, even which results in a loss to non-controlling interest;

(b) Requirements that change in interest ownership of the parent in a subsidiary while control is retained is accounted for as an equity transaction with the parent; and

(c) Requirements concerning the parent's loss of control over a subsidiary.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that an entity should prepare reconciliations for equity, comprehensive income and cash flows for the comparative periods. The Group's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliations for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on 1 January 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 200,260	–	$ 200,260	
Notes receivable	13,198	–	13,198	
Accounts receivable	100,744	14,474	115,218	*(a)*
Other receivables	7,074	–	7,074	
Current income tax assets	–	10	10	*(g)*
Inventories	167,866	–	167,866	
Prepayments	32,034	(10)	32,024	
Other current assets	57,862	–	57,862	
Total current assets	579,038	14,474	593,512	
Non-current assets				
Available-for-sale financial assets – non-current	–	1,408	1,408	*(b)*
Financial assets measured at cost – non-current	1,408	(1,408)	–	*(b)*
Investments accounted for under equity method	94,998	–	94,998	
Property, plant and equipment	694,324	(44,859)	649,465	*(f)(i)*
Intangible assets	303,522	–	303,522	
Deferred income tax assets – non-current	11,445	2,100	13,545	*(g)*
Deposit-out	2,381	–	2,381	
Deferred charges	2,350	(2,350)	–	*(h)*
Other non-current assets	–	47,210	47,210	*(f)*
Total non-current assets	1,110,428	2,101	1,112,529	
Total assets	$ 1,689,466	$ 16,575	$ 1,706,041	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 37,491	$ –	$ 37,491	
Accounts payable	59,237	–	59,237	
Other payables	93,692	2,793	96,485	*(c)*
Receipts in advance	32,748	–	32,748	
Provisions for liabilities – current	–	14,474	14,474	*(a)*
Other current liabilities	38,668	–	38,668	
Total current liabilities	261,836	17,267	279,103	
Non-current liabilities				
Long-term borrowings	127,875	–	127,875	
Deferred income tax liabilities – non-current	–	2,100	2,100	*(g)*
Total non-current liabilities	127,875	2,100	129,975	
Total Liabilities	389,711	19,367	409,078	
Equity attributable to owners of the parent				
Share capital				
Common shares	1,030,813	–	1,030,813	
Capital surplus	623,893	(46,237)	577,656	*(e)*
Retained earnings				
Accumulated deficits	(360,717)	49,213	(311,504)	*(c)(d)(e)*
Other equity				
Currency translation differences	5,768	(5,768)	–	*(d)*
Non-controlling interest	(2)	–	(2)	
Total equity	1,299,755	(2,792)	1,296,963	
Total liabilities and equity	$ 1,689,466	$ 16,575	$ 1,706,041	

B. Reconciliation for equity on 31 December 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 246,146	$ –	$ 246,146	
Notes receivable	10,951	–	10,951	
Accounts receivable	128,865	20,515	149,380	*(a)*
Other receivables	16,780	(17)	16,763	*(g)*
Inventories	203,339	–	203,339	
Current income tax assets	–	27	27	*(g)*
Prepayments	48,305	(10)	48,295	*(g)*
Other current assets	58,916	–	58,916	
Total current assets	713,302	20,515	733,817	
Non-current assets				
Investments accounted for under equity method	72,722	–	72,722	
Property, plant and equipment	911,780	(44,963)	866,817	*(f)(h)*
Intangible assets	275,666	–	275,666	
Deferred income tax assets – non-current	11,445	724	12,169	*(g)*
Deposit-out	2,718	–	2,718	
Deferred charges	16,924	(16,924)	–	*(h)*
Other non-current assets	–	61,887	61,887	*(f)*
Total non-current assets	1,291,255	724	1,291,979	
Total assets	2,004,557	21,239	2,025,796	
Current liabilities				
Short-term borrowings	$ 106,557	–	$ 106,557	
Accounts payable	49,541	–	49,541	
Accounts payable – related parties	5,480	–	5,480	
Other payables	183,665	2,715	186,380	*(c)*
Receipts in advance	11,590	–	11,590	
Provisions for liabilities – current	–	23,210	23,210	*(a)*
Other current liabilities	85,535	(2,695)	82,840	*(a)*
Total current liabilities	442,368	23,230	465,598	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Non-current liabilities				
Long-term borrowings	98,938	–	98,938	
Deferred income tax liabilities – non-current	–	724	724	*(g)*
Total non-current liabilities	98,938	724	99,662	
Total Liabilities	541,306	23,954	565,260	
Equity attributable to owners of the parent				
Share capital				
Common shares	1,129,537	–	1,129,537	
Capital surplus	560,077	(42,496)	517,581	*(e)*
Retained earnings				
Accumulated deficits	(223,044)	45,549	(177,495)	*(c)(d)(e)*
Other equity				
Currency translation differences	3,951	(5,768)	(1,817)	*(d)*
Treasury stock	(7,273)	–	(7,273)	
Non-controlling interest	3	–	3	
Total equity	1,463,251	(2,715)	1,460,536	
Total liabilities an equity	$ 2,004,557	$ 21,239	$ 2,025,796	

C. Reconciliation for comprehensive income for the year ended 31 December 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 653,251	$ –	$ 653,251	
Operating costs	(440,852)	–	(440,852)	
Gross profit	212,399	–	212,399	
Operating expenses				
Selling expenses	(175,638)	–	(175,638)	
General & administrative expenses	(114,837)	77	(114,760)	*(c)*
Research and development expense	(108,977)	–	(108,977)	
Operating loss	(187,053)	77	(186,976)	
Non-operating revenue and expenses				
Other income	5,962	–	5,962	
Other gains and losses	(17,754)	–	(17,754)	
Finance costs	(5,345)	–	(5,345)	
Share of loss of associates and joint ventures accounted for under equity method	(18,393)	–	(18,393)	
Loss before income tax	(222,583)	77	(222,506)	
Income tax expense	(464)	–	(464)	
Net (loss)/profit from continuing operations for the period	(223,047)	77	(222,970)	
Loss from discontinued operation	–	–	–	
Other comprehensive loss				
Currency translation differences	–	(1,817)	(1,817)	
Total comprehensive loss for the year	($223,047)	($1,740)	($224,787)	

Reasons for reconciliation are outlined below:

(a) The appropriated allowance of sale returns and discounts is recognized under accounts receivable based on its nature under R.O.C. GAAP and under provisions in accordance with IAS.

(b) In accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" before amendment on 7 July 2011, unlisted stocks and emerging stocks held by the Group were measured at cost and recognized as

'Financial assets measured at cost'. However, in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', investments in equity instruments without an active market but with reliable fair value measurement should be measured at fair value. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" amended on 22 December 2011, the Group has designated financial assets measured at cost as available-for-sale financial assets on the date of transition to IFRSs ("**the transition date**").

(c) R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognises such costs as expenses upon actual payment. However, IAS 19, 'Employee Benefits', requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

(d) The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

(e) Where an investee issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a decrease in the Company's ownership percentage but maintains significant influence on the investee, increase or decrease in net equity of investment should be adjusted to capital surplus and long-term equity investments under R.O.C. GAAP. In accordance with IAS 28, 'Investments in Associates', increase in equity should be adjusted as acquisition of investment, while decrease in equity should be adjusted as disposal of investment and the Company should recognise gain or loss of disposal.

(f) Prepayment for acquisition of property, plant and equipment is presented in 'Property, plant and equipment' in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers". However, such prepayment should be presented in 'Other non-current assets' based on its nature under IFRSs.

(g) In accordance with IFRSs, current income tax assets and liabilities are offset when there is a legally enforceable right to offset the deferred amounts. The Company does not have a legally enforceable right to offset urrent income tax asset against current income liabilities, thus, recognized amounts cannot be offset.

(h) In accordance with the presentation under IFRSs endorsed by the Financial Supervisory Commission and "Rules Governing the Preparation of Financial Statements by Securities Issuers", the Company has reclassified certain accounts. As a result, the Company has reclassified deferred expenses to property, plant and equipment.

(i) In accordance with R.O.C. GAAP, the Company's property that is leased to others is presented in 'Other assets' account. However, since the property does not meet the definition of investment property under IAS 40, 'Investment Property', the property is reclassified under 'Property, plant and equipment'.

D. Major adjustments for the consolidated statement of cash flows for the year ended 31 December 2012:

(a) The transition for R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.

(b) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below are the audited financial statements of the ALEEES Group for the year ended 31 December 2014 together with the relevant notes thereto as extracted from the annual report of ALEEES for the year ended 31 December 2014.

The annual report for the year ended 31 December 2014 of ALEEES is available free of charge, in read only, printable format on the ALEEES Group's website **http://www.aleees.com**.

In this section, "Company" shall be constructed as ALEEES and "Group" shall be constructed as the ALEEES Group.

This annual report for the year ended 31 December 2014 of ALEEES has been issued in the Chinese language with a separate English translation. In case there is any inconsistency between the English version and the Chinese version of the annual report of ALEEES, the Chinese version shall prevail.

Report of Independent Accountants

PWCR14003552

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

We have audited the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and its subsidiaries as of 31 December 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in Taiwan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. as of 31 December 2014 and 2013, and their financial performance and cash flows for the years then ended, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan
23 March 2015

The accompanying consolidated financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Taiwan. The standards, procedures and practices in Taiwan governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than Taiwan. 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 Taiwan, 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.

CONSOLIDATED BALANCE SHEETS
31 DECEMBER 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

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

Liabilities and Equity	Notes	31 December 2014 Amount	%	31 December 2013 Amount	%
Current liabilities					
Short-term borrowings	*6(10), 7 and 8*	$ 393,350	14	$ 91,194	3
Notes payable		13,998	–	24,187	1
Accounts payable		87,367	3	71,871	3
Accounts payable - related parties	*7*	–	–	10,965	–
Other payables	*6(11) and 7*	191,904	7	147,101	5
Other payables – related parties	*7*	6,270	–	–	–
Provisions – current	*6(12)*	13,277	–	9,545	–
Long-term liabilities, current portion		106,228	4	12,010	1
Other current liabilities – others	*7*	99,589	4	76,032	3
Total current liabilities		911,983	32	442,905	16
Non-current liabilities					
Long-term borrowings	*6(13) and 8*	216,659	8	45,999	2
Provisions – non-current	*6(12)*	4,665	–	4,665	–
Deferred income tax liabilities	*6(25)*	4,518	–	–	–
Total non-current liabilities		225,842	8	50,664	2
Total Liabilities		1,137,825	40	493,569	18

		31 December 2014		31 December 2013	
Liabilities and Equity	*Notes*	**Amount**	**%**	**Amount**	**%**
Equity attributable to owners of parent					
Share capital	*6(16)*				
Common shares		1,420,737	50	1,420,737	52
Capital surplus	*6(17)*				
Capital surplus		1,200,030	42	1,201,118	43
Accumulated deficit	*6(18)*				
Accumulated deficit		(925,919)	(32)	(362,809)	(13)
Other equity	*6(19)*				
Other equity		(513)	–	1,673	–
Treasury shares	*6(16)*	–	–	–	–
Equity attributable to owners of the parent		1,694,335	60	2,260,719	82
Non-controlling interest		11	–	10	–
Total Equity		1,694,346	60	2,260,729	82
Significant contingent liabilities and unrecognised contract commitments	*9*				
Significant events after the balance sheet date	*11*				
Total Liabilities and Equity		$ 2,832,171	100	$ 2,754,298	100

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

		2014		2013	
	Notes	**Amount**	**%**	**Amount**	**%**
Operating revenue	7	$ 864,823	100	$ 577,069	100
Operating costs	6(5)(23) and 7	(821,885)	(95)	(546,821)	(95)
Gross profit		42,938	5	30,248	5
Operating expenses	6(23) and 7				
Selling expenses		(181,218)	(21)	(134,800)	(23)
General & administrative expenses		(198,220)	(23)	(150,296)	(26)
Research and development expenses		(240,925)	(28)	(150,482)	(26)
Total Operating Expenses		(620,363)	(72)	(435,578)	(75)
Operating loss		(577,425)	(67)	(405,330)	(70)
Non-operating income and expenses					
Other income	6(20)	12,578	1	10,745	2
Other gains and losses	6(21)	25,103	3	(547)	–
Finance costs	6(22)	(13,041)	(1)	(4,778)	(1)
Share of loss of associates and joint ventures accounted for under equity method	6(6)	(10,324)	(1)	(8,450)	(2)
Total non-operating income and expenses		14,316	2	(3,030)	(1)
Loss before income tax, net		(563,109)	(65)	(408,360)	(71)
Income tax expense	6(25)	–	–	–	–
Net loss for the year		($563,109)	(65)	($408,360)	(71)

	Notes	2014 Amount	2014 %	2013 Amount	2013 %
Other comprehensive income, net					
Cumulative translation differences of foreign operations	*6(19)*	($2,186)	–	$ 3,490	1
Total comprehensive loss for the year		($565,295)	(65)	($404,870)	(70)
Loss attributable to:					
Equity holders of the Company		($563,110)	(65)	($408,358)	(71)
Non-controlling interest		1	–	(2)	–
Total		($563,109)	(65)	($408,360)	(71)
Comprehensive loss attributable to:					
Equity holders of the Company		($565,296)	(65)	($404,868)	(70)
Non-controlling interest		1	–	(2)	–
Total		($565,295)	(65)	($404,870)	(70)
Basic loss per share	*6(26)*	($3.96)		($3.36)	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent									
			Capital surplus								
	Notes	Common share	Paid-in capital in excess of par value	Treasury stock transactions	Others	Accumulated deficit	Cumulative translation differences of foreign operations	Treasury stock	Total	Non-controlling interest	Total equity
2013											
Balance at 1 January 2013		$ 1,129,537	$ 511,951	$ 1,220	$ 4,410	($177,495)	($1,817)	($7,273)	$ 1,460,533	$ 3	$ 1,460,536
Capital increase by cash	*6(16)*	291,200	905,452	–	–	–	–	–	1,196,652	–	1,196,652
Capital surplus used to offset accumulated deficits	*6(18)*	–	(223,044)	–	–	223,044	–	–	–	–	–
Purchase of treasury shares	*6(16)*	–	–	–	–	–	–	(895)	(895)	–	(895)
Net loss for 2013		–	–	–	–	(408,358)	–	–	(408,358)	(2)	(408,360)
Other comprehensive income for 2013		–	–	–	–	–	3,490	–	3,490	–	3,490
Share-based payments	*6(15)(16)(24)*	–	343	786	–	–	–	8,168	9,297	–	9,297
Changes in non-controlling equity		–	–	–	–	–	–	–	–	9	9
Balance at 31 December 2013		$ 1,420,737	$ 1,194,702	$ 2,006	$ 4,410	($362,809)	$ 1,673	$ –	$ 2,260,719	$ 10	$ 2,260,729
2014											
Balance at 1 January 2014		1,420,737	1,194,702	2,006	4,410	(362,809)	1,673	–	2,260,719	10	2,260,729
Net loss for 2014		–	–	–	–	(563,110)	–	–	(563,110)	1	(563,109)
Other comprehensive loss for 2014		–	–	–	–	–	(2,186)	–	(2,186)	–	(2,186)
Others		–	(1,088)	–	–	–	–	–	(1,088)	–	(1,088)
Balance at 31 December 2014		$ 1,420,737	$ 1,193,614	$ 2,006	$ 4,410	($925,919)	($513)	$ –	$ 1,694,335	$ 11	$ 1,694,346

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

The Company was established in Cayman Islands on 16 November 2007. As of 31 December 2014, the number of shares authorized amounted to 200,000,000 shares with a par value of $10 (in dollars) per share, and the paid-in capital was $1,420,737.

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on 23 March 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on 3 April 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" effective 1 January 2015 (collectively referred herein as the "**2013 version of IFRSs**") in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7	1 July 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	1 July 2011
Government loans (amendments to IFRS 1)	1 January 2013
Disclosures – Transfers of financial assets (amendments to IFRS 7)	1 July 2011
Disclosures – Offsetting financial assets and financial liabilities (amendments to IFRS 7)	1 January 2013
IFRS 10, 'Consolidated financial statements'	1 January 2013 (Investment entities: 1 January 2014)
IFRS 11, 'Joint arrangements'	1 January 2013

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 12, 'Disclosure of interests in other entities'	1 January 2013
IFRS 13, 'Fair value measurement'	1 January 2013
Presentation of items of other comprehensive income (amendments to IAS 1)	1 July 2012
Deferred tax: recovery of underlying assets (amendments to IAS 12)	1 January 2012
IAS 19 (revised), 'Employee benefits'	1 January 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	1 January 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	1 January 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	1 January 2014
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	1 January 2013
Improvements to IFRSs 2010	1 January 2011
Improvements to IFRSs 2009–2011	1 January 2013

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

A. IAS 1, 'Presentation of financial statements'

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

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

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

C. IFRS 13, 'Fair value measurement'

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

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	1 January 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	1 January 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 15, 'Revenue from contracts with customers'	1 January 2017
Disclosure initiative (amendments to IAS 1)	1 January 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	1 January 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	1 July 2014
Equity method in separate financial statements (amendments to IAS 27)	1 January 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	1 January 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	1 January 2014
IFRIC 21, 'Levies'	1 January 2014
Improvements to IFRSs 2010–2012	1 July 2014
Improvements to IFRSs 2011–2013	1 July 2014
Improvements to IFRSs 2012–2014	1 January 2016

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "**IFRSs**") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of Investor	**Name of Subsidiary**	**Main Business Activities**	**31 December 2014**	**31 December 2013**	**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.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Investment holdings	100	100	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Research and development, trading	100	100	

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

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

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

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

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

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

E. The restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

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

A. *Foreign currency transactions and balances*

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

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

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

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

B. *Translation of foreign operations*

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

(7) Available-for-sale financial assets

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

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

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(8) Loans and receivables

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

(9) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a) Financial assets measured at amortised cost

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

(b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

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

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

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

(11) Leases (lessor)

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

(12) Inventories

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

(13) Investments accounted for using equity method/associates

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

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

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

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

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

(14) Property, plant and equipment

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

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

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

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

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

(15) Leases (lessee)

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

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions – defined contribution plans

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

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

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

(23) Employee share-based payment

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

(24) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings of the Company's Taiwan subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

(25) Share capital

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

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

(26) Dividends

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

(27) Revenue recognition

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

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

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

(28) Government grants

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

(29) Operating segments

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

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

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

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

Financial assets – impairment of equity investments

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

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

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

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

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

C. *Realisability of deferred tax assets*

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

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

D. *Evaluation of inventories*

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

As of 31 December 2014, the carrying amount of allowance for valuation loss and bad debt expenses was $160,614.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

(2) Available-for-sale financial assets

	31 December 2014	2013
Non-current items:		
Unlisted stocks	$ 7,847	$ 7,847
Accumulated impairment	(7,847)	(7,847)
	$ –	$ –

The Group has invested in stocks of an unlisted company – Rubicon & Tech Co., Ltd., and investment was impaired due to poor operation of Rubicon & Tech Co., Ltd. The Group has recognised the full amount of investment as impairment loss.

(3) Notes receivable

	31 December 2014	2013
Notes receivable	$ 153,038	$ 22,262

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

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

(4) Accounts receivable

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

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

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

Group 1: Credit quality assessed high rating.

Group 2: Others.

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

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

The above ageing analysis was based on invoice date.

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

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

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

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

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

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

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

(5) Inventories

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

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

The cost of inventories recognised as expense for the period:

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

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

(6) Investments accounted for using equity method

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

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

	Assets	Liabilities	Revenue	Profit/ (Loss)	% Interest held
31 December 2014					
Emerald Battery Technologies Co., Ltd.	$ 258,032	$ 11,391	$ 30,111	($30,308)	24.00%
Empire Energy Co., Ltd.	$ 79,206	$ 76,008	$ 29,423	($14,451)	21.11%

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

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

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Office equipment	Construction in progress and equipment to be inspected	Others	Total
At 1 January 2014								
Cost	$ 147,910	$ 108,549	$ 595,338	$ 110,787	$ 40,513	$ 37,784	$ 325,187	$1,366,068
Accumulated depreciation	–	(32,432)	(206,246)	(45,926)	(23,918)	–	(90,585)	(399,107)
	$ 147,910	$ 76,117	$ 389,092	$ 64,861	$ 16,595	$ 37,784	$ 234,602	$ 966,961
2014								
Opening net book amount	147,910	76,117	389,092	64,861	16,595	37,784	234,602	966,961
Additions	–	14,409	117,422	46,586	4,448	269,104	70,536	522,505
Disposals	–	–	(33)	(312)	(173)	–	(13,071)	(13,589)
Reclassifications	–	–	17,100	430	–	(33,756)	21,515	5,289
Depreciation charge	–	(5,072)	(79,649)	(14,456)	(7,287)	–	(69,445)	(175,909)
Net exchange differences	–	–	–	–	(292)	–	296	4
Closing net book amount	$ 147,910	$ 85,454	$ 443,932	$ 97,109	$ 13,291	$ 273,132	$ 244,433	$1,305,261
At 31 December 2014								
Cost	$ 147,910	$ 122,958	$ 729,773	$ 156,150	$ 43,514	$ 273,132	$ 406,494	$1,879,931
Accumulated depreciation	–	(37,504)	(285,841)	(59,041)	(30,223)	–	(162,061)	(574,670)
	$ 147,910	$ 85,454	$ 443,932	$ 97,109	$ 13,291	$ 273,132	$ 244,433	$1,305,261
At 1 January 2013								
Cost	$ 147,910	$ 99,045	$ 476,099	$ 104,294	$ 37,036	$ 55,278	$ 200,527	$1,120,099
Accumulated depreciation	–	(25,726)	(136,625)	(34,427)	(16,399)	–	(40,105)	(253,282)
	$ 147,910	$ 73,319	$ 339,384	$ 69,867	$ 20,637	$ 55,278	$ 160,422	$ 866,817
2013								
Opening net book amount	$ 147,910	$ 73,319	$ 339,384	$ 69,867	$ 20,637	$ 55,278	$ 160,422	$ 866,817
Additions	–	5,609	13,088	5,746	3,047	120,549	9,563	157,602
Disposals	–	–	(17)	(343)	(29)	–	(164)	(553)
Reclassifications	–	3,895	106,323	2,712	550	(138,043)	115,207	90,644
Depreciation charge	–	(6,706)	(69,686)	(13,442)	(7,666)	–	(50,480)	(147,980)
Net exchange differences	–	–	–	321	56	–	54	431
Closing net book amount	$ 147,910	$ 76,117	$ 389,092	$ 64,861	$ 16,595	$ 37,784	$ 234,602	$ 966,961
At 31 December 2013								
Cost	$ 147,910	$ 108,549	$ 595,338	$ 110,787	$ 40,513	$ 37,784	$ 325,187	$1,366,068
Accumulated depreciation	–	(34,432)	(206,246)	(45,926)	(23,918)	–	(90,585)	(399,107)
	$ 147,910	$ 76,117	$ 389,092	$ 64,861	$ 16,595	$ 37,784	$ 234,602	$ 966,961

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

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

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

(8) Intangible assets

A. The Group signed a license contract for reauthorization with LiFeP04+C Licensing AG on 4 July 2011. Under the contract, the Group may not authorize license to others except for affiliates. Authorization period is from 1 September 2011 to 9 July 2023. Under the contract, the Group needs to pay (1) first fixed royalty of US$10,000 thousand which is recognised as 'intangible assets – licence fee' and is amortised over approximately 12 years; (2) royalty before the contract date, which was paid on 14 July 2011 and was recognised as expenses for the year ended 31 December 2011; (3) royalty after the contract date, which is paid in accordance with the percentage of sales of powder during the authorization period. The Group recognised royalty as expenses amounting to $106,825 and $80,557 for the years ended 31 December 2014 and 2013, respectively. As of 31 December 2014 and 2013, unpaid royalty was $39,190 and $21,690, respectively.

B. The Group signed a second revised license contract on 26 August 2013. The schedule for plant construction is extended for 12 months, which means the completion date for plant construction in Canada is extended from 4 July 2014 to 4 July 2015.

C. The Group signed a third revised license contract on 25 September 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.

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

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

	Years ended 31 December	
	2014	**2013**
Operating costs	$ 358	$ –
Selling expenses	25,585	25,585
Administrative expenses	2,543	10,321
Research and development expenses	2,046	–
	$ 30,532	$ 35,906

(9) Other non-current assets

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

(10) Short-term borrowings

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

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

(11) Other payables

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

(12) Provisions

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

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

Analysis of total provisions:

	31 December			
		2014		2013
Current	$	13,277	$	9,545
Non-current	$	4,665	$	4,665

A. *Provisions for sale returns and discounts*

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

B. *Warranty liabilities*

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

(13) Long-term borrowings

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

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

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

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

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

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

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

C. The Group has the following undrawn borrowing facilities:

	31 December 2014	2013
Floating rate:		
Expiring within one year	$ 285,888	$ 387,491
Expiring beyond one year	–	300,000
	$ 285,888	$ 687,491

(14) Pensions

A. Effective 1 July 2005, the Company's Taiwan subsidiaries – Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. have established a defined contribution pension plan (the "**New Plan**") under the Labor Pension Act (the "**Act**"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

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

C. The pension costs under the defined contribution pension plans of the Group for the years ended 31 December 2014 and 2013 were $14,421 and $8,126, respectively.

(15) Share-based payment

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

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

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

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

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected rice volatility	Expected option life (in years)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
First time cash capital increase reserved for employee preemption in 2013	2013.6.6	$ 37.52	$ 40	27.62%	0.021	–	0.43%	$ 0.034
Second time cash capital increase reserved for employee preemption in 2013	2013.12.2	$ 44.53	$ 45	37.42%	0.008	–	0.87%	$ 0.4006

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

	Years ended 31 December 2014	2013
Equity-settled	$ –	$ 343

(16) Share capital

A. As of 31 December 2014, the Company's authorized capital was $2,000,000, consisting of 200,000 thousand shares of ordinary stock, and the paid-in capital was $1,420,737 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

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

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

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

D. The Board of Directors has resolved at their meeting on 16 September 2013 to issue new shares to increase capital by cash in 2013 for securities underwriting to apply for primary listing of securities in R.O.C. The number of shares issued through capital increase was 14,120 thousand shares with par value of NT$10 (in dollars) per share and issuing price of

NT$45 (in dollars). The amount of paid-in capital was NT$635,400. The capital increase was approved by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C. to be effective on 5 November 2013.

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

F. Treasury shares as at 31 December 2014 and 2013, there were no treasury shares.

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

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

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

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Treasury shares transferred to employees	2013.9.16	$16.30	$ 15	24.40%	0.03	–	0.01%	$ 1.43

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

	Years ended 31 December 2014	2013
Equity-settled	$ –	$ 786

(17) Capital surplus

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

(18) Retained earnings (accumulated deficit)

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

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

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

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

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

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

ii. Appropriate 1%–10% of the remaining profit as bonus of employees of the Group.

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

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

	Year ended 31 December 2012
Deficit offset by capital surplus	$ 223,044

The deficit compensation of 2012 was in agreement with the amount proposed at the Board of directors' meeting on 12 March 2013.

C. The Company had accumulated deficit for the years ended 31 December 2014 and 2013, thus, the Company did not recognise employees' bonus and directors' and supervisors' remuneration.

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

(19) Other equity items

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

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

(20) Other income

	Years ended 31 December 2014	2013
Interest income:		
Interest income from bank deposits	$ 722	$ 582
Subsidy income	6,480	–
Miscellaneous income	5,376	10,163
	$ 12,578	$ 10,745

(21) Other gains and losses

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

(22) Finance costs

	Years ended 31 December	
	2014	2013
Interest expense:		
Bank borrowings	$ 13,041	$ 4,778

(23) Expenses by nature

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

(24) Employee benefit expense

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit

	Years ended 31 December 2014	2013
Tax calculated based on profit before tax and statutory tax rate	$ 18,827	$ –
Temporary difference not recognised as deferred tax assets	(6,337)	–
Change in assessment of realization of deferred tax assets	(12,490)	–
Income tax expense	$ –	$ –

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

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

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

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

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

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

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

	31 December	
	2014	2013
Deductible temporary differences	$ 34,667	$ 19,605

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

(26) Losses per share

	Year ended 31 December 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($563,110)	142,074	($3.96)

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

(27) Non-cash transactions

Investing activities with partial cash payments:

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

None.

(2) Significant related party transactions and balances:

A. *Operating revenue*

	Years ended 31 December	
	2014	**2013**
Sales of goods:		
– Associates	$ 27,810	$ 50,200

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

B. *Purchases of goods*

	Years ended 31 December	
	2014	**2013**
Purchases of goods:		
– Associates	$ 1,641	$ 12,216

Prices for related parties were the same as those for third parties, and terms for related parties are approximately 60 days from the first day of the month following the month of purchase, while terms for third parties are 90-120 days from the first day of the month following the month of purchase.

C. *Accounts receivable*

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

D. *Prepayments to related parties*

Prepayments:

	31 December	
	2014	**2013**
Prepayments:		
– Associates	$ 2,250	$ 10,965

E. The Board of Directors of the Company's subsidiary – Aleees Eco Ark Co., Ltd. has resolved to appoint related parties – Yun Yang Construction Co., Ltd. and Ruentex Engineering & Construction Co., Ltd. to repair the plant "Aleees Innovation & Technology Center (Taiwan)" for operating needs. Aleees Eco Ark Co., Ltd. has signed construction contracts separately with Yun Yang Construction Co., Ltd. and Ruentex Engineering & Construction Co., Ltd. in the first quarter of 2014, and the contract amount is $21,425 (not including VAT) and $97,865 (not including VAT), respectively. The supplementary contract payment of $182,308 (not including VAT) was signed due to design changes during construction in the third quarter of 2014. The total construction amount is $301,598 (not including VAT) As of 31 December 2014; the amount of contracts paid amounted to $263,671 (not including VAT) and were recognised as 'construction in progress'.

F. *Short-term borrowings*

	Maximum balance for the period	Ending balance	Interest rate	Interest paid
Key management personnel	$ 200,000	$ 150,000	3%	$ 218

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

G. *Payables – related parties*

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

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

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

	31 December 2014	2013
Sales revenue received in advance:		
– Associates	$ 37,671	$ 65,637

I. *Other transactions:*

	Years ended 31 December 2014	2013
Processing fees		
– Associates	$ 660	$ 10,786
Repair expenses		
– Associates	$ 2,427	$ 3,794
Other expenses		
– Associates	$ 2,620	$ 461

(3) Key management compensation

	Years ended 31 December	
	2014	**2013**
Salaries and other short-term employee benefits	$ 31,363	$ 7,692

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	**31 December 2014**	**31 December 2013**	**Purpose**
Bank deposits (shown as "**Other current assets**")	35,441	37,775	Guarantee for banks' credit lines, letters of credit and Guarantee for pledge at customs
Bank deposits (shown as "**Other non-current assets**")	1,104	–	Guarantee for lease
Notes receivable	132,110	–	Short-term borrowings
Inventory	75,000	–	Long-term borrowings
Property, plant and equipment	305,808	309,317	Long-term borrowings
	$ 549,463	$ 347,092	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

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

B. The Group has signed significant long-term leasing contracts for leasing offices and plants.

The summary of future rent payable is as follows:

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

(a) The Company provides credit limit financing of US$4,000,000 to the subsidiary – Aleees Eco Ark Co., Ltd.

(b) The Company withdraws financing of $300,000 to the subsidiary – Advanced Lithium Electrochemistry Co., Ltd. which was resolved at the Board of Directors' meeting on 11 November 2013.

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

(a) The Company revised the investment amount to the subsidiary – Advanced Lithium Electrochemistry Co., Ltd. from $810,000 to $720,000 with operating results.

(b) The Company will withdraw the financing credit of US$1,300,000, if the subsidiary – Advanced Lithium Electrochemistry Co., Ltd. pays off the Company before the due day of loans.

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

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

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

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

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

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

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

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

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

12. OTHERS

(1) Capital management

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

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

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

(2) Financial instruments

A. *Fair value information of financial instruments*

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

B. *Financial risk management policies*

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group evaluates above-mentioned risks periodically in order to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group expected that currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	31 December 2014		
	Foreign currency amount (in thousands)	**Exchange rate**	**Book value (NTD)**
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 22,152	31.65	$ 701,111
RMB: NTD	89,298	5.092	454,705
Non-monetary items			
RMB: NTD	2,328	5.092	11,855
CAD: NTD	451	27.27	12,291
Financial liabilities			
Monetary items			
USD: NTD	$ 21,587	31.65	$ 683,229
Non-monetary items			
RMB: NTD	20,076	5.092	102,228

	31 December 2013				
		Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD: NTD	$	45,697	29.805	$	1,361,999
Non-monetary items:					
None					
Financial liabilities					
Monetary items					
USD: NTD	$	26,488	29.805	$	789,475
Non-monetary items					
RMB: NTD		4,507	4.919		22,168

	Year ended 31 December 2014				
	Sensitivity analysis				
	Degree of variation		Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD: NTD	1%	$	7,011	$	–
RMB: NTD	1%		4,547		–
Non-monetary items					
RMB: NTD	1%		–	$	119
CAD: NTD	1%		–		123
Financial liabilities					
Monetary items					
USD: NTD	1%		($6,832)	$	–
Non-monetary items					
RMB: NTD	1%		–		(1,022)

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

Price risk

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

Interest rate risk

i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings are at floating rates. During the years ended 31 December 2014 and 2013, the Group's borrowings at variable rate were denominated in NTD, USD and RMB.

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

(b) *Credit risk*

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk includes outstanding receivables.

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

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

(c) *Liquidity risk*

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

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

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

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

(3) Fair value estimation

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

13. SUPPLEMENTARY DISCLOSURES

The disclosure of investee companies were based on financial statements audited by independent auditors and the following transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only. The related information on investee companies were translated using the average rates of USD: NTD = 1: 30.304917 and USD: NTD = 1: 31.65 for the year ended 31 December 2014 and as of 31 December 2014, respectively.

(1) Significant transactions information

A. Loans to others:

No. *(Note 1)*	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended 31 December 2014	Balance at 31 December 2014 *(Note 4)*	Actual amount drawn down	Interest rate	Nature of loan *(Note 2)*	Amount of transactions with the borrower	Reason for short-term financing *(Note 6)*	Allowance for doubtful accounts	Collateral *Item*	Collateral *Value*	Limit on loans granted to a single party *(Note 3)*	Ceiling on total loans granted *(Note 3)*	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Other receivables – related parties	Y	$174,075	$ 47,475	$ 47,475	–	Short-term financing	$ –	Working capital financing	$ –	None	$ –	$677,734	$677,734	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivables – related parties	Y	443,100	205,725	205,725	–	Short-term financing	–	Working capital financing	–	None	–	$677,734	$677,734	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivable – related parties	Y	300,675	300,675	300,675	–	Short-term financing	–	Working capital financing	–	None	–	$379,344	$379,344	

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

(1) The Company is '0'.

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

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

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

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

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

B. Provision of endorsements and guarantees to others:

Number *(Note 1)*	Endorser/guarantor	Party being endorsed/guaranteed: 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 31 December 2014	Outstanding endorsement/ guarantee amount at 31 December 2014	Actual amount drawn down *(Note 4)*	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided *(Note 3)*	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	4	$ 677,734	$ 493,000	$ 493,000	$ 493,000	–	29%	$ 677,734	Y	N	N	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	4	677,734	120,000	120,000	120,000	–	7%	677,734	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	2	169,434	63,300	–	–	–	4%	169,434	N	Y	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Canada Corporation Inc.	3	169,434	3,000	3,000	3,000	–	–	169,434	N	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	3	169,434	45,000	45,000	45,000	–	3%	169,434	N	N	N	

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

(1) The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Have business relationship.

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

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

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

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

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

Note 3: Unless agreed by stockholders, the ceiling of the Company's guarantee to other companies and individual entity is 40% of the Company's net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling of the Company and its subsidiaries' guarantee to other companies and individual entity is 40% of the Company's net assets based on the latest financial statements audited or reviewed by independent accountants.

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

C. ***Holding of marketable securities at the end of the period***

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of 31 December 2014 Number of shares	Book value	Ownership %	Fair value	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Rubicon & Tech Co., Ltd.	None	Available-for-sale financial assets-non-current	1,000,000	$ –	17.35%	$ –	

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

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

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

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

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

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

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

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

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

Creditor	Counterparty	Relationship with the counterparty	Balance as at 31 December 2014 *(Note 1)*	Annual Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	An affiliate	$ 440,764	1.62	$ –	Collect after the balance sheet date	$ 107,122	$ –

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

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

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

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
2	Aleees Eco Ark Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Accounts receivable	2,832	Collection term is 120 days from the first day of the month following the month of sales.	–
3	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Aleees Eco Ark (Ningbo) Ltd.	3	Other receivables	14,252	Collection term is 120 days from the first day of the month following the month of sales.	1%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: Amount lending to subsidiaries by the parent company.

Note 5: No further disclosure of counterparty transactions.

(2) Information on investees

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at 31 December 2014	Initial investment amount: Balance as at 31 December 2013	Shares held as at 31 December 2014: Number of shares	Shares held as at 31 December 2014: Ownership (%)	Shares held as at 31 December 2014: Book value	Net profit (loss) of the investee for the year ended 31 December 2014	Investment income (loss) recognized by the Company for the year ended 31 December 2014	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Taiwan	Research, manufacturing and sale of LFP-NCO and key materials of olivine-type structure lithium battery	$ 1,677,000	$ 1,677,000	83,699,000	99.99	$ 945,345	$ 110,361	$ 110,359	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investment	168,376	48,883	5,530,000	100	(101,746)	(194,151)	(194,151)	Subsidiary *(Note)*
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Emerald Battery Technologies Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	60,000	60,000	6,000,000	24	59,194	(30,308)	(7,274)	Equity method
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Empire Energy Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	9,500	9,500	950,000	21.11	675	(14,451)	(3,050)	Equity method
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Cayman Islands	Various types of investment	1,178,122	974,947	38,950,000	100	326,347	(472,354)	(472,354)	Subsidiary
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	1,470,000	697,000	35,200,000	100	291,672	(471,973)	(471,973)	Indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount Balance as at 31 December 2014	Balance as at 31 December 2013	Shares held as at 31 December 2014 Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended 31 December 2014	Investment income (loss) recognized by the Company for the year ended 31 December 2014	Footnote
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark (HK) Co., Ltd.	Hong Kong	Various types of investment	12,101	–	400,000	100	12,602	130	130	Indirect subsidiary
Aleees Eco Ark (HK) Co., Ltd.	Aleees Eco Ark Canada Co., Inc.	Canada	Manufacturing of cathode material, battery cell, cell module or integration of trolley bus system	11,802	–	390,000	100	12,291	118	118	Indirect subsidiary

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

(3) Information on investments in Mainland China

A. *Basic information:*

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of 1 January 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended 31 December 2014		Accumulated amount of remittance from Taiwan to Mainland China as of 31 December 2014	Net income of investee as of 31 December 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended 31 December 2014 *(Note 2)*	Book value of investment in Mainland China as of 31 December 2014	Accumulated amount of investment income remitted back to Taiwan as of 31 December 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	$ 169,040	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	$ –	$ –	$ –	$ –	($196,456)	100	($196,456)	($102,228)	$ –	
Aleees Eco Ark (Ningbo) Ltd.	Wholesale of battery and trolley bus	14,851	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	–	–	–	–	(3,729)	100	(3,729)	11,855	–	

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

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

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

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to Note 13(1) J.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

(2) Measurement of segment information

A. The accounting policies, judgments, assumptions and estimates of the operating segments are in agreement with the significant accounting policies summarized in Notes 4 and 5.

B. The Group has some supporting sales and services that did not reach the quantitative threshold for reportable segments and thus, were not included in the reportable segments. Their operating results are disclosed collectively under 'other segments'.

C. The Group's assets are shared and liabilities are managed and dispatched under unified policies; thus, under operating management, assets and liabilities are not allocated to each operating segment, financial income and expenses, profit or loss relating to investment and profit or loss on disposal of assets are not distributed to each operating segment, nor used for performance measurement, but are consolidated under 'other segments'.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended 31 December 2014

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

For the year ended 31 December 2013

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

(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 31 December	
	2014	**2013**
Battery powder	$ 826,548	$ 511,044
Trolley bus	38,275	66,025
	$ 864,823	$ 577,069

(6) Geographical information

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

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

(7) Major customer information

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

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

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Set out below are the audited financial statements of the ALEEES Group for the year ended 31 December 2015 together with the relevant notes thereto as extracted from the annual report of ALEEES for the year ended 31 December 2015.

The Chinese version of the financial report for the year ended 31 December 2015 of ALEEES is available free of charge, in read only, printable format on the ALEEES Group's website **http://www.aleees.com**.

In this section, "Company" shall be constructed as ALEEES and "Group" shall be constructed as the ALEEES Group.

This annual reports of ALEEES have been issued in the Chinese language with a separate English translation. In case there is any inconsistency between the English version and the Chinese version of the annual report of ALEEES, the Chinese version shall prevail.

Report of Independent Accountants

PWCR15000312

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

We have audited the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and its subsidiaries as of 31 December 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our audits.

We conducted our audits in accordance with the ''Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants'' and generally accepted auditing standards in Taiwan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and its subsidiaries as of 31 December 2015 and 2014, and their financial performance and their cash flows for the years then ended, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan
24 March 2016

The accompanying consolidated financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Taiwan. The standards, procedures and practices in Taiwan governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than Taiwan. 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 Taiwan, 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.

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		31 December 2015		31 December 2014	
ASSETS	*Notes*	**Amount**	**%**	**Amount**	**%**
Current Assets					
Cash and cash equivalents	*6(1)*	$ 710,165	27	$ 369,113	13
Notes receivable, net	*6(3)*	45,829	2	153,038	5
Accounts receivable, net	*6(4)*	142,559	5	317,757	11
Accounts receivable – related parties	*6(4) and 7*	–	–	20,440	1
Other receivables		13,899	1	5,396	–
Current income tax assets		207	–	22	–
Inventories, net	*6(5)*	94,163	4	184,194	7
Prepayments	*7*	116,847	4	105,127	4
Other current assets	*8*	26,742	1	36,031	1
Total Current Assets		1,150,411	44	1,191,118	42
Non-current assets					
Investments accounted for under the equity method	*6(6)*	52,093	2	59,869	2
Property, plant and equipment, net	*6(7) and 8*	1,169,013	45	1,305,261	46
Intangible assets	*6(8)*	199,188	8	225,752	8
Deferred income tax assets	*6(25)*	15,964	–	15,963	1
Other non-current assets	*6(9) and 8*	22,445	1	34,208	1
Total non-current assets		1,458,703	56	1,641,053	58
Total assets		$ 2,609,114	100	$ 2,832,171	100

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		31 December 2015		31 December 2014	
Liabilities and Equity	*Notes*	**Amount**	**%**	**Amount**	**%**
Current Liabilities					
Short-term borrowings	*6(10), 7 and 8*	$ 42,510	2	$ 393,350	14
Notes payable		17,621	1	13,998	–
Accounts payable		52,926	2	87,367	3
Other payables	*6(11) and 7*	126,831	5	191,904	7
Other payables – related parties	*7*	7,370	–	6,270	–
Provisions for liabilities – current	*6(12)*	7,998	–	13,277	–
Long-term liabilities – current portion	*6(13)*	107,156	4	106,228	4
Other current liabilities – other	*6(6) and 7*	83,425	3	99,589	4
Total Current Liabilities		445,837	17	911,983	32
Non-current liabilities					
Long-term borrowings	*6(13) and 8*	149,531	6	216,659	8
Provisions-non-current	*6(12)*	4,665	–	4,665	–
Deferred income tax liabilities	*6(25)*	4,518	–	4,518	–
Other non-current liabilities-other	*6(6)*	635	–	–	–
Total Non-current Liabilities		159,349	6	225,842	8
Total Liabilities		605,186	23	1,137,825	40
Equity Attributable to Owners of Parent					
Share capital	*6(16)*				
Common shares		1,645,737	63	1,420,737	50
Capital surplus	*6(17)*				
Capital surplus		788,220	30	1,200,030	42
Accumulated deficit	*6(18)*				
Accumulated deficit		(430,783)	(16)	(925,919)	(32)
Other equity	*6(19)*				
Other equity		740	–	(513)	–
Equity attributable to owners of the parent		2,003,914	77	1,694,335	60

Liabilities and Equity	Notes	31 December 2015 Amount	%	31 December 2014 Amount	%
Non-controlling interest		14	–	11	–
Total Equity		2,003,928	77	1,694,346	60
Significant contingent liabilities and unrecognised contract commitments	*9*				
Significant events after the balance sheet date	*11*				
Total liabilities and equity		$ 2,609,114	100	$ 2,832,171	100

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		2015		2014	
	Notes	**Amount**	**%**	**Amount**	**%**
Operating revenue	7	$ 1,094,651	100	$ 864,823	100
Operating costs	*6(5)(23) and 7*	(795,197)	(72)	(821,885)	(95)
Gross profit		299,454	28	42,938	5
Gross profit, net		299,454	28	42,938	5
Operating expenses	*6(23) and 7*				
Selling expenses		(198,267)	(18)	(181,218)	(21)
General & administrative expenses		(237,590)	(22)	(198,220)	(23)
Research and development expenses		(251,840)	(23)	(240,925)	(28)
Total Operating Expenses		(687,697)	(63)	(620,363)	(72)
Operating loss		(388,243)	(35)	(577,425)	(67)
Non-operating income and expenses					
Other income	*6(20)*	13,605	1	12,578	1
Other gains and losses	*6(21)*	(34,960)	(3)	25,103	3
Finance costs	*6(22)*	(13,106)	(1)	(13,041)	(1)
Share of loss of associates and joint ventures accounted for under equity method	*6(6)*	(8,076)	(1)	(10,324)	(1)
Total Non-operating income and expenses		(42,537)	(4)	14,316	2
Loss before income tax, net		(430,780)	(39)	(563,109)	(65)
Income tax expense	*6(25)*	–	–	–	–
Net loss for the periods		($430,780)	(39)	($563,109)	(65)

		2015		2014	
	Notes	**Amount**	**%**	**Amount**	**%**
Other comprehensive income (loss), net					
Cumulative translation differences of foreign operations	*6(19)*	$ 1,588	–	($3,887)	–
Share of other comprehensive income of associates and joint ventures accounted for under equity method	*6(6) (19)*	(335)	–	1,701	–
Other comprehensive income (loss), net		$ 1,253	–	($2,186)	–
Total comprehensive loss for the period		($429,527)	(39)	($565,295)	(65)
Loss attributable to:					
Equity holders of the Company		($430,783)	(39)	($563,110)	(65)
Non-controlling interest		3	–	1	–
Total		($430,780)	(39)	($563,109)	(65)
Comprehensive loss attributable to:					
Equity holders of the Company		($429,530)	(39)	($565,296)	(65)
Non-controlling interest		3	–	1	–
Total		($429,527)	(39)	($565,295)	(65)
Basic loss per common share	*6(26)*				
Basic loss per share		($2.65)		($3.96)	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent								
			Capital surplus							
	Notes	Common share	Paid-in capital in excess of par value	Treasury stock transactions	Others	Accumulated deficit	Cumulative translation differences of foreign operations	Total	Non-controlling interest	Total equity
2014										
Balance at 1 January 2014		$ 1,420,737	$ 1,194,702	$ 2,006	$ 4,410	($362,809)	$ 1,673	$ 2,260,719	$ 10	$ 2,260,729
Net loss for the period		–	–	–	–	(563,110)	–	(563,110)	1	(563,109)
Other comprehensive loss for the period	*6(19)*	–	–	–	–	–	(2,186)	(2,186)	–	(2,186)
Others		–	(1,088)	–	–	–	–	(1,088)	–	(1,088)
Balance at 31 December 2014		$ 1,420,737	$ 1,193,614	$ 2,006	$ 4,410	($925,919)	$ (513)	$ 1,694,335	$ 11	$ 1,694,346
2015										
Balance at 1 January 2015		$ 1,420,737	$ 1,193,614	$ 2,006	$ 4,410	($925,919)	($513)	$ 1,694,335	$ 11	$ 1,694,346
Capital issued for cash	*6(16)*	225,000	495,000	–	–	–	–	720,000	–	720,000
Capital surplus used to offset accumulated deficits	*6(18)*	–	(925,919)	–	–	925,919	–	–	–	–
Net loss for the period		–	–	–	–	(430,783)	–	(430,783)	3	(430,780)
Other comprehensive loss for the period	*6(19)*	–	–	–	–	–	1,253	1,253	–	1,253
Share-based payments	*6(15)*	–	19,109	–	–	–	–	19,109	–	19,109
Balance at 31 December 2015		$ 1,645,737	$ 781,804	$ 2,006	$ 4,410	($430,783)	$ 740	$ 2,003,914	$ 14	$ 2,003,928

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax for the period		($430,780)	($563,109)
Adjustments to reconcile loss before tax to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Depreciation	*6(7)(23)*	216,763	175,909
Amortization	*6(8)(23)*	32,379	30,532
Loss on uncollectible accounts	*6(4)*	(499)	713
Interest expense	*6(22)*	13,106	13,041
Interest income	*6(20)*	(2,462)	(722)
Share-based payments	*6(15)(24)*	19,109	–
Loss on disposal of property, plant and equipment	*6(21)*	24,710	10,944
Property, plant and equipment transferred to expense	*6(7)*	25,157	6,089
Share of loss of associates and joint ventures accounted for under equity method	*6(6)*	8,076	10,324
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		107,209	(21,202)
Accounts receivable		172,025	(178,640)
Accounts receivable – related parties		20,440	(20,440)
Inventories	*6(5)*	90,031	142,760
Other receivables		(8,716)	6,187
Prepayments		(11,720)	(22,321)
Other current assets		(448)	(137)
Net changes in liabilities relating to operating activities			
Notes payable		3,623	(10,189)
Accounts payable		(34,441)	(15,496)
Accounts payable – related parties		–	(10,965)
Other payables		(12,745)	19,665
Other current liabilities – other		(10,275)	23,557
Provisions	*6(12)*	(5,279)	3,732
Cash provided by (used in) operations		215,263	(368,776)
Receipt of interest		2,462	722
Interest paid		(13,537)	(12,541)
Net cash provided by (used in) operations		204,188	(380,595)

	Notes	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other current assets	*8*	$ 10,841	$ 1,230
Increase in other non-current assets		(29,739)	(20,040)
Acquisition of property, plant and equipment	*6(27)*	(152,212)	(488,840)
Proceeds from disposal of property, plant and equipment		4,360	2,645
Decrease (increase) in refundable deposits		1,542	(3,811)
Acquisition of intangible assets	*6(8)*	(285)	(12,147)
Net cash used in investing activities		(165,493)	(520,963)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	*6(10)*	68,113	718,209
Decrease in short-term borrowings	*6(10)*	(418,953)	(525,627)
Increase in long-term borrowings	*6(13)*	49,442	380,416
Decrease in long-term borrowings	*6(13)*	(121,531)	(115,538)
Proceeds from capital increase	*6(16)*	720,000	–
Others		–	(1,088)
Net cash provided by financing activities		297,071	456,372
Effect of changes in foreign currency exchange		5,286	(7,468)
Increase (decrease) in cash and cash equivalents		341,052	(452,654)
Cash and cash equivalents at beginning of period		369,113	821,767
Cash and cash equivalents at end of period		$ 710,165	$ 369,113

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED 31 DECEMBER 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

The Company was established in Cayman Islands on 16 November 2007. As of 31 December 2015, the number of shares authorized amounted to 300,000,000 shares with a par value of $10 (in dollars) per share, and the paid-in capital was $1,645,737.

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on 24 March 2016.

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")

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on 3 April 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective 1 January 2015 (collectively referred herein as "**the 2013 version of IFRS**") in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, 'Presentation of financial statements'

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

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

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

C. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants' perspective, and requires disclosures about fair value measurements.

For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting standards Board
IFRS 9, 'Financial instruments'	1 January 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 15, 'Revenue from contracts with customers'	1 January 2018
IFRS 16, 'Leases'	1 January 2019
Disclosure initiative (amendments to IAS 1)	1 January 2016
Disclosure initiative (amendments to IAS 7)	1 January 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	1 January 2017
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	1 January 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	1 July 2014
Equity method in separate financial statements (amendments to IAS 27)	1 January 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	1 January 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	1 January 2014
IFRIC 21, 'Levies'	1 January 2014
Improvements to IFRSs 2010-2012	1 July 2014
Improvements to IFRSs 2011-2013	1 July 2014
Improvements to IFRSs 2012-2014	1 January 2016

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "**IFRSs**") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. 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**	**31 December 2015**	**31 December 2014**	**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.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	

			Ownership (%)		
Name of Investor	**Name of Subsidiary**	**Main Business Activities**	**31 December 2015**	**31 December 2014**	**Remark**
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Investment holdings	100	100	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Research and development, trading	100	100	
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd	Manufacturing and installation of electricity generation, transmission and distribution machinery, and manufacturing and distribution of batteries, cars and peripherals	100	100	
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark (Ningbo) Ltd.	Wholesale of battery and trolley bus	100	100	*Note 1*
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark (HK) Co., Ltd.	Investment holdings	100	100	*Note 2*
Aleees Eco Ark (HK) Co., Ltd.	Aleees Eco Ark Canada Co., Ltd.	Manufacturing and installation of electricity generation, transmission and distribution machinery, and manufacturing and distribution of batteries, cars and peripherals	100	100	*Note 3*

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

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

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

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. The restrictions on fund remittance from subsidiaries to the parent company:

None.

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 instrument s do not affect its classification.

(6) Cash equivalents

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

(7) Available-for-sale financial assets

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

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

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs.

These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(8) Loans and receivables

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

(9) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a) Financial assets measured at amortised cost

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

(b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

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

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

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

(11) Leases (lessor)

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

(12) Inventories

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

(13) Investments accounted for using equity method/associates

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

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. 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 that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

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

E. When the Group disposes its investment in an associate, if it 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 still retains significant influence over this associate, then 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.

(14) Property, plant and equipment

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

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

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

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

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

(15) Leases (lessee)

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

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees', directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. 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.

(23) Employee share-based payment

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

(24) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings of the Company's Taiwan subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

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

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

(26) Dividends

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

(27) Revenue recognition

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

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

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

(28) Government grants

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

(29) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	31 December 2015	2014
Cash on hand and petty cash	$ 141	$ 139
Checking accounts and demand deposits	570,337	365,974
Time deposits	139,687	3,000
	$ 710,165	$ 369,113

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 o f all cash and cash equivalents.

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

(2) Available-for-sale financial assets

Items	31 December 2015	2014
Non-current items:		
Unlisted stocks	$ 7,847	$ 7,847
Accumulated impairment	(7,847)	(7,847)
	$ –	$ –

The Group has invested in stocks of an unlisted company – Rubicon & Tech Co., Ltd., and investment was impaired due to poor operation of Rubicon & Tech Co., Ltd. The Group has recognised the full amount of investment as impairment loss.

(3) Notes receivable

Items	31 December 2015	2014
Notes receivable	$ 45,829	$ 153,038

A. As of 31 December 2015 and 2014, the Group had outstanding discounted notes receivable amounting to $0 and $109,574, respectively. The Group has payment obligations when the drawers of the notes refuse to pay for the notes at maturity. However, the Group does not expect default in payments in normal situation. The liabilities arising from discounted notes receivable amounted to $0 and $109,574 (recorded as short-term borrowings).

B. As of 31 December 2015 and 2014, the Group had provided notes receivable for short-term loan guarantee amounting to $0 and $22,536, respectively.

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

(4) Accounts receivable

		31 December 2015		2014
Accounts receivable – third parties	$	142,559	$	318,474
Accounts receivable – related parties		–		20,440
		142,559		338,914
Less: allowance for bad debts		–		(717)
	$	142,559	$	338,197

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

		31 December 2015		2014
Group 1	$	109,471	$	210,085
Group 2		–		1,569
	$	109,471	$	211,654

Note:

Group 1: Credit quality assessed high rating.

Group 2: Others.

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

		31 December 2015		2014
Up to 30 days	$	–	$	20,793
31 to 90 days		–		63,622
91 to 180 days		–		281
Over 181 days		33,088		41,847
	$	33,088	$	126,543

The above ageing analysis was based on invoice date.

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

(a) As of 31 December 2015 and 2014, the Group's accounts receivable that were both impaired amounted to $0 and $717.

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

	2015 Individual provision	2015 Group provision	2015 Total
At 1 January	$ 717	$ –	$ 717
Reversal of impairment	(499)	–	(499)
Unrecoverable amount that was offset	(207)	–	(207)
Foreign currency translation adjustments	(11)	–	(11)
At 31 December	$ –	$ –	$ –

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

D. As of 31 December 2015 and 2014, the Group had letters of credit amounting to RMB$0, and RMB$9,707, respectively. Acceptance bill of RMB$0 and RMB$2,712 thousand as security for accounts receivable, respectively. Deposits received amounted to RMB$33,088 (recorded as "**Other current liabilities-other**").

(5) Inventories

	31 December 2015 Cost	31 December 2015 Allowance for value decline and obsolescence	31 December 2015 Book value
Merchandise	$ 961	($961)	$ –
Raw materials	110,305	(74,558)	35,747
Work in process	67,568	(60,928)	6,640
Semi-finished goods	26,543	(1,282)	25,261
Finished goods	150,696	(124,181)	26,515
Total	$ 356,073	($261,910)	$ 94,163

	31 December 2014		
	Cost	Allowance for value decline and obsolescence	Book value
Merchandise	$ 1,689	($1,689)	$ –
Raw materials	104,948	(66,749)	38,199
Work in process	76,226	(22,328)	53,898
Semi-finished goods	14,200	(255)	13,945
Finished goods	147,745	(69,593)	78,152
Total	$ 344,808	($160,614)	$ 184,194

Expenses and losses incurred on inventories for the periods:

	Year ended 31 December 2015	2014
Cost of inventories sold	$ 657,201	$ 688,079
Loss in market value decline and obsolete and slow-moving inventories	101,309	68,742
Loss on scrapping inventory	7,011	16,901
Unallocated fixed overhead cost	29,676	42,121
Others	–	6,042
	$ 795,197	$ 821,885

The Company's subsidiary – Aleees Eco Ark Co., Ltd. has signed a buyback of inventory contract for after sale amounting to $78,317 with the leasing company in 2014. Aleees Eco Ark Co., Ltd. must not sell, lease, lend or dispose the inventory. As of 31 December 2015 and 2014, the total amount of notes issued by Aleees Eco Ark Co., Ltd. for buyback of inventory were $29,583 and $74,429, respectively, (recorded as long-term borrowings). Details are provided in Note 6(13).

(6) Investments accounted for using equity method

	2015	2014
At 1 January	$ 59,869	$ 68,492
Share of profit or loss of investments accounted for using the equity method	(8,076)	(10,324)
Changes in other equity items *(Note 6(19))*	(335)	1,701
At 31 December	$ 51,458	$ 59,869

	31 December 2015	2014
Emerald Battery Technologies Co., Ltd.	$ 52,093	$ 59,194
Empire Energy Co., Ltd.	(635)	675
	$ 51,458	$ 59,869

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

	Location	Interest held 31 December 2015	Interest held 31 December 2014	Relationship	Measurement method
Emerald Battery Technologies Co., Ltd.	Taiwan	24%	24%	Strategic alliance	Equity method
Empire Energy Co., Ltd.	Taiwan	21.11%	21.11%	Strategic alliance	Equity method

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

Balance sheet

	Emerald Battery Technologies Co., Ltd. 31 December 2015	Emerald Battery Technologies Co., Ltd. 31 December 2014
Current assets	$ 31,119	$ 47,334
Non-current assets	194,159	210,698
Current liabilities	(8,226)	(11,391)
Net assets	$ 217,052	$ 246,641
Share of net assets	$ 52,093	$ 59,194
Goodwill	–	–
Book value	$ 52,093	$ 59,194

	Empire Energy Co., Ltd. 31 December 2015	Empire Energy Co., Ltd. 31 December 2014
Current assets	$ 23,576	$ 76,056
Non-current assets	5,595	3,150
Current liabilities	(32,178)	(76,008)
Non-current liabilities	–	–
Net assets	($3,007)	$ 3,198
Share of net assets	($635)	$ 675
Goodwill	–	–
Book value	($635)	$ 675

Comprehensive income statement

	Emerald Battery Technologies Co., Ltd.	
	Years ended 31 December	
	2015	2014
Operating revenue	$ 31,777	$ 30,111
Net loss for the period	($28,190)	($43,444)
Other comprehensive income, net	(1,399)	7,088
Total comprehensive income (loss) for the period	($29,589)	($36,356)
Dividend	–	–

	Empire Energy Co., Ltd.	
	Years ended 31 December	
	2015	2014
Operating revenue (loss)	($29,222)	($29,423)
Net loss for the period	($6,746)	($14,451)
Other comprehensive income, net	–	–
Total comprehensive loss for the period	($6,746)	($14,451)
Dividend	–	–

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Testing equipment	Office equipment	Leasehold Improvements	Construction in progress and equipment to be inspected	Others	Total
At 1 January 2015									
Cost	$ 147,910	$ 122,958	$ 729,773	$ 156,150	$ 43,514	$ 8,773	$ 273,132	$ 397,721	$ 1,879,931
Accumulated depreciation	–	(37,504)	(285,841)	(59,041)	(30,223)	(2,242)	–	(159,819)	(574,670)
	$ 147,910	$ 85,454	$ 443,932	$ 97,109	$ 13,291	$ 6,531	$ 273,132	$ 237,902	$ 1,305,261
2015									
Opening net book amount	$ 147,910	$ 85,454	$ 443,932	$ 97,109	$ 13,291	$ 6,531	$ 273,132	$ 237,902	$ 1,305,261
Additions	–	873	8,421	11,187	–	23,546	37,616	28,890	110,533
Disposals	–	–	(230)	–	–	–	–	(28,840)	(29,070)
Reclassifications	–	–	(13,115)	14,431	–	292,860	(301,543)	6,419	(948)
Depreciation charge	–	(5,209)	(82,146)	(19,005)	(5,508)	(26,488)	–	(78,407)	(216,763)
Closing net book amount	$ 147,910	$ 81,118	$ 356,862	$ 103,722	$ 7,783	$ 296,449	$ 9,205	$ 165,964	$ 1,169,013
At 31 December 2015									
Cost	$ 147,910	$ 123,831	$ 724,603	$ 181,768	$ 42,338	$ 325,179	$ 9,205	$ 362,201	$ 1,917,035
Accumulated depreciation	–	(42,713)	(367,741)	(78,046)	(34,555)	(28,730)	–	(196,237)	(748,022)
	$ 147,910	$ 81,118	$ 356,862	$ 103,722	$ 7,783	$ 296,449	$ 9,205	$ 165,964	$ 1,169,013

	Land	Buildings	Machinery and equipment	Testing equipment	Office equipment	Leasehold Improvements	Construction in progress and equipment to be inspected	Others	Total
At 1 January 2014									
Cost	$ 147,910	$ 105,549	$ 595,338	$ 110,787	$ 40,513	$ 11,910	$ 37,784	$ 313,277	$ 1,366,068
Accumulated depreciation	–	(32,432)	(206,246)	(45,926)	(23,918)	(5,835)	–	(84,750)	(399,107)
	$ 147,910	$ 76,117	$ 389,092	$ 64,861	$ 16,595	$ 6,075	$ 37,784	$ 228,527	$ 966,961
2014									
Opening net book amount	$ 147,910	$ 76,117	$ 389,092	$ 64,861	$ 16,595	$ 6,075	$ 37,784	$ 228,527	$ 966,961
Additions	–	14,409	117,422	46,586	4,448	7,059	269,104	63,477	522,505
Disposals	–	–	(33)	(312)	(173)	(4,699)	–	(8,372)	(13,589)
Reclassifications	–	–	17,100	430	–	–	(33,756)	21,515	5,289
Depreciation charge	–	(5,072)	(79,649)	(14,456)	(7,287)	(1,904)	–	(67,541)	(175,909)
Net exchange difference	–	–	–	–	(292)	–	–	(296)	4
Closing net book amount	$ 147,910	$ 85,454	$ 443,392	$ 97,109	$ 13,291	$ 6,531	$ 273,132	$ 237,902	$ 1,305,261
At 31 December 2014									
Cost	$ 147,910	$ 122,958	$ 729,773	$ 156,150	$ 43,514	$ 8,773	$ 273,132	$ 397,721	$ 1,879,931
Accumulated depreciation	–	(37,504)	(285,841)	(59,041)	(30,223)	(2,242)	–	(159,819)	(574,670)
	$ 147,910	$ 85,454	$ 443,932	$ 97,109	$ 13,291	$ 6,531	$ 273,132	$ 237,902	$ 1,305,261

A. Amount of interest capitalised to property, plant and equipment were both $0 for the years ended 31 December 2015 and 2014.

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

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

D. The Company's subsidiaries – Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. have signed a buyback of equipment contract with the leasing company in 2015. Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. must not sell, lease, lend or dispose the inventory. As of 31 December 2015, the total amounts of notes issued by Advanced Lithium Electrochemistry Co., Ltd. and Aleees Eco Ark Co., Ltd. for buyback of equipment was $14,296 (recorded as Long-term liabilities, current portion and long-term borrowings). Details are provided in Note 6(10)(13).

(8) Intangible assets

A. The Group signed a license contract for reauthorization with LiFeP04+C Licensing AG on 4 July 2011. Under the contract, the Group may not authorize license to others except for affiliates. Authorization period is from 1 September 2011 to 9 July 2023. Under the contract, the Group needs to pay (1) first fixed royalty of US$10,000 thousand which is recognised as 'intangible assets – licence fee' and is amortised over approximately 12 years; (2) royalty before the contract date, which was paid on 14 July 2011 and was recognised as expenses for the year ended 31 December 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 $134,449 and $106,825 for the years ended 31 December 2015 and 2014, respectively. As of 31 December 2015 and 2014, unpaid royalty was $24,846 and $39,190, respectively.

B. The Group signed a second revised license contract on 26 August 2013. The schedule for plant construction is extended for 12 months, which means the completion date for plant construction in Canada is extended from 4 July 2014 to 4 July 2015.

C. The Group signed a third revised license contract on 25 September 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. As of 24 March 2016, the Group has reached an agreement with LiFeP04+C Licensing AG to extend factory construction for 3 years. Construction terms will be determined based on mutual agreement in the following 3 years.

	License fees	Computer software	Total
At 1 January 2015			
Cost	$ 302,314	$ 44,027	$ 346,341
Accumulated amortisation	(91,242)	(29,347)	(120,589)
	$ 211,072	$ 14,680	$ 225,752
Years ended 31 December 2015			
Opening net book amount	$ 211,072	$ 14,680	$ 225,752
Additions	–	285	285
Reclassifications	–	5,530	5,530
Amortisation charge	(25,585)	(6,794)	(32,379)
Closing net book amount	$ 185,487	$ 13,701	$ 199,188
At 31 December 2015			
Cost	$ 302,314	$ 49,847	$ 352,161
Accumulated amortisation	(116,827)	(36,146)	(152,973)
	$ 185,487	$ 13,701	$ 199,188

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

	Year ended 31 December 2015	2014
Operating costs	$ 235	$ 358
Selling expenses	25,585	25,585
Administrative expenses	4,116	2,543
Research and development expenses	2,443	2,046
	$ 32,379	$ 30,532

(9) Other non-current assets

	31 December 2015	2014
Prepayment for equipment	$ 8,657	$ 17,775
Refundable deposits	13,788	15,330
Others	–	1,103
	$ 22,445	$ 34,208

(10) Short-term borrowings

Type of borrowings	31 December 2015	Interest rate range	Collateral
Bank secured borrowings	$ 40,000	2.06%	*See Note 8*
Other short-term borrowings	2,510	3.32%	*See Note 8*
	$ 42,510		

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

(11) Other payables

	31 December 2015	2014
Payables on equipment	$ 7,156	$ 57,953
Salary and bonus payables	20,639	27,012
Royalty payables	24,846	39,190
Expendable expenses	11,385	11,480
Others	62,805	56,269
	$ 126,831	$ 191,904

(12) Provisions

	Provisions for sale returns and discounts	Warranty liabilities	Total
At 1 January 2015	$ 13,277	$ 4,665	$ 17,942
Unused amounts reversed	(5,279)	–	(5,279)
At 31 December 2015	$ 7,998	$ 4,665	$ 12,663

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

Analysis of total provisions:

	31 December 2015	2014
Current	$ 7,998	$ 13,277
Non-current	$ 4,665	$ 4,665

A. Provisions for sale returns and discounts

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

B. Warranty liabilities

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

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	31 December 2015
Mega International Commercial Bank secured borrowings	10 Feb. 2014-10 Jan. 2019, repay interest and principal monthly	2.04% –2.10%	Land, buildings and equipment	$ 215,318
Financing from Chailease Finance Co., Ltd. and Hotai Finance Co., Ltd.	24 Nov. 2014-30 June 2017, repay interest and principal monthly	3.66%–5.25%	Inventory and machinery and equipment	41,369
				256,687
Less: current portion				(107,156)
				$ 149,531

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

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

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

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

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

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

C. The Group has the following undrawn borrowing facilities:

	31 December 2015	2014
Floating rate:		
Expiring within one year	$ 231,421	$ 285,888
Expiring beyond one year	–	–
	$ 231,421	$ 285,888

(14) Pensions

A. Effective 1 July 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 31 December 2015 and 2014 were $14,152 and $14,421, respectively.

(15) Share-based payment

A. For the years ended 31 December 2015 and 2014, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
First time cash capital increase reserved for employee preemption in 2015	2015.1.14	2,250 thousand shares	N/A	Vested immediately

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

	Year ended 31 December 2015		Year ended 31 December 2014	
	No. of options (thousand shares)	Weighted-average exercise price (in dollars)	No. of options (thousand shares)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	–	–	–	–
Options granted	2,520	32	–	–
Options exercised	(1,207)	32	–	–
Options expired	(1,403)	32	–	–
Options outstanding at end of the year	–	–	–	–
Options exercisable at end of the year	–	–	–	–

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
First time cash capital increase reserved for employee preemption in 2015	2015.1.14	40.45	32	46.83%	0.057	–	0.87%	8.4927

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

	Years ended 31 December 2015	2014
Equity-settled	$ 19,109	$ –

(16) Share capital

A. As of 31 December 2015, the Company's authorized capital was $3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was $1,645,737 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2015	2014
Outstanding at 1 January	$ 142,073,654	$ 142,073,654
Cash capital increase	22,500,000	–
Outstanding at 31 December	$ 164,573,654	$ 142,073,654

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

(17) Capital surplus

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

(18) Retained earnings (accumulated 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) The current year's earnings are to offset prior year's operating losses;

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

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

(d) After setting aside in accordance with (a) through (c) stated above, 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 divide nd should not be less than 10% of the total dividends.

B. The deficit compensation of 2014 and 2013 had been resolved at the stockholders' meeting on 12 June 2015 and 23 June 2014, respectively. Details are summarized below.

	Years ended 31 December	
	2014	**2013**
Deficit offset by capital surplus	$ 925,919	$ –

The deficit compensation of 2014 and 2013 was in agreement with the amount proposed at the Board of directors' meeting on 23 March 2015 and 25 March 2014, respectively.

(19) Other equity items

	Currency translation
At 1 January 2015	($513)
Currency translation differences:	
– Group	1,588
– Associates	(335)
At 31 December 2015	$ 740

	Currency translation
At 1 January 2014	$ 1,673
Currency translation differences:	
– Group	(3,887)
– Associates	1,701
At 31 December 2014	($513)

(20) Other income

	Years ended 31 December 2015	2014
Interest income:		
Interest income from bank deposits	$ 2,462	$ 722
Subsidy income	2,932	6,480
Miscellaneous income	8,211	5,376
	$ 13,605	$ 12,578

(21) Other gains and losses

	Years ended 31 December 2015	2014
Net currency exchange gains	$ 2,345	$ 40,300
Losses on disposal of property, plant and equipment	(24,710)	(10,944)
Miscellaneous expenditures	(12,595)	(4,253)
	($34,960)	$ 25,103

(22) Finance costs

	Years ended 31 December 2015	2014
Interest expense:		
Bank borrowings	$ 13,106	$ 13,041

(23) Expenses by nature

	Years ended 31 December 2015	2014
Employee benefit expense	$ 326,352	$ 325,387
Depreciation charges on property, plant and equipment	216,765	175,909
Amortisation charges on intangible assets	32,379	30,532
	$ 575,496	$ 531,828

(24) Employee benefit expense

	Years ended 31 December 2015	2014
Wages and salaries	$ 259,337	$ 276,868
Employee stock options	19,109	–
Labour and health insurance fees	21,662	22,422
Pension costs	14,152	14,421
Other personnel expenses	12,092	11,676
	$ 326,352	$ 325,387

A. The Company shall:

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

ii. Appropriate 1%-10% of the remaining profit as bonus of employees of the Group.

B. However, in accordance with the Company Act amended on 20 May 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on 24 March 2016. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors and supervisors remuneration. The ratio shall not be lower than 10% for employees' compensation and shall not be higher than 1% for directors and supervisors remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.

C. The Company had accumulated deficit for the three-month and years ended 31 December 2015 and 2014, thus, the Company did not recognise employees' bonus and directors' and supervisors' remuneration.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended 31 December 2015	2014
Total current tax:		
Current tax on profits for the period	$ 47,987	$ 18,827
Total current tax	47,987	18,827
Deferred tax:		
Origination and reversal of temporary differences	(252)	(1,819)
Loss carryforwards	(47,735)	(17,008)
Income tax expense	$ –	$ –

(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 31 December 2015	2014
Tax calculated based on profit before tax and statutory tax rate	$ 47,987	$ 18,827
Temporary difference not recognised as deferred tax assets	4,384	(6,337)
Change in assessment of realization of deferred tax assets	(52,371)	(12,490)
Tax expenses	$ –	$ –

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

	Year ended 31 December 2015				
	1 January	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	31 December
Deferred tax assets:					
Taxable loss	$ 15,963	$ –	$ –	$ –	$ 15,963
Deferred tax liabilities:					
Temporary differences					
– Unrealised exchange gain	$ (4,518)	$ –	$ –	$ –	$ (4,518)
	$ 11,445	$ –	$ –	$ –	$ 11,445

	Year ended 31 December 2014				
	1 January	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	31 December
Deferred tax assets:					
Taxable loss	$ 11,445	$ 4,518	$ –	$ –	$ 15,963
Deferred tax liabilities:					
Temporary differences					
– Unrealised exchange gain	$ –	$ (4,518)	$ –	$ –	$ (4,518)
	$ 11,445	$ –	$ –	$ –	$ 11,445

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

	Year ended 31 December 2015			
Year incurred	**Amount filed/Assessed**	**Unused amount**	**Unrecognised deferred tax assets**	**Usable until**
2009	$ 79,794	$ 2,709	$ 2,709	2019
2010	70,096	22,086	22,086	2020
2011	159,717	148,589	54,687	2021
2012	269,195	269,195	269,195	2022
2013	389,152	389,152	389,152	2023
2014	366,800	366,800	366,800	2024
2015	441,715	441,715	441,715	2025
	$ 1,776,469	$ 1,640,246	$ 1,546,344	

	Year ended 31 December 2014			
Year incurred	Amount filed/Assessed	Unused amount	Unrecognised deferred tax assets	Usable until
2007	$ 85,372	$ 36,829	$ –	2017
2008	107,746	107,746	50,672	2018
2009	79,794	79,794	79,794	2019
2010	70,096	70,096	70,096	2020
2011	159,717	159,717	159,717	2021
2012	269,195	269,195	269,195	2022
2013	389,152	389,152	389,152	2023
2014	366,800	366,800	366,800	2024
	$ 1,527,872	$ 1,479,329	$ 1,385,426	

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

	31 December 2015	2014
Deductible temporary differences	$ 47,163	$ 34,667

F. Advanced Lithium Electrochemistry Co., Ltd.'s and Aleees Eco Ark Co., Ltd.'s income tax returns through 2013 have both been assessed and approved by the Tax Authority.

(26) Losses per share

	Year ended 31 December 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($430,783)	162,354	($2.65)

	Year ended 31 December 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders of the parent	($563,110)	$142,074	($3.96)

(27) Non-cash transactions

Investing activities with partial cash payments:

	Years ended 31 December	
	2015	**2014**
Purchase of fixed assets	$ 110,533	$ 522,505
Add: Opening balance of payable on equipment	57,953	27,159
Ending balance of prepaid on equipment	8,657	17,775
Less: Ending balance of payable on equipment	(7,156)	(57,953)
Opening balance of prepaid on equipment	(17,775)	(20,646)
Cash paid during the period	$ 152,212	$ 488,840

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

None.

(2) Significant related party transactions and balances:

A. Sales

	Years ended 31 December	
	2015	**2014**
Sales of goods:		
– Associates	($27,810)	$ 27,810

B. Purchases of goods:

	Years ended 31 December	
	2015	**2014**
Purchases of goods:		
– Associates	$ –	$ 1,641

Prices for related parties were the same as for third parties, and terms for related parties are approximately 60 days following the month of purchase, while terms for third parties are 90–120 days following the month of purchase.

C. Accounts receivable

	31 December 2015	2014
Accounts receivable:		
– Associates	$ –	$ 20,440

D. Payables

	31 December 2015	2014
Other payables:		
– Associates	$ 7,370	$ 445
– De facto related party	–	5,825
	$ 7,370	$ 6,270

The payables to related parties mainly arise from processing and service charge. The payables do not bear interest.

E. Prepayments to related parties

	31 December 2015	2014
Prepayments to related parties:		
– Associates	$ –	$ 2,250

F. Property transactions

The Board of Directors of the Company's subsidiary – Aleees Eco Ark Co., Ltd. has resolved to appoint related parties – Yun Yang Construction Co., Ltd. and Ruentex Engineering & Construction Co., Ltd. to repair the plant "Aleees Innovation & Technology Center (Taiwan)" for operating needs. Aleees Eco Ark Co., Ltd. has signed construction contracts separately with Yun Yang Construction Co., Ltd. and Ruentex Engineering & Construction Co., Ltd. in the first quarter of 2014, and the contract amount is $21,425 (not including VAT) and $97,865 (not including VAT), respectively. The supplementary contract payment of $182,308 (not including VAT) was signed due to design changes during construction in the third quarter of 2014. The total construction amount is $301,598 (not including VAT) As of 31 December 2015, the amount of contracts paid amounted to $288,958 (not including VAT) and were recognised as 'Leasehold improvements'.

G. Sales revenue received in advance (shown as "Other current liabilities-other")

	31 December 2015	2014
Sales revenue received in advance:		
– Associates	$ –	$ 37,671

H. Other transactions:

	Years ended 31 December	
	2015	2014
Processing fees		
– Associates	$ –	$ 660
Repair expenses		
– Associates	$ –	$ 2,427
Service Charge		
– Associates	$ 5,000	$ –
Other expenses		
– Associates	$ 1,905	$ 2,620

I. Short-term borrowings

i. Ending balance

	31 December	
	2015	2014
Key management – Associates	$ –	$ 150,000

ii. Interest expense:

	31 December	
	2015	2014
Key management – Associates	$ 434	$ 218

The main conditions to the borrower are in accordance with the management contract for the repayment of its borrowings which are all charged at 3% per annum.

(3) Key management compensation

	Years ended 31 December	
	2015	2014
Salaries and other short-term employee benefits	$ 24,753	$ 31,363
Share-based payment	10,522	–
	$ 35,275	$ 31,363

8. PLEDGED ASSETS

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

Pledged asset	Book value 31 December 2015	2014	Purpose
Bank deposits (shown as "**Other current assets**")	$ 25,704	$ 35,441	Guarantee for banks' credit lines, letters of credit and pledge at customs
Bank deposits (shown as "**Other non-current assets**")	–	1,104	Guarantee for lease
Notes receivable	–	132,110	Short-term borrowings
Inventories	75,000	75,000	Long-term borrowings
Property, plant and equipment	309,094	305,808	Short-term and long-term borrowings
	$ 409,798	$ 549,463	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	31 December 2015	2014
Property, plant and equipment	$ –	$ 40,434

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:

	31 December 2015	2014
Within 1 year	$ 36,169	$ 41,928
2-5 years	97,566	121,465
Over 5 years	70,000	93,623
	$ 203,735	$ 257,016

C. License reauthorization contract:

(a) The Group has signed a license reauthorization contract with LiFePO4+C Licensing AG on 4 July 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 4 July 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 reauthorization contract on 26 August 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 4 July 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 reauthorization 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 reauthorization contract on 19 November 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 4 July 2015, and that the average annual full-time employment is at least 10 employees as of 4 July 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) The Group originally needed to build a cathode materials plant, battery plant, pack plant (battery module plant) or electric bus system integration plant by 4 July 2015; however, as the Group and license authorizer, 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 reach an agreement before 29 January 2016 to extend the deadline of plant building for 3 years, in order to improve high-quality of LEP materials for Chinese market. Both parties agree to negotiate plans for plant building to fulfil future market needs. Construction terms will be determined based on mutual agreement during the extended 3 years.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 24 March 2016, the Board of Directors has resolved the following:

A. The deficit offset by capital surplus amounting to $430,783 had not been resolved at stockholders' meeting on 24 March 2016.

B. The subsidiary – Advanced Lithium Electrochemistry Co., Ltd. withdraws financial of $45,000 to the subsidiary – Aleees Eco Ark Co., Ltd. which was resolved at the Board of Directors' meeting on 13 November 2014.

C. The Company withdraws financing of $38,000 to the subsidiary – Advanced Lithium Electrochemistry Co., Ltd. which was resolved at the Board of Directors' meeting on 25 December 2014.

D. The Company Provides endorsement of $50,000 for the subsidiary – Advanced Lithium Electrochemistry Co., Ltd.

E. The subsidiary – Advanced Lithium Electrochemistry Co., Ltd. withdraws financing credit of $100,000 and $50,000 to the subsidiary – Aleees Eco Ark Co., Ltd. which were resolved at the Board of Directors' meeting on 12 August 2015 and 12 November 2015.

F. The subsidiary – Advanced Lithium Electrochemistry Co., Ltd. provides credit limit for financing of $250,000 to the subsidiary – Aleees Eco Ark Co., Ltd.

12. OTHERS

(1) Capital management

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

The gearing ratios at 31 December 2015 and 2014 were as follows:

	31 December	
	2015	**2014**
Total borrowings	$ 299,197	$ 716,237
Less: cash and cash equivalents	(710,165)	(369,113)
Net debt	(410,968)	347,124
Total equity	2,003,914	1,694,335
Total capital	1,592,946	2,041,459
Debt to capital ratio	–	17%

(2) financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group evaluates above-mentioned risks periodically in order to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group expected that currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	31 December 2015		
	Foreign currency Amount (in thousands)	**Exchange rate**	**Book value (NTD)**
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 5,906	32.825	$ 193,864
RMB: NTD	136,340	4.995	681,018
Non-monetary items			
RMB: NTD	801	4.995	3,999
CAD: NTD	262	23.64	6,198
Financial liabilities			
Monetary items			
USD: NTD	$ 1,046	32.825	$ 34,335
RMB: NTD	20,464	4.995	102,218
Non-monetary items			
RMB: NTD	27,575	4.995	137,737

	31 December 2014				
		Foreign currency Amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD: NTD	$	22,152	31.65	$	701,111
RMB: NTD		89,298	5.092		454,705
Non-monetary items					
RMB: NTD		2,328	5.092		11,855
CAD: NTD		451	27.27		12,291
Financial liabilities					
Monetary items					
USD: NTD					
Non-monetary items	$	21,587	31.65	$	683,229
RMB: NTD		20,076	5.092		102,228

v. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the year ended 31 December 2015 and 2014 amounted $2,345 and $40,300, respectively.

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

	Years ended 31 December 2015 Sensitivity analysis				
	Degree of variation		Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD: NTD	1%	$	1,939	$	–
RMB: NTD	1%		6,810		–
Non-monetary items					
RMB: NTD	1%		–		40
CAD: NTD	1%		–		62
Financial liabilities					
Monetary items					
USD: NTD	1%		($343)	$	–
RMB: NTD	1%		(1,022)		–
Non-monetary items					
RMB: NTD	1%		–		(1,377)

	Years ended 31 December 2014		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 7,011	$ –
RMB: NTD	1%	4,547	–
Non-monetary items			
RMB: NTD	1%	–	119
CAD: NTD	1%	–	123
Financial liabilities			
Monetary items			
USD: NTD	1%	($6,832)	$ –
Non-monetary items			
RMB: NTD	1%	–	(1,022)

Price risk

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

Interest rate risk

i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings are at floating rates. During the years ended 31 December 2015 and 2014, the Group's borrowings at variable rate were denominated in NTD, USD and RMB.

ii. At 31 December 2015 and 2014, if interest rates on NTD-denominated and USD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the years ended 31 December 2015 and 2014 would have been $638 and $950 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk includes outstanding receivables.

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities:	**Within 1 year**	**Over 1 year**	**2-5 years**	**Over 5 years**
31 December 2015				
Short-term borrowings	$42,510	$ –	$ –	$ –
Notes payable	17,621	–	–	–
Accounts payable	52,926	–	–	–
Other payables	134,201	–	–	–
Long-term borrowings (including current portion)	108,571	76,713	80,305	–

Non-derivative financial liabilities:	**Within 1 year**	**Over 1 year**	**2-5 years**	**Over 5 years**
31 December 2014				
Short-term borrowings	$393,350	$ –	$ –	$ –
Notes payable	13,998	–	–	–
Accounts payable	87,367	–	–	–
Other payables	198,174	–	–	–
Long-term borrowings (including current portion)	107,491	93,496	136,301	–

(3) Fair value estimation

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

13. SUPPLEMENTARY DISCLOSURES

The disclosure of investee companies were based on financial statements audited by independent 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 = 1:31.73915 and USD:NTD = 1:32.825 for the years ended 31 December 2015 and as of 31 December 2015, 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:

Years ended 31 December 2015

	Material	Electric vehicle	Battery	Others	Eliminations	Total
Inter-segment revenue – external customers	$ 1,115,271	($20,620)	$ –	$ –	$ –	$ 1,094,651
Total segment income/loss	$ 175,495	($411,969)	($132,586)	($19,183)	$ –	($388,243)

Years ended 31 December 2014

	Material	Electric vehicle	Battery	Others	Eliminations	Total
Inter-segment revenue – external customers	$ 826,548	$ 38,275	$ –	$ –	$ –	$ 864,823
Total segment income/loss	($97,749)	($349,066)	($119,809)	($10,801)	$ –	($577,425)

(4) Reconciliation for segment income (loss):

None.

(5) Information on product and service

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. Detail of revenue balance are as follows:

	Years ended 31 December 2015	2014
Battery powder	$ 1,115,271	$ 826,548
Trolley bus	(20,620)	38,275
	$ 1,094,651	$ 864,823

(6) Geographical information

Geographical information for the years ended 31 December 2015 and 2014 is as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 1,098,178	$ 32,277	$ 820,575	$ 44,676
Taiwan	(19,130)	1,159,094	38,362	1,294,143
United Kingdom	–	185,487	–	211,072
Others	15,603	–	5,886	–
	$ 1,094,651	$ 1,376,858	$ 864,823	$ 1,549,891

(7) Major customer information

Major customer information of the Group for the years ended 31 December 2015 and 2014 is as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Revenue	Segment	Revenue	Segment
C	$ 455,166	Batterypowder	$ 264,469	Batterypowder
A	227,411	Batterypowder	162,717	Batterypowder
B	139,607	Batterypowder	259,475	Batterypowder

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Loans to others
Year ended 31 December 2015
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Table 1

													Collateral				
No. *(Note 1)*	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended 31 December 2015	Balance at 31 December 2015 *(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	Item	Value	Limit on loans granted to a single party *(Note 3)*	Ceiling on total loans granted *(Note 3)*	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Other receivables – related parties	Y	$ 49,238	$ –	–	–	Short-term financing	$ –	Working capital financing	$ –	None	$ –	$ 801,566	$ 801,566	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivables – related parties	Y	344,663	131,300	–	–	Short-term financing	–	Working capital financing	–	None	–	801,566	801,566	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	Other receivables – related parties	Y	534,815	500,000	450,000	–	Short-term financing	–	Working capital financing	–	None	–	632,314	632,314	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Other receivables – related parties	Y	196,950	–	–	–	Short-term financing	–	Working capital financing	–	None	–	632,314	632,314	

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

(1) The Company is '0'.

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

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

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

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

Note 4: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in installments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period d 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 31 December 2015
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Table 2

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 31 December 2015	Outstanding endorsement/ guarantee amount at 31 December 2015	Actual amount drawn down *(Note 4)*	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided *(Note 3)*	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	4	$ 1,001,957	$ 493,000	$ 454,359	$ 454,359	–	23%	$ 1,001,957	Y	N	N	
0	Advanced Lithium Electrochemistry (Cayman) Co.,Ltd.	Aleees Eco Ark Co., Ltd	4	1,001,957	120,000	30,000	30,000	–	1%	1,001,957	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco ARK Canada Corporation Inc.	3	200,391	2,600	–	–	–	–	200,391	N	N	N	
	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	3	200,391	60,000	60,000	60,000	–	3%	200,391	N	N	N	

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

(1) The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Have business relationship.

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

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

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

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

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

Note 3: Unless agreed by stockholders, the ceiling of the Company's guarantee to other companies and individual entity is 50% of the Company's net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling of the Company and its subsidiaries' guarantee to other companies and individual entity is 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 long 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 worth 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 31 December 2015

Table 3

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	As of 31 December 2015 Ownership%	Fair value	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Rubicon & Tech Co., Ltd.	None	Available-for-sale financial assets – non-current	1,000,000	$ –	17.35	$ –	

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 31 December 2015

Table 4

Unit: thousands of New Taiwan Dollars (unless otherwise specified)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at 1 January 2015 Number of shares	Balance as at 1 January 2015 Amount	Addition Number of shares	Addition Amount	Disposal Number of shares	Disposal Selling price	Disposal Book value	Disposal Gain (loss) on disposal	Balance as at 31 December 2015 Number of shares	Balance as at 31 December 2015 Amount (Note)	Footnote
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Investee accounted for using equity method	N/A	N/A	83,699,000	945,345	10,547,125	337,508	–	$ –	$ –	$ –	94,246,125	1,556,627	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Investee accounted for using equity method	N/A	N/A	38,950,000	326,347	16,861,538	533,512	–	–	–	–	55,811,538	328,074	
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd	Investee accounted for using equity method	N/A	N/A	35,200,000	291,672	17,600,000	528,000	–	–	–	–	52,800,000	317,402	

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

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 31 December 2015

Table 5

			Transaction				Differences in transaction terms compared to third party transaction		Notes/accounts receivable (payable)		
Purchaser/seller	Relationship	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Terms	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Electrochemistry Shanghai) Co., Ltd.	An affiliate	Sales	670,569	(43%)	120 days from the first day of the month following the month of sale.	*Note*	*Note*	494,163	84%	
Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	An affiliate	Sales	125,361	(16%)	120 days from the first day of the month following the month of sale.	*Note*	*Note*	102,082	52%	

Note: The terms are determined in accordance with mutual agreement which is approximately the same as normal transactions. The collection term to third parties is advance collection or no more than 180 days from the first day of the month following the sale while approximately 120 days for related parties.

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 31 December 2015

Table 6

Unit: thousands of New Taiwan Dollars (unless otherwise specified)

Creditor	Counterparty	Relationship with the counterparty	Balance as at 31 December 2015	Annual Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	An affiliate	$ 494,163	1.91	$ –	Collect after the balance sheet date	$ 299,937	$ –
Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	An affiliate	102,082	2.46	–	Collect after the balance sheet date	96,807	–

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Year ended 31 December 2015

Table 7

				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)*
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Accounts receivable	$ 494,163	Collection term is 120 days from the first day of the month following the month of sales.	19%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	3	Sales	670,569	Collection term is 120 days from the first day of the month following the month of sales.	61%
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	3	Other receivables	7,507	Collection term is 120 days from the first day of the month following the month of sales.	–
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees Eco Ark Co., Ltd.	3	Other receivables	450,000	Note 4	17%
2	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	3	Sales	125,361	Collection term is 120 days from the first day of the month following the month of sales.	11%

				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)
2	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	3	Accounts receivable	102,082	Collection term is 120 days from the first day of the month following the month of sales.	4%
2	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Aleees Eco Ark (Ningbo) Ltd.	3	Other receivables	13,981	Collection term is 120 days from the first day of the month following the month of sales.	1%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: Amount lending to subsidiaries by the parent company.

Note 5: No further disclosure of counterparty transactions.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Names, locations and other information of investee companies (not including investees in Mainland China)
Year ended 31 December 2015

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at 31 December 2015	Initial investment amount: Balance as at 31 December 2014	Shares held as at 31 December 2015: Number of shares	Shares held as at 31 December 2015: Ownership (%)	Shares held as at 31 December 2015: Book value	Net profit (loss) of the investee for the years ended 31 December 2015	Investment income (loss) recognized by the Company for the years ended 31 December 2015	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	$ 2,014,508	$ 1,677,000	94,246,125	99.99	$ 1,566,627	$ 282,427	$ 271,770	Subsidiary *(Note)*
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investment	263,936	168,376	8,530,000	100	(137,269)	(134,357)	(134,357)	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	52,093	(28,190)	(6,766)	Equity method
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Empire Energy Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	9,500	9,500	950,000	21.11	(635)	(6,746)	(1,310)	Equity method
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark (Cayman) Co., Ltd.	Cayman Islands	Various types of investment	1,711,634	1,178,122	55,811,538	100	328,074	(536,572)	(536,572)	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at 31 December 2015	Initial investment amount: Balance as at 31 December 2014	Shares held as at 31 December 2015: Number of shares	Shares held as at 31 December 2015: Ownership (%)	Shares held as at 31 December 2015: Book value	Net profit (loss) of the investee for the years ended 31 December 2015	Investment income (loss) recognized by the Company for the years ended 31 December 2015	Footnote
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of battery, car and its peripherals	1,675,000	1,147,000	52,800,000	100	317,402	(508,742)	(508,742)	Indirect subsidiary
Aleees Eco Ark (Cayman) Co., Ltd.	Aleees Eco Ark (HK) Co., Ltd.	Hong Kong	Various types of investment	12,101	12,101	400,000	100	6,447	(4,738)	(4,738)	Indirect subsidiary
Aleees Eco Ark (HK) Co., Ltd.	Aleees Eco Ark Canada Co., Inc.	Canada	Manufacturing of cathode material, battery cell, cell module or integration of trolley bus system	11,802	11,802	390,000	100	6,198	(4,676)	(4,676)	Indirect subsidiary

Note: Unrealised gain on sidestream intercompany transaction was included.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Information on investments in Mainland China
Year ended 31 December 2015

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of 1 January 2015	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended 31 December 2015: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended 31 December 2015: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of 31 December 2015	Net income of investee as of 31 December 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the years ended 31 December 2015 (*Note 2*)	Book value of investment in Mainland China as of 31 December 2015	Accumulated amount of investment income remitted back to Taiwan as of 31 December 2015	Footnote
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	264,571	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	$ –	$ –	$ –	$ –	($134,315)	100	($134,315)	($137,737)	–	
Aleees Eco Ark (Ningbo) Ltd.	Wholesale of battery and trolley bus	30,351	Through investing in an existing company in the third area, which then invested in the investee in Mainland China	–	–	–	–	(23,087)	100	(23,087)	3,999	–	

Company name (*Note 1*)	**Accumulated amount of remittance from Taiwan to Mainland China as of 31 December 2015**	**Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)**	**Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA**
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	$ –	$ –	$ –
Aleees Eco Ark (Ningbo) Ltd.	–	–	–

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

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

(B) SUPPLEMENTAL FINANCIAL INFORMATION OF THE ALEEES GROUP

The Company sets out the following supplemental financial information of the ALEEES Group, prepared under HKFRS, which were not included in the published audited financial statements of the ALEEES Group:

1. BALANCE SHEETS OF ALEEES

		As at 31 December		
		2013	**2014**	**2015**
	Note	*NTD'000*	*NTD'000*	*NTD'000*
Non-current assets				
Investments in subsidiaries	*(i)*	2,773,051	3,095,718	4,081,407
Investments accounted for under the equity method	*(ii)*	69,500	69,500	69,500
Intangible assets	*(iii)*	236,656	211,072	185,487
		3,079,207	3,376,290	4,336,394
Current assets				
Cash and cash equivalents	*(iv)*	283,937	2,835	25,780
Other receivables – related parties, net	*(v)*	293,165	266,573	–
Current income tax assets		4	4	80
Prepayments		339	1,384	257
		577,445	270,796	26,117
Total assets		3,656,652	3,647,086	4,362,511
Equity				
Common shares		1,420,737	1,420,737	1,645,736
Capital surplus	*(vi)*	1,201,118	1,200,030	788,220
Accumulated deficit		1,005,613	1,019,605	1,921,976
Total equity		3,627,468	3,640,372	4,355,932
Current liabilities				
Other payables		28,407	5,885	5,471
Other payables – related parties		–	–	279
Other current liabilities		777	829	829
Total liabilities		29,184	6,714	6,579
Total equity and liabilities		3,656,652	3,647,086	4,362,511

Notes:

(i) Investments in subsidiaries

	As at 31 December		
	2013	**2014**	**2015**
	NTD'000	*NTD'000*	*NTD'000*
Unlisted shares, at cost	2,773,051	3,095,718	4,081,407

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the ALEEES Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered and paid-up capital	Equity interest held	Name of statutory auditors
Advanced Lithium Electrochemistry Co., Ltd.	Taiwan 2005/4/15	Research, manufacturing and sale of LFP-NCO and key materials of olivine-type structure lithium battery/Taiwan	2,014,508	99.99%	(a)
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong 2009/7/10	Various types of investment/ Hong Kong	263,936	100%	(b)
Aleees Eco Ark (Cayman) Co., Ltd.	Cayman Islands 2009/9/18	Various types of investment/ Cayman Islands	1,711,634	100%	(c)

Notes:

(a) The statutory financial statements of this company for the years ended 31 December 2013 and 2014 were prepared in accordance with Taiwan FRS and were audited by PricewaterhouseCoopers, Taiwan in the Republic of Taiwan.

(b) The statutory financial statements of this company for the year ended 31 December 2013, 2014 and 2015 have not been issued up to the date of this circular.

(c) No audited financial statements were issued for this company as there is no statutory requirement to issue statutory financial statements in the Cayman Islands.

(ii) Investments accounted for under the equity method

	As at 31 December		
	2013	**2014**	**2015**
	NTD'000	*NTD'000*	*NTD'000*
Unlisted shares, at cost	69,500	69,500	69,500

For the particulars of the associates at 31 December 2013, 2014 and 2015, please refer to the audited financial statements of ALEEES included in section A of Appendix II to this circular.

(iii) Intangible assets

	License fees	Computer software	Total
	NTD'000	*NTD'000*	*NTD'000*
At 1 January 2013			
Cost	302,314	–	302,314
Accumulated amortisation	(40,073)	–	(40,073)
	262,241	–	262,241
2013			
Opening net book amount	262,241	–	262,241
Additions	–	–	–
Amortisation charge	(25,585)	–	(25,585)
Closing net book amount	236,656	–	236,656
At 31 December 2013			
Cost	302,314	–	302,314
Accumulated amortisation	(65,658)	–	(65,658)
	236,656	–	236,656

	License fees	Computer software	Total
	NTD'000	*NTD'000*	*NTD'000*
At 1 January 2014			
Cost	302,314	-	302,314
Accumulated amortisation	(65,658)	–	(65,658)
	236,656	-	236,656
2014			
Opening net book amount	236,656	-	236,656
Additions	–	–	–
Amortisation charge	(25,584)	–	(25,584)
Closing net book amount	211,072	-	211,072
At 31 December 2014			
Cost	302,314	-	302,314
Accumulated amortisation	(91,242)	–	(91,242)
	211,072	-	211,072

	License fees	Computer software	Total
	NTD'000	*NTD'000*	*NTD'000*
At 1 January 2015			
Cost	302,314	–	302,314
Accumulated amortisation	(91,242)	–	(91,242)
	211,072	–	211,072
Years ended 31 December 2015			
Opening net book amount	211,072	–	211,072
Additions	–	–	–
Reclassifications	–	–	–
Amortisation charge	(25,585)	–	(25,585)
Closing net book amount	185,487	–	185,487
At 31 December 2015			
Cost	302,314	–	302,314
Accumulated amortisation	(116,827)	–	(116,827)
	185,487	–	185,487

	Year ended 31 December		
	2013	**2014**	**2015**
	NTD'000	*NTD'000*	*NTD'000*
Selling expenses	25,585	25,584	25,585

(iv) Cash and cash equivalents

	As at 31 December		
	2013	**2014**	**2015**
	NTD'000	*NTD'000*	*NTD'000*
Checking accounts and demand deposits	283,937	2,835	25,780

(v) Other receivables – related parties, net

The amounts due from related parties are unsecured, interest-free, denominated in NTD and repayable on demand. The carrying amount of the amounts due to related parties approximate their fair values.

(vi) Capital surplus

	Paid-in capital in excess of par value	**Treasury stock transactions**	**Others**	**Total**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*
Balance at 1 January 2013	511,951	1,220	4,410	517,581
Capital issued for cash	905,452	–	–	905,452
Capital surplus used to offset accumulated deficit	(223,044)	–	–	(223,044)
Compensation related to share-based payment	343	786	–	1,129
Balance at 31 December 2013	1,194,702	2,006	4,410	1,201,118
Balance at 1 January 2014	1,194,702	2,006	4,410	1,201,118
Others	(1,088)	–	–	(1,088)
Balance at 31 December 2014	1,193,614	2,006	4,410	1,200,030
Balance at 1 January 2015	1,193,614	2,006	4,410	1,200,030
Capital issued for cash	495,000	–	–	495,000
Capital surplus used to offset accumulated deficit	(925,919)	–	–	(925,919)
Compensation related to share-based payment	19,109	–	–	19,109
	781,804	2,006	4,410	788,220

2. ACCOUNTS PAYABLE

The ageing analysis of the accounts payable of ALEEES Group as at the balance sheet dates based on invoice date was as follows:

	As at 31 December		
	2013	**2014**	**2015**
	NTD'000	*NTD'000*	*NTD'000*
Within 1 month	37,258	45,044	11,640
Between 1 and 3 months	26,469	34,811	20,712
Over 3 months	8,144	7,512	20,574
	71,871	87,367	52,926

3. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

ALEEES' directors' and chief executive's remuneration during the relevant periods, disclosed pursuant to the Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	NTD'000	*NTD'000*	*NTD'000*
Basic salaries, housing allowances, other allowances and benefits paid in kind	4,200	4,597	3,979
Share-based payment	–	–	7,550
	4,200	4,597	11,529

Certain director and chief executive of ALEEES were granted share options in respect of their services to the ALEEES Group, further details of which are included in the disclosures in the financial statements as set out in section A of Appendix II to this circular.

(a) Independent directors of ALEEES

The fees paid to independent directors of ALEEES during the relevant periods were as follows:

For the year ended 31 December 2013

	Fees	Salary	Share based payment	Other benefits	Total
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
Wei-Min Sheng	420	–	–	–	420
Chien-Yuan Lin	360	–	–	–	360
Ming-The Wang*	420	–	–	–	420
	1,200	–	–	–	1,200

For the year ended 31 December 2014

	Fees	Salary	Share based payment	Other benefits	Total
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
Wei-Min Sheng	514	–	–	23	537
Chien-Yuan Lin	454	–	–	23	477
Ming-The Wang*	514		–	18	532
	1,482	–	–	64	1,546

For the year ended 31 December 2015

	Fees	Salary	Share based payment	Other benefits	Total
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
Wei-Min Sheng	600	–	–	20	620
Chien-Yuan Lin	593	–	–	20	613
Tay Chang Wang#	299		–	8	307
	1,492	–	–	48	1,540

* In December 2014, Mr. Ming-The Wang ceased his service as director of ALEEES

\# In June 2015, Mr. Wang Tay Chang was appointed as independent director of ALEEES

There were no other emoluments payables to the independent directors of ALEEES during the relevant periods.

(b) Non-independent directors and the chief executive of ALEEES

For the year ended 31 December 2013

	Fees	**Salary**	**Share based payment**	**Other benefits**	**Total**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
Sheng-Shih Chang *(Chief executive)*	–	3,000	–	–	3,000
Tian-Lai Wang	–	–	–	–	–
Chung-Ho Tai	–	–	–	–	–
Yi Tai Fund Co., Ltd.	–	–	–	–	–
	–	3,000	–	–	3,000

For the year ended 31 December 2014

	Fees	**Salary**	**Share based payment**	**Other benefits**	**Total**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
Sheng-Shih Chang *(Chief executive)*	–	3,000	–	–	3,000
Tian-Lai Wang	–	–	–	20	20
Chung-Ho Tai	–	–	–	13	13
Yi Tai Fund Co., Ltd.	–	–	–	20	20
	–	3,000	–	53	3,053

For the year ended 31 December 2015

	Fees	**Salary**	**Share based payments**	**Other benefits**	**Total**
	NTD'000	*NTD'000*	*NTD'000*	*NTD'000*	*NTD'000*
Sheng-Shih Chang *(Chief executive)*	–	2,400	7,500	–	9,900
Tian-Lai Wang	–	–	–	20	20
Chung-Ho Tai	–	–	–	5	5
Yi Tai Fund Co., Ltd.	–	–	–	15	15
	–	2,400	7,500	40	9,940

No directors of ALEEES waived or agreed to waive any emoluments during the Relevant Periods. No incentive payment for joining the ALEEES Group or compensation for loss of office was paid or payable to any directors of ALEEES during the Relevant Periods.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the ALEEES Group are all senior management and included 1, nil and 1 director of ALEEES for the years ended 31 December 2013, 2014 and 2015, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individuals during the Relevant Periods were as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	NTD'000	*NTD'000*	*NTD'000*
Wages, salaries and allowances	20,128	29,694	25,514
Share based payment	–	–	51
	20,128	29,694	25,565

The emoluments of these non-director individuals fell within the following emolument bands:

	Year ended 31 December		
	2013	2014	2015
Emolument bands			
Nil – HK$1,000,000 (equivalent to nil to NTD$4,000,000)	2	–	–
HK$1,000,001 – HK$1,500,000 (equivalent to NTD4,000,001 to NTD6,000,000)	1	3	2
HK$1,500,001 – HK$2,000,000 (equivalent to NTD6,000,001 to NTD8,000,000)	1	2	2

During the Relevant Periods, no emoluments have been paid to any of the ALEEES's directors or the five highest paid individuals as an inducement to join or as compensation for loss of office.

4. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by ALEEES or any of the companies now comprising the ALEEES Group in respect of any period subsequent to 31 December 2015 and up to the Latest Practicable Date. No dividend or distribution has been declared or made by ALEEES or any of the companies now comprising the ALEEES Group in respect of any period subsequent to 31 December 2015.

RECONCILIATION STATEMENT OF ALEEES

Set out below is the extraction of the reconciliation statement of ALEEES for the financial years ended 31 December 2013, 2014 and 2015. The reconciliation statement below should be read in conjunction with the audited consolidated financial statements of ALEEES for the three financial years ended 31 December 2013, 2014 and 2015 set out under section 1 headed "Audited consolidated financial statements for the year ended 31 December 2013", section 2 headed "Audited consolidated financial statements for the year ended 31 December 2014" and section 3 headed "Audited consolidated financial statements for the year ended 31 December 2015" of Appendix II "Financial Information on the ALEEES Group".

Differences between Accounting Policies Adopted by the Company (FDG Kinetic Group Accounting Policies) and ALEEES (Rules Governing the Preparation of Financial Statements by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations ("Taiwan FRS") as endorsed by the Financial Supervisory Commission)

As described in the paragraph headed "Implications under the Listing Rules" set out in the section headed "Letter from the Board" to this circular, the Company has applied to the Stock Exchange for, and has been granted, a waiver to produce an Accountant's Report on ALEEES in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular contains the copy of the ALEEES' Group Financial Statements as prepared in accordance with Taiwan FRS. Your attention is drawn to the basis of preparation of the financial statements as set out in Note 3 to the audited consolidated financial statements for each of the years ended 31 December 2013, 2014 and 2015, and the opinion of PricewaterhouseCoopers, Taiwan, the independent auditor of ALEEES (together the "**ALEEES Group Historical Track Record Accounts**" as set out in Appendix II "**Financial Information on the ALEEES Group**" to this circular).

The ALEEES Historical Track Record Accounts cover the financial positions of the ALEEES Group as at 31 December 2013, 2014 and 2015, and the results and cash flows of the ALEEES Group for the three financial years ended 31 December 2013, 2014 and 2015 (the "**Relevant Periods**").

The accounting policies adopted in the preparation of the ALEEES Group Historical Track Record Accounts have not differed in material respects from the accounting policies presently adopted by the Group, which comply with Hong Kong Financial reporting Standards ("**HKFRS**").

In particular, disclosure is set out providing:

(a) A comparison between ALEEES' Group statements of comprehensive income, statements of changes in equity and statements of cash flows as extracted from the ALEEES Group Historical Track Record Accounts on the one hand, and a restatement of such statements of comprehensive income, statements of changes in equity and statements of cash flows had they instead been prepared in accordance with the accounting policies presently adopted by the Group. The process taken in the preparation of such restatement is set out below; and

(b) A comparison between ALEEES' consolidated statements of financial position as extracted from the ALEEES Historical Track Record Accounts on the one hand, and a restatement of such statements of financial position had they instead been prepared in accordance with the accounting policies presently adopted by the Group. The process taken in the preparation of such restatement is set out below.

(together the "**Reconciliation Information**")

Reconciliation Process

The Reconciliation Information has been prepared by the Directors by comparing any differences between the accounting policies adopted by the ALEEES Group for the three years ended 31 December 2013, 2014 and 2015 in accordance with Taiwan FRS on the one hand, and the accounting policies presently adopted by the Group in compliance with HKFRS on the other hand, and quantifying any relevant material financial effects of such differences. Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, it may not truly and fairly present the ALEEES Group's financial positions as at 31 December 2013, 2014 and 2015, nor the results and cash flows for each of the Relevant Periods then ended, under the accounting policies presently adopted by the Group. Your attention is drawn that the unaudited financial information does not constitute ALEEES' first set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers Hong Kong ("**PwC Hong Kong**") was engaged by the Company to conduct work on the Reconciliation Information in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The work primarily consists of:

(a) comparing historical financial information of the ALEEES Group from the audited financial statements for the financial years ended 31 December 2013, 2014 and 2015 ("**Unadjusted Financial Information**") prepared under Taiwan FRS with the underlying audited financial statements for the financial years ended 31 December 2013, 2014 and 2015;

(b) comparing the accounting policies of the ALEEES Group as set out in Appendix II of this circular with the accounting policies of the Group as set out in the published audited consolidated financial statements of the Company for the year ended 31 December 2014 and the published unaudited consolidated interim financial information of the Company for the twelve months ended 31 December 2015;

(c) reviewing the adjustments, if any, made by the Directors in arriving at the Unaudited Financial information under HKFRS and evidence supporting the adjustments; and

(d) checking the arithmetic accuracy of the computation of the Unaudited Financial Information under HKFRS.

PwC Hong Kong's engagement did not involve independent examination of any of the underlying financial information nor constitute an audit in accordance with the Approved Standards on Auditing in Taiwan and Hong Kong Standards on Auditing. PwC Hong Kong's engagement was intended solely for the use of the directors of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, PwC Hong Kong has concluded that:

(a) the unadjusted financial information of the ALEEES Group as set out in the Reconciliation Statement prepared under Taiwan FRS, is properly extracted from the audited financial statements of the ALEEES Group for the financial years ended 31 December 2013, 2014 and 2015;

(b) in all material respects there were no differences between the accounting policies of the ALEEES Group as set out in Appendix II to this circular and the accounting policies of the Group as set out in the published audited financial statements of the Company for the year ended 31 December 2014 and the published unaudited consolidated interim financial information of the Company for the twelve months ended 31 December 2015 requiring adjustments to the Unadjusted Financial Information to arrive at the Unaudited Financial Information under HKFRS; and

(c) the computation of the Unaudited Financial Information under HKFRS is arithmetically accurate.

RECONCILIATION OF FINANCIAL INFORMATION

ALEEES' audited consolidated financial statements for the three years ended 31 December 2013, 2014 and 2015 has been prepared and presented under Taiwan FRS. There are no material differences between ALEEES' audited consolidated financial statements for the three financial years ended 31 December 2013, 2014 and 2015 as presented under the ALEEES Group's then accounting policies in accordance with Taiwan FRS in comparison with that as presented under the Group's accounting policies in accordance with HKFRS.

The following unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity, unaudited consolidated statements of cash flows for each of the Relevant Periods and the unaudited consolidated statements of financial position as at 31 December 2013, 2014 and 2015 of ALEEES under HKFRS (collectively the "**Unaudited Financial Information under HKFRS**") are derived from the consolidated financial statements for each of the years ended 31 December 2013, 2014 and 2015 as included in the Appendix II to this circular. Your attention is drawn to the fact that the Unaudited Financial Information under HKFRS has not been subject to an independent audit. Accordingly, it may not fairly present the operations during the Relevant Periods and the financial positions ended on those dates under HKFRS.

Unaudited consolidated statements of comprehensive income
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
	Unadjusted Financial Information from section A(1) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(2) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(3) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Operating revenue	577,069		577,069	864,823		864,823	1,094,651		1,094,651
Operating costs	(546,821)		(546,821)	(821,885)		(821,885)	(795,197)		(795,197)
Gross profit	30,248		30,248	42,938		42,938	299,454		299,454
Operating expenses									
Selling expenses	(134,800)		(134,800)	(181,218)		(181,218)	(198,267)		(198,267)
General & administrative expenses	(150,296)		(150,296)	(198,220)		(198,220)	(237,590)		(237,590)
Research and development expenses	(150,482)		(150,482)	(240,925)		(240,925)	(251,840)		(251,840)
Total Operating Expenses	(435,578)		(435,578)	(620,363)		(620,363)	(687,697)		(687,697)
Operating loss	(405,330)		(405,330)	(577,425)		(577,425)	(388,243)		(388,243)
Non-operating income and expenses									
Other income	10,745		10,745	12,578		12,578	13,605		13,605
Other gains and losses	(547)		(547)	25,103		25,103	(34,960)		(34,960)
Finance costs	(4,778)		(4,778)	(13,041)		(13,041)	(13,106)		(13,106)
Share of loss of associates and joint ventures accounted for under equity method	(8,450)		(8,450)	(10,324)		(10,324)	(8,076)		(8,076)
Total non-operating income and expenses	(3,030)		(3,030)	14,316		14,316	(42,537)		(42,537)

Unaudited consolidated statements of comprehensive income *(Continued)*
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
	Unadjusted Financial Information from section A(1) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(2) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(3) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Loss before income tax, net	(408,360)		(408,360)	(563,109)		(563,109)	(430,780)		(430,780)
Income tax expense	–		–	–		–	–		–
Net loss for the year	(408,360)		(408,360)	(563,109)		(563,109)	(430,780)		(430,780)
Other comprehensive income, net									
Cumulative translation differences of foreign operations	3,490		3,490	(2,186)		(2,186)	1,588		1,588
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	–		–	–		–	(335)		(335)
Other comprehensive loss, net	3,490		3,490	(2,186)		(2,186)	1,253		1,253
Total comprehensive loss for the year	(404,870)		(404,870)	(565,295)		(565,295)	(429,527)		(429,527)
Loss attributable to:									
Equity holders of the Company	(408,358)		(408,358)	(563,110)		(563,110)	(430,783)		(430,783)
Non-controlling interest	(2)		(2)	1		1	3		3
Total	(408,360)		(408,360)	(563,109)		(563,109)	(430,780)		(430,780)
Comprehensive loss attributable to:									
Equity holders of the Company	(404,868)		(404,868)	(565,296)		(565,296)	(429,530)		(429,530)
Non-controlling interest	(2)		(2)	1		1	3		3
Total	(404,870)	–	(404,870)	(565,295)	–	(565,295)	(429,527)	–	(429,527)

Unaudited consolidated statements of changes in equity
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
	Unadjusted Financial Information from section A(1) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(2) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(3) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Balance at 1 January	1,460,536		1,460,536	2,260,729		2,260,729	1,694,346		1,694,346
Capital increase by cash	1,196,652		1,196,652	–		–	720,000		720,000
Capital surplus used to offset accumulated deficits	–		–	–		–	–		–
Purchase of treasury shares	(895)		(895)	–		–	–		–
Treasury stock retired	–		–	–		–	–		–
Changes in share of associates and joint ventures accounted for under equity method	–		–	–		–	–		–
Net loss	(408,360)		(408,360)	(563,109)		(563,109)	(430,780)		(430,780)
Other comprehensive income (loss)	3,490		3,490	(2,186)		(2,186)	1,253		1,253
Share-based payments	9,297		9,297	–		–	19,109		19,109
Changes in non-controlling equity	9		9	–		–	–		–
Others	–		–	(1,088)		(1,088)	–		–
Balance at 31 December	2,260,729	–	2,260,729	1,694,346	–	1,694,346	2,003,928	–	2,003,928

Unaudited consolidated statements of cash flows
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
	Unadjusted Financial Information from section A(1) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(2) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(3) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS
CASH FLOWS FROM OPERATING ACTIVITIES									
Loss before tax for the year	(408,360)		(408,360)	(563,109)		(563,109)	(430,780)		(430,780)
Adjustments to reconcile loss before tax to net cash used in operating activities									
Income and expenses having no effect on cash flows									
Depreciation	147,980		147,980	175,909		175,909	216,763		216,763
Amortisation	35,906		35,906	30,532		30,532	32,379		32,379
Reversal of allowance for doubtful accounts	–		–	713		713	(499)		(499)
Interest expense	4,778		4,778	13,041		13,041	13,106		13,106
Interest income	(582)		(582)	(722)		(722)	(2,462)		(2,462)
Compensation costs of share-based payments	1,129		1,129	–		–	19,109		19,109
Impairment loss of financial assets	–		–	–		–	–		–
Loss on disposal of property, plant and equipment	245		245	10,944		10,944	24,710		24,710
Property, plant and equipment transferred to expenses	–		–	6,089		6,089	25,157		25,157
Share of loss of associates and joint ventures accounted for under equity method	8,450		8,450	10,324		10,324	8,076		8,076
Changes in assets/liabilities relating to operating activities									
Net changes in assets relating to operating activities									
Notes receivable	(11,311)		(11,311)	(21,202)		(21,202)	107,209		107,209
Accounts receivable	16,245		16,245	(178,640)		(178,640)	172,025		172,025
Accounts receivable – related parties	–		–	(20,440)		(20,440)	20,440		20,440
Inventories	(189,311)		(189,311)	142,760		142,760	90,031		90,031
Other receivables	5,522		5,522	6,187		6,187	(8,716)		(8,716)
Prepayments	(34,286)		(34,286)	(22,321)		(22,321)	(11,720)		(11,720)
Other current assets	20,688		20,688	(137)		(137)	(448)		(448)

Unaudited consolidated statements of cash flows *(Continued)*
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
	Unadjusted Financial Information from section A(1) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(2) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(3) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Net changes in liabilities relating to operating activities									
Notes payable	24,187		24,187	(10,189)		(10,189)	3,623		3,623
Notes payable – related parties	–		–	–		–	–		–
Accounts payable	22,330		22,330	15,496		15,496	(34,441)		(34,441)
Accounts payable – related parties	5,485		5,485	(10,965)		(10,965)	–		–
Other payables	15,229		15,229	19,665		19,665	(12,745)		(12,745)
Other current liabilities	14,145		14,145	23,557		23,557	(10,275)		(10,275)
Provisions for liabilities – current	(9,000)		(9,000)	3,732		3,732	(5,279)		(5,279)
Cash used in operations	(330,531)		(330,531)	(368,776)		(368,776)	215,263		215,263
Receipt of interest	582		582	722		722	2,462		2,462
Interest paid	(5,257)		(5,257)	(12,541)		(12,541)	(13,537)		(13,537)
Net cash (used in) provided by operations	(335,206)		(335,206)	(380,595)		(380,595)	204,188		204,188
CASH FLOWS FROM INVESTING ACTIVITIES									
Decrease in other financial assets	–		–	1,230		1,230	10,841		10,841
Decrease (increase) in other non-current assets	24,947		24,947	(17,169)		(17,169)	(29,739)		(29,739)
Acquisition of property, plant and equipment	(212,232)		(212,232)	(491,711)		(491,711)	(152,212)		(152,212)
Proceeds from disposal of property, plant and equipment	308		308	2,645		2,645	4,360		4,360
Increase in refundable deposits	(8,801)		(8,801)	(3,811)		(3,811)	1,542		1,542
Acquisition of intangible assets	(4,377)		(4,377)	(12,147)		(12,147)	(285)		(285)
Net cash used in investing activities	(200,155)		(200,155)	(520,963)		(520,963)	(165,493)		(165,493)

Unaudited consolidated statements of cash flows *(Continued)*
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
	Unadjusted Financial Information from section A(1) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(2) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from section A(3) of Appendix II	Adjustment	Unaudited Financial Information under HKFRS
CASH FLOWS FROM FINANCING ACTIVITIES									
Increase in short-term borrowings	330,101		330,101	718,209		718,209	68,113		68,113
Decrease in short-term borrowings	(345,464)		(345,464)	(525,627)		(525,627)	(418,953)		(418,953)
Increase in long-term borrowings	–		–	380,416		380,416	49,442		49,442
Decrease in long-term borrowings	(73,472)		(73,472)	(115,538)		(115,538)	(121,531)		(121,531)
Acquisition of treasury shares	(895)		(895)	–		–	–		–
Proceeds from issuance of common shares	1,196,652		1,196,652	–		–	–		–
Treasury shares purchased by employees	8,168		8,168	–		–	–		–
Proceeds from capital increase	–		–	–		–	720,000		720,000
Others	–		–	(1,088)		(1,088)	–		–
Net cash provided by financing activities	1,115,090		1,115,090	456,372		456,372	297,071		297,071
Effect of changes in foreign currency exchange	(4,108)		(4,108)	(7,468)		(7,468)	5,286		5,286
Increase (decrease) in cash and cash equivalents	575,621		575,621	(452,654)		(452,654)	341,052		341,052
Cash and cash equivalents at beginning of year	246,146	–	246,146	821,767	–	821,767	369,113	–	369,113
Cash and cash equivalents at end of year	821,767	–	821,767	369,113	–	369,113	710,165	–	710,165

Unaudited consolidated statements of financial position
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
Assets	**Unadjusted Financial Information from section A(1) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**	**Unadjusted Financial Information from section A(2) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**	**Unadjusted Financial Information from section A(3) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**
Current assets									
Cash and cash equivalents	821,767		821,767	369,113		369,113	710,165		710,165
Notes receivable, net	22,262		22,262	153,038		153,038	45,829		45,829
Accounts receivable, net	136,469		136,469	317,757		317,757	142,559		142,559
Accounts receivable – related parties, net	–		–	20,440		20,440	–		–
Other receivables	11,453		11,453	5,396		5,396	13,899		13,899
Current income tax assets	47		47	22		22	207		207
Inventories, net	314,072		314,072	184,194		184,194	94,163		94,163
Prepayments	82,581		82,581	105,127		105,127	116,847		116,847
Other current assets	38,228		38,228	36,031		36,031	26,742		26,742
Total current assets	1,426,879	–	1,426,879	1,191,118	–	1,191,118	1,150,411	–	1,150,411
Non-current assets									
Investments accounted for under the equity method	68,492		68,492	59,869		59,869	52,093		52,093
Property, plant and equipment, net	966,961		966,961	1,305,261		1,305,261	1,169,013		1,169,013
Intangible assets	244,137		244,137	225,752		225,752	199,188		199,188
Deferred income tax assets	11,445		11,445	15,963		15,963	15,964		15,964
Other non-current assets	36,384		36,384	34,208		34,208	22,445		22,445
Total non-current assets	1,327,419	–	1,327,419	1,641,053	–	1,641,053	1,458,703	–	1,458,703
Total Assets	2,754,298	–	2,754,298	2,832,171	–	2,832,171	2,609,114	–	2,609,114

Unaudited consolidated statements of financial position *(Continued)*
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
Liabilities and Equity	**Unadjusted Financial Information from section A(1) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**	**Unadjusted Financial Information from section A(2) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**	**Unadjusted Financial Information from section A(3) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**
Current liabilities									
Short-term borrowings	91,194		91,194	393,350		393,350	42,510		42,510
Notes payable	24,187		24,187	13,998		13,998	17,621		17,621
Accounts payable	71,871		71,871	87,367		87,367	52,926		52,926
Accounts payable – related parties	10,965		10,965	–		–	–		–
Other payables	147,101		147,101	191,904		191,904	126,831		126,831
Other payables – related parties	–		–	6,270		6,270	7,370		7,370
Provisions – current	14,210		14,210	13,277		13,277	7,998		7,998
Long-term liabilities, current portion	–		–	106,228		106,228	107,156		107,156
Other current liabilities – others	88,042		88,042	99,589		99,589	83,425		83,425
Total current liabilities	447,570	–	447,570	911,983	–	911,983	445,837	–	445,837
Non-current liabilities									
Long-term borrowings	45,999		45,999	216,659		216,659	149,531		149,531
Provisions – non-current	–		–	4,665		4,665	4,665		4,665
Deferred income tax liabilities	–		–	4,518		4,518	4,518		4,518
Other non-current liabilities – other	–		–	–		–	635		635
Total non-current liabilities	45,999	–	45,999	225,842	–	225,842	159,349	–	159,349
Total Liabilities	493,569	–	493,569	1,137,825	–	1,137,825	605,186	–	605,186

Unaudited consolidated statements of financial position *(Continued)*
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2013			2014			2015		
Liabilities and Equity	**Unadjusted Financial Information from section A(1) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**	**Unadjusted Financial Information from section A(2) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**	**Unadjusted Financial Information from section A(3) of Appendix II**	**Adjustment**	**Unaudited Financial Information under HKFRS**
Equity attributable to owners of parent									
Share capital									
Common shares	1,420,737		1,420,737	1,420,737		1,420,737	1,645,737		1,645,737
Capital surplus									
Capital surplus	1,201,118		1,200,030	1,200,030		1,200,030	788,220		788,220
Accumulated deficit									
Accumulated deficit	(362,809)		(925,919)	(925,919)		(925,919)	(430,783)		(430,783)
Other equity									
Other equity	1,673		1,673	(513)		(513)	740		740
Treasury shares	–		–	–		–	–		–
Equity attributable to owners of the parent	2,260,719	–	2,260,719	1,694,335	–	1,694,335	2,003,914	–	2,003,914
Non-controlling interest	10	–	10	11	–	11	14	–	14
Total equity	2,260,729	–	2,260,729	1,694,346	–	1,694,346	2,003,928	–	2,003,928

Set out below is the management discussion and analysis of the ALEEES Group for each of the financial years ended 31 December 2013, 2014 and 2015 (the "**Relevant Period**"):

MARKET OVERVIEW

(1) Cathode materials for lithium ferrous phosphate ("LFP") batteries

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

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

Lithium-ion battery accounts for approximately 40-60% of an electric vehicle cost and cathode materials accounts for approximately 30-40% of lithium-ion battery cost. According to China Association of Automobile Manufacturing, the production and sales of pure electric vehicles in China in 2015 were approximately 255,000 and 247,000 respectively, representing a year-on-year growth of 420% and 450%. The recent upsurge drives robust growth in the lithium-ion battery market. It is anticipated that there will be a continual growth in lithium-ion batteries in the transportation applications. As a result, the cathode materials sector is expected to grow rapidly as well.

(2) Electric buses, batteries, charging/swap systems

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

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

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

BUSINESS OVERVIEW

During the Relevant Period, the ALEEES Group is principally engaged in the business of production, research and development and sales & marketing of cathode materials for LFP batteries and also engages in the manufacture, research & development and sales of electric buses, batteries and battery charging/swap system.

Year 2013

Due to the electric vehicle policy changes in PRC, the demand of cathode materials for LFP batteries in the second half of the year declined. Based on the estimates of Industrial Technology Research Institute of Taiwan, the 2013 shipment volume in the global market is expected to drop around 20% to 30% as compared to 2012. In a year of unclear policy and market elimination, the shipment volume of the ALEEES Group in 2013 was 914 tons. Even though the decline is around 20% year-over-year, the drop has not been as bad as some of its competitors; the ALEEES Group has been able to secure 20% market share globally.

With the successful development of innovative technologies in cathode materials for LFP batteries by the ALEEES Group, using its innovative new technology to develop end product applications, the ALEEES Group has been able to develop electric buses and battery charging/swap system, working together with international well-known vendors to build trustworthy electric buses that meet the standards of Taipei City. So far, it has developed and produced Taiwan's first pure electric-powered low-floor battery swappable large-size and mid-size buses. They have respectively passed the certification test at the Vehicle Safety Certification Center in December 2011 and March 2013, and have received the "Vehicle Safety Approval Certificate" from the Ministry of Transportation and Communications. At the same time, the high speed high-floor electric bus is undergoing testing at the Automotive Research & Testing Center.

Year 2014

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

Year 2015

Thanks to the new energy policies in China with positive efforts to promote alternate energy and new energy vehicles which boosted the overall relevant industries into rapid development, the ALEEES Group has sold over 8,000 tons in accumulation up to the end of 2015.

FINANCIAL OVERVIEW

Revenue

The ALEEES Group had an operating revenue for the three financial years ended 31 December 2013, 2014 and 2015 of approximately NT$577.07 million, NT$864.82 million and NT$1,094.65 million respectively which were mainly attributable to sale of cathode materials for LFP batteries. The segmental information of the ALEEES Group was shown as follows:

Cathode materials for LFP batteries

As at 31 December 2013, 2014 and 2015, the sales of this division were approximately NT$511.04 million, NT$826.55 million and NT$1,115.27 million respectively.

Services for charge or change battery of electric vehicles and sales of electric vehicles

As at 31 December 2013, 2014 and 2015, the sales of this division were approximately NT$66.03 million, NT$38.27 million and NT$(20.62) million respectively.

Treasury Policies

During each of the three financial years ended 31 December 2013, 2014 and 2015, cash flow forecasting was performed and aggregated by the treasury of the ALEEES

Group. During the Relevant Period, the treasury of the ALEEES Group monitored rolling forecasts of the operating entities' liquidity requirements to ensure it had sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

Foreign exchange exposure

The ALEEES Group operated internationally and was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars ("**USD**"), Japanese Yen ("**JPY**") and RMB in 2013, and USD and RMB in 2014 and 2015. During the Relevant Period, the foreign exchange risk arised from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Management had set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The ALEEES Group also expected that currency exposure arising from the net assets of the ALEEES Group's foreign operations was managed primarily through borrowings denominated in the relevant foreign currencies.

Contingent Liabilities

As at 31 December 2013, the contingencies were as follows:

(1) The ALEEES Group's subsidiary – Advanced Lithium Electrochemistry Co., Ltd. ("**Aleees (Taiwan)**") had ordered premix machine, mix tank, rolling machine, buffer tank of slurry, NMP recovery system, 5 filter PUMP, and vacuum oven and other equipment from NETWORK Appliance Limited ("**NAL company**") for US$185,985 on 28 April 2008, and agreed that NAL company hand over equipment on 15 August 2008 and Aleees (Taiwan) pay 25% of down payment after the contract was signed and stamped with the company's seal. Maxtiger Co., Ltd. ("**Maxtiger Company**") was the guarantor of the contract. After the contract was signed, Aleees (Taiwan) had paid US$46,496 on 10 June 2008 to NAL Company's appointed payee Maxtiger Company under the contract terms. However, as of 25 September 2008, NAL Company had not yet again handed over the equipment, even after a legal confirmation letter had been mailed. Aleees (Taiwan) has again mailed a legal confirmation letter to notify NAL Company for order cancellation and request for a return of down payment, and also notified Maxtiger Company about the issue. However, both NAL Company and Maxtiger Company ignored the notification and since Maxtiger Company is the guarantor, Aleees (Taiwan) had filed for return of payments after a request of the court mediation in July 2010 failed. An Administrative Judgement of Taiwan Taoyuan District Court, (100 Su Tsu No. 197 (2011)) had ruled that Aleees (Taiwan) won the first instance on 20 December 2011. However, Maxtiger Company disagreed with the judgement and appealed, and on 13 July 2011, the Taiwan High Court dismissed the appeal and sustained the original ruling, along with Maxtiger Company paying Aleees (Taiwan)'s lawyer fees for the second instance. Maxtiger Company had filed an appellate brief for the third instance to the Supreme Court on 23 January 2013. An Administrative Judgement of the Supreme Court (102 Tai-Shang-Zhi No. 2088 (2013) ruled and dismissed the appeal on 6 November 2013.

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

(3) The ALEEES Group's subsidiary – Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd. ("**Aleees SH**") had signed an agreement with Shandong Hipower Battery Co., Ltd. and Yantai Hipower Energy Battery Co., Ltd. (collectively referred to herein as "**the two respondents**") for requesting the two respondents to pay in full of unpaid inventory payments of RMB$1,080,000 before 31 March 2011, then Aleees SH agreed to supply Lithium iron phosphate amounting to RMB$810,000 to the two respondents, with the payment term of 30 days from the first day of the month following the month of purchase. Aleees SH had supplied in accordance with the agreement, while the two respondents failed to pay for inventory before the agreed upon date. Aleees SH had applied for arbitration in accordance with

related regulations to Shanghai Arbitration Commission for request of payment of accounts receivables of RMB$810,000 from the two respondents. A default award was ruled for this case by Shanghai Arbitration Commission on 10 January 2012 as follows: 1. The two respondents should pay for inventory of RMB$810,000 to Aleees SH; 2. The two respondents should pay late payment penalty (RMB$810,000 as the principle, with the interest of RMB$675,000 calculated from 1 May 2011 until the date when arbitration award is complete, and the interest of remaining RMB$135,000 calculated from 1 June 2011 until the date when arbitration award is complete, and the interest was accrued with the borrowing rate in the same period and range of People's Bank of China); 3. The arbitration expenses of RMB$22,813 were to be paid by the two respondents; 4. The arbitration award did not support the Company's arbitration applications other than the aforementioned. As of 25 March 2014, Aleees SH had proceeded with compulsory execution procedure in accordance with the arbitration award. Haiyang People's Court in Shandong Province, Mainland China had placed the case on file (2012 Hai Zhi Zi No. 60854) and lawyers were appointed to take care of the case.

As at 31 December 2014 and 31 December 2015, the ALEEES Group had no significant contingent liabilities.

Future plans for capital assets

The ALEEES Group plans to spend approximately NT$138 million on cell research production line in 2016 and 2017 by internal financing.

Liquidity and financial resources

As at 31 December 2013, 2014 and 2015, the ALEEES Group had (i) non-current assets of approximately NT$1,327.42 million, NT$1,641.05 million and NT$1,458.70 million, respectively, which mainly comprised of investments accounted for under the equity method, net property, plant and equipment, intangible assets, deferred income tax assets and other non-current assets; and (ii) current assets of approximately NT$1,426.88 million, NT$1,191.12 million and NT$1,150.41 million, respectively, which mainly comprised of cash and cash equivalents, net notes receivable, net accounts receivable, other receivables, current income tax assets, net inventories, prepayments and other current assets.

As at 31 December 2013, 2014 and 2015, the ALEEES Group had current liabilities of approximately NT$442.91 million, NT$911.98 million and NT$445.84 million, respectively, which mainly comprised of short-term borrowings, notes payable, accounts payable, other payables, provisions, current portion in long-term liabilities and other current liabilities.

The ALEEES Group had other non-current liabilities of NT$50.66 million, NT$225.84 million and NT$159.35 million as at 31 December 2013, 2014 and 2015, respectively.

As at 31 December 2013, 2014 and 2015, the ALEEES Group's aggregate borrowings were approximately NT$137.2 million, NT$610.0 million and NT$192.0 million respectively of which all borrowings were bearing interests at floating rates.

No gearing ratios* of the ALEEES Group were available as at 31 December 2013 and 2015 as the ALEEES Group was at a net cash position as at 31 December 2013 and 2015. The gearing ratios* of the ALEEES Group as at 31 December 2014 was 17%.

* *The gearing ratio is defined as the net debt over the net debt plus the total equity.*

Pledge of assets

As at 31 December 2013, 2014 and 2015, the ALEEES Group had pledged bank deposits of approximately NT$39 million, NT$36.5 million and NT$25.7 million respectively. The pledged bank deposits were pledged to mainly secure for bills payable and letter of credit issued by the ALEEES Group.

Material acquisition, disposals and significant investments

During the financial years ended 31 December 2013, 2014 and 2015, the ALEEES Group had no material acquisitions, disposals and no significant investments.

Capital Commitments

As of 31 December 2013 and 2014, the ALEEES Group had capital commitments contracted but not yet provided for of approximately NT$5.95 million and NT$40.43 million. As of 31 December 2015, the ALEEES Group had no capital commitments contracted but not yet provided for.

Employees and remuneration policies

As at 31 December 2013, 2014 and 2015, the ALEEES Group had 334, 393 and 308 employees respectively. Total staff costs in each of the three financial years ended 31 December 2013, 2014 and 2015 amounted to approximately NT$271.5 million, NT$325 million and NT$326 million. The remuneration policies are determined with reference to market conditions and individual performance of staff.

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of FDG Kinetic Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of FDG Kinetic Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2015 and related notes as set out on pages V-5 to V-9 of Appendix V to the circular issued by the Company dated 30 May 2016 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on page V-4 of Appendix V to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed subscription of 46,000,000 shares of NT$35 each of Advanced Lithium Electrochemistry (Cayman) Co., Ltd on the Group's financial position as at 31 December 2015 as if the transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited consolidated financial information for the twelve months ended 31 December 2015, on which a review conclusion has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30 May 2016

B. PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Basis of Preparation of the Pro Forma Financial Information of the Enlarged Group

The following is a pro forma consolidated statement of financial position of the Group immediately after the Completion (the "**Enlarged Group**") (the "**Pro Forma Consolidated Statement of Financial Position**") which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the impact of the proposed subscription of 46,000,000 shares of NT$35 each of Advanced Lithium Electrochemistry (Cayman) Co., Ltd ("**ALEEES**") (the "**Proposed Transaction**") on 31 December 2015, which represent approximately 21.85% of the total issued shares of ALEEES ("**ALEEES Shares**") as enlarged by the Proposed Transaction as if the Proposed Transaction had been taken place on 31 December 2015.

The Pro Forma Consolidated Statement of Financial Position is prepared based on the unaudited consolidated statement of financial position of the Group as at 31 December 2015 which has been extracted from the published second interim report of the Company for the twelve months ended 31 December 2015, after making unaudited pro forma adjustments relating to the Proposed Transaction that are (i) directly attributable; and (ii) factually supportable as if the Proposed Transaction had been undertaken as at 31 December 2015.

The Pro Forma Consolidated Statement of Financial Position has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group upon completion of the Proposed Transaction as at 31 December 2015 or at any future date.

(2) Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group	Unaudited pro forma adjustments	Notes	The Enlarged Group
	Note 1			
	HK$'000	*HK$'000*		*HK$'000*
Non-current assets				
Goodwill	485,021			485,021
Intangible assets	104,134			104,134
Property, plant and equipment	212,421			212,421
Interests in leasehold land held for own use under operating lease	18,978			18,978
Interest in an associate	751,158	387,217	2	1,138,375
Interest in joint ventures	104,039			104,039
Financial assets at fair value through profit or loss	46,185			46,185
Loan and other receivables	442			442
Investment in a secured bond	370,000			370,000
Other non-current assets	367			367
	2,092,745			2,479,962
Current assets				
Inventories	43,378			43,378
Financial assets at fair value through profit or loss	54,861			54,861
Loan and other receivables	142,798			142,798
Trade and bills receivables	24,636			24,636
Loan to an associate	40,980			40,980
Pledged bank deposits	7,577			7,577
Cash and cash equivalents	295,982	(387,217)	3	(91,235)
	610,212			222,995

	The Group *Note 1* *HK$'000*	Unaudited pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Current liabilities				
Bank loans and other borrowings	44,486			44,486
Trade and bills payables	64,579			64,579
Accruals and other payables	55,569			55,569
Current taxation	4,165			4,165
	168,799			168,799
Net current assets	441,413			54,196
Total assets less current liabilities	2,534,158			2,534,158
Non-current liabilities				
Bank loans	64,383			64,383
Liability component of convertible bonds	592,592			592,592
Deferred tax liabilities	23,707			23,707
	680,682			680,682
NET ASSETS	1,853,476			1,853,476
CAPITAL AND RESERVES				
Total equity attributable to equity shareholders of the Company				
Issued capital	1,027,129			1,027,129
Reserves	826,347			826,347
TOTAL EQUITY	1,853,476			1,853,476

(3) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The figures are extracted from the unaudited consolidated statement of financial position of the Group as at 31 December 2015 as set out in the published second interim report of the Company for the twelve months ended 31 December 2015.

2. The adjustment represent recognition of interest in ALEEES. Pursuant to the terms and conditions of the share subscription agreement, ALEEES will allot and issue and a wholly owned subsidiary of the Group, FDG Kinetic Investment Limited will subscribe for 46,000,000 ALEEES Shares at a subscription price of NT$35 each, in the sum of NT$1,610,000,000 (equivalent to approximately HK$379,717,000), based on exchange rate of HK$1.00 to NT$4.24 at 31 December 2015, which will be payable in cash upon completion. It also includes the estimated costs directly attributable to the Proposed Transaction (including fees to legal advisers, independent financial adviser, reporting accountants, printer and other expenses) of HK$7,500,000. The amount of interest in ALEEES will be subject to change due to the potential change in fair value of the Group's investment in ALEEES and exchange rate upon the completion of the Proposed Transaction and the finalisation of transaction costs.

   Upon the completion of the Proposed Transaction, the Group's interest in ALEEES will be accounted for as interest in an associate in accordance with Hong Kong Accounting Standard 28 "Investments in Associates and Joint Ventures" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

   For the purpose of the preparation of the unaudited pro forma financial information, the total subscription of NT$1,610,000,000 is considered as cost of interest in associate and not reallocated to Cooperation Agreement (as defined in the circular) and other transactions which are inter-conditional to the Proposed Transaction (as described in the Appendix I to the circular) as set out in the joint announcement of the Company and FDG, the holding company of the Company, dated 14 April 2016, the Directors and the directors of FDG consider the Cooperation Agreement and other transactions which inter-conditional to the Proposed Transaction are individually fair and reasonable.

   When preparing the pro forma financial information, the Directors made preliminary assessment, with reference to Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**") issued by the HKICPA, as to whether or not there is any impairment on the entire carrying amount of the interest in an associate.

The pro forma goodwill and other intangible assets, if any, included in interest in an associate arising from the Proposed Transaction as if the Proposed Transaction had been completed as at 31 December 2015 is calculated as follows:

	HK$'000
Total consideration (including estimated costs directly attributable to the Proposed Transaction)	387,217
Adjusted net assets of the ALEEES Group attributable to the equity holders of ALEEES as at 31 December 2015 *(Note (i))*	879,225
Share of 21.85% adjusted net assets of the ALEEES Group	192,111
Pro forma goodwill and other intangible assets, if any, included in interest in an associate *(Note (ii))*	195,106

Notes:

(i) The adjusted net assets of the ALEEES Group attributable to the equity holders of ALEEES as at 31 December 2015 is derived from the net assets of the ALEEES Group attributable to the equity holders of ALEEES as at 31 December 2015 as disclosed in the Financial Information of the ALEEES Group in Appendix II to this circular, and adjusted for cash consideration of the Proposed Transaction and the potential financial impacts of other transactions which is inter-conditional to the Proposed Transaction (all based on exchange rate of HK$1.00 to NT$4.24 at 31 December 2015), to the extent considered material by the Directors.

(ii) It is assumed that the carrying amounts of the identifiable assets and liabilities of the ALEEES Group approximate to their respective fair values. The amount of the goodwill is subject to change pending the finalisation of (i) the valuation of the identifiable assets and liabilities of the ALEEES Group, including any intangible assets not recognised by the ALEEES Group; (ii) the financial impacts of the Proposed Transaction and other transactions which are inter-conditional to the Proposed Transaction to the ALEEES Group and; (iii) the total costs of the Group's interest in ALEEES upon completion, which will be different from amounts used in the above calculation.

Since the ALEEES Group mainly engages in the business of production, research and development and sales and marketing of cathode materials for lithium ferrous phosphate batteries as well as manufacture, research and development and sales of electric buses, batteries and battery charging/swap systems, which are businesses closely related to the Group's investments in energy conservation, environmental protection and clean energy sectors, there are potential synergies to be unlocked. Moreover, ALEEES' expenses, especially the administration expenses and research and development expenses, are expected to decrease substantially after the Ark Cayman Acquisition, Ark Taiwan Asset Purchase Agreement and the R&D Service Agreement, which will bring positive impacts to ALEEES' financial results.

Based on such assessment, the Directors did not identify any impairment in respect of the entire carrying amount of the interest in an associate. After the completion of the Proposed Transaction, the Directors will assess at each subsequent reporting period whether there is any objective evidence that the interest in an associate is impaired in accordance with HKAS 36 issued by the HKICPA as a single asset.

3. The adjustment represent cash consideration for the Proposed Transaction of NT$1,610,000,000 (equivalent to approximately HK$379,717,000) and the payment of the estimated costs directly attributable to the Proposed Transaction of HK$7,500,000 in cash.

   The Group will obtain shareholder's loan from FDG Electric Vehicles Limited to finance the Proposed Transaction. With this premise, the pro forma financial information may be different from the actual results as the Group may incur finance costs arising from the shareholder's loan.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executives of the Company or their associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Long position in the Shares

None of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company as at the Latest Practicable Date.

Long Position in the ordinary shares and underlying shares of FDG, an associated corporation of the Company

Name of director/chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital *(Note 8)*
Cao Zhong	Beneficial owner	6,800,000	10,000,000	16,800,000 *(Notes 1 & 7)*	0.08%
	Interest of controlled corporations	2,651,059,998	–	2,651,059,998 *(Note 1)*	12.07%
	Interest of other parties to an agreement required to be disclosed under Section 317(1)(a) of the SFO	5,104,572,167	43,000,000	5,147,572,167 *(Notes 1 & 5)*	23.44%
Miao Zhenguo	Beneficial owner	–	15,000,000	15,000,000 *(Notes 2 & 7)*	0.07%
	Interest of controlled corporations	1,970,551,043	–	1,970,551,043 *(Note 2)*	8.97%
	Interest of other parties to an agreement required to be disclosed under Section 317(1)(a) of the SFO	5,791,881,122	38,000,000	5,829,881,122 *(Notes 2 & 5)*	26.54%
Jaime Che	Beneficial owner	1,000,000	16,000,000	17,000,000 *(Notes 3 & 7)*	0.08%
	Interest of other parties to an agreement required to be disclosed under Section 317(1)(a) of the SFO	7,761,432,165	37,000,000	7,798,432,165 *(Notes 3 & 5)*	35.51%

Name of director/chief executive	Capacity	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital *(Note 8)*
Chen Yanping	Beneficial owner	–	12,000,000	12,000,000 *(Notes 4 & 7)*	0.05%
	Interest of controlled corporations	658,125,000	–	658,125,000 *(Note 4)*	3.00%
	Interest of other parties to an agreement required to be disclosed under Section 317(1)(a) of the SFO	7,104,307,165	41,000,000	7,145,307,165 *(Notes 4 & 5)*	32.53%
Chen Guohua	Beneficial owner	–	10,000,000 *(Note 7)*	10,000,000	0.05%
Hung Chi Yuen Andrew	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Sit Fung Shuen Victor	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%
Toh Hock Ghim	Beneficial owner	–	280,000 *(Note 6)*	280,000	0.00%

Notes:

1. Mr. Cao Zhong ("**Mr. Cao**") is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 2,311,059,998 shares held by Long Hing International Limited which is wholly owned by Mr. Cao who is a director; (ii) 340,000,000 shares held by Champion Rise International Limited which is wholly owned by Mr. Cao who is a director; (iii) 6,800,000 shares and 10,000,000 share options[note 7] held by Mr. Cao; and (iv) 5,104,572,167 shares and 43,000,000 share options[note 7] held by the other parties to the Undertaking[note 5].

2. Mr. Miao Zhenguo ("**Mr. Miao**") is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 1,806,301,043 shares held by Union Ever Holdings Limited which is wholly owned by Mr. Miao who is a director; (ii) 164,250,000 shares held by Infinity Wealth International Limited which is wholly owned by Mr. Miao who is a director; (iii) 15,000,000 share options[note 7] held by Mr. Miao; and (iv) 5,791,881,122 shares and 38,000,000 share options[note 7] held by the other parties to the Undertaking[note 5].

3. Mr. Jaime Che ("**Mr. Che**") is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 1,000,000 shares and 16,000,000 share options[note 7] held by Mr. Che; and (ii) 7,761,432,165 shares and 37,000,000 share options[note 7] held by the other parties to the Undertaking[note 5].

4. Dr. Chen Yanping ("**Dr. Chen**") is interested or deemed to be interested in a total of 7,815,432,165 shares of FDG including: (i) 658,125,000 shares held by Captain Century Limited which is owned as to 60% by Dr. Chen and 40% by his spouse, Ms. Zhang Lu; (ii) 12,000,000 share options(note 7) held by Dr. Chen; and (iii) 7,104,307,165 shares and 41,000,000 share options(note 7) held by the other parties to the Undertaking(note 5).

5. On 26 February 2016, CITIC International Assets Management Limited, Star Mercury Investments Ltd., Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che, Dr. Chen Yanping and CITIC Pacific Limited entered into a concert party undertaking to regulate their dealings in the shares of FDG (the "**Undertaking**"). As such, each party to the Undertaking was deemed to have interests in the shares and/or underlying shares held by the other parties to the Undertaking under section 317(1)(a) of the SFO.

6. The interests in underlying shares of FDG represent interests in FDG shares which will be allotted and issued to the relevant director upon conversion of the zero coupon convertible bonds issued by FDG due 2018 that he holds at the initial conversion price of HK$0.50 per share of FDG.

7. The interests in underlying shares of FDG represent interests in options granted to the directors named above by FDG to subscribe for shares of FDG.

8. These percentages are calculated on the basis of 21,964,261,108 shares of FDG as at the Latest Practicable Date.

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

(b) Substantial Shareholders' interests and short positions

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no other person or company (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of substantial shareholder	Capacity	Number of Shares held in long position (L)/ short position (S)	Number of underlying shares held in long position (L)/ short position (S) under equity derivatives	Approximate percentage of the Company's total issued share capital *(Note 5)*
Sinopoly Strategic Investment Limited	Beneficial owner	3,450,532,490 (L) 2,640,000,000 (S)	–	67.19% (L) 51.41% (S)
Union Grace Holdings Limited	Beneficial owner	–	2,205,882,352 (L) 2,205,882,352 (S) *(Note 1)*	42.95% (L) 42.95% (S)
FDG	Interest held by controlled corporations *(Note 2)*	3,450,532,490 (L) 2,640,000,000 (S)	2,205,882,352 (L) 2,205,882,352 (S)	110.14% (L) 94.35% (S)
SK Holdings Co., Ltd.	Interest held by controlled corporations *(Note 3)*	269,230,770 (L)	–	5.24% (L)
Sun Hung Kai Structured Finance Limited	Beneficial owner	–	4,845,882,352 (L)	94.35% (L)
Sun Hung Kai & Co. Limited	Interest held by controlled corporations *(Note 4)*	–	4,845,882,352 (L)	94.35% (L)
Allied Properties (H.K.) Limited	Interest held by controlled corporations *(Note 4)*	–	4,845,882,352 (L)	94.35% (L)
Allied Group Limited	Interest held by controlled corporations *(Note 4)*	–	4,845,882,352 (L)	94.35% (L)
Lee Seng Hui	Interest held by controlled corporations *(Note 4)*	–	4,845,882,352 (L)	94.35% (L)

Name of substantial shareholder	Capacity	Number of Shares held in long position (L)/ short position (S)	Number of underlying shares held in long position (L)/ short position (S) under equity derivatives	Approximate percentage of the Company's total issued share capital *(Note 5)*
Lee Su Hwei	Interest held by controlled corporations *(Note 4)*	–	4,845,882,352 (L)	94.35% (L)
Lee Seng Huang	Interest held by controlled corporations *(Note 4)*	–	4,845,882,352 (L)	94.35% (L)

Notes:

1. The interests in the underlying Shares represent interests in the Shares which will be allotted and issued to Union Grace Holdings Limited upon conversion of the convertible bonds issued by the Company at the initial conversion price of HK$1.70 per Share (adjusted to HK$0.34 per share as a result of the share subdivision effective on 14 September 2015).

2. FDG is deemed or taken to be interested in (i) 3,450,532,490 Shares held by Sinopoly Strategic Investment Limited which is a direct wholly owned subsidiary of FDG; and (ii) 2,205,882,352 underlying Shares held by Union Grace Holdings Limited which is an indirect wholly owned subsidiary of FDG.

3. SK Holdings Co., Ltd. is deemed or taken to be interested in (i) 24,474,955 Shares held by SKC Co., Ltd. which is held as to 41.60% by SK Holdings Co., Ltd.; and (ii) 244,755,815 Shares held by SK China Company Limited which is a subsidiary of SK Holdings Co., Ltd.

4. Sun Hung Kai Structured Finance Limited is a wholly-owned subsidiary of Shipshape Investments Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn is a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited is a non wholly-owned subsidiary of Allied Group Limited in which Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust, having 73.91% interest in Allied Group Limited as at the Latest Practicable Date. Accordingly, all these parties are deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

5. These percentages are calculated on the basis of 5,135,646,855 shares of the Company as at the Latest Practicable Date.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at the Latest Practicable Date.

3. DIRECTORS' COMPETING INTERESTS

Mr. Cao Zhong, Mr. Miao Zhenguo, Mr. Jaime Che and Dr. Chen Yanping are also directors of FDG, a substantial shareholder of the Company, which is principally engaged in the business of research and development, production, distribution and sale of cathode materials for lithium-ion battery. Mr. Cao Zhong is also a substantial shareholder of FDG.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates is and was interested in any business (other than the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, save and except for below as disclosed in the second interim report of the Company for the twelve months ended 31 December 2015:

The loss for the twelve months ended 31 December 2015 has significantly increased to approximately HK$1,895,910,000. It is mainly due to the non-cash impairment losses on interest in associates amounted to HK$1,856,717,000, which consists of (1) an impairment loss of approximately HK$163,604,000 on interest in an associate, Agnita Limited ("**Agnita**") because the carrying amount of Agnita (net of share of loss of Agnita and share of other comprehensive income of Agnita) exceeds the proceeds from disposal of interest in Agnita and (2) an impairment loss of approximately HK$1,693,113,000 representing the excess of the Group's carrying amount of interest in an associate, Synergy Dragon Limited, over its recoverable amount.

9. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinion contained in this circular:

Name	Qualification
Alliance Capital	a licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers, Taiwan	Certified Public Accountants
PricewaterhouseCoopers, Hong Kong	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice, opinion and/or report dated 30 May 2016 and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2014, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contract entered into in the ordinary course of business carried out by the Group) have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

(a) the share subscription agreement dated 14 April 2016 and the supplemental agreement dated 23 May 2016 and entered into between the Company, ALEEES and FKIL pursuant to which ALEEES conditionally agreed to allot and issue and FKIL conditionally agreed to subscribe for the ALEEES Subscription Shares at the subscription price of NT$35 per ALEEES Subscription Share;

(b) the cooperation agreement entered into between the Company and ALEEES pursuant to which ALEEES has agreed to be engaged as a consultant to the Company in order to provide technology licensing and consultancy services to one or more PRC subsidiary(ies) of the Company in the construction of factories and production of M-series cathode materials for lithium-ion battery;

(c) the sale and purchase agreement dated 5 September 2015 entered into by Kingspark Group Limited, as purchaser, the Company as the purchaser's guarantor and SK China Company Limited and SKC Co., Ltd., as the vendors pursuant to which the purchaser agreed to purchase and the vendors agreed to sell 100% of the total issued shares of Premier Property Management Limited at a total consideration of HK$722,000,000;

(d) the placing and top-up subscription agreement dated 23 July 2015 entered into by Sinopoly Strategic Investment Limited, the Company and Guotai Junan Securities (Hong Kong) Limited in relation to the placing of up to 35,000,000 existing ordinary shares of the Company held by Sinopoly Strategic Investment Limited at HK$7.73 per share of the Company and the subscription of the new ordinary shares of the Company to be subscribed by Sinopoly Strategic Investment Limited, which number was equivalent to the number of ordinary shares of the Company actually placed by Guotai Junan Securities (Hong Kong) Limited at HK$7.73 per share of the Company;

(e) the conditional agreement dated 20 April 2015 entered into by and among Union Grace Holdings Limited, Cherrylink Investments Limited, FDG and the Company in relation to the proposed acquisition of 25% of the issued shares of Synergy Dragon Limited at a total consideration of HK$750,000,000 which was satisfied by the convertible bonds of the Company;

(f) the sale and purchase agreement dated 31 October 2014 and supplemented by two letter agreements dated 29 December 2014 and 27 January 2015, entered into among Preferred Market Limited ("**Preferred Market**"), FDG, CIAM

Investment (BVI) Limited (now known as FDG Kinetic Investment (BVI) Limited ("**FDG Kinetic BVI**")) and the Company in relation to, among other things, the sale and purchase of 41.5% of issued share capital of Agnita Limited ("**Agnita**") and the assignment of the shareholder's loan extended to Agnita to Preferred Market and the cancellation of certain call options previously granted to FDG Kinetic BVI for a total consideration of HK$520 million; and

(g) the supplemental loan agreement dated 23 September 2014 and 29 December 2014 entered into between FDG Kinetic BVI, as lender, and Agnita, as borrower, pursuant to which FDG Kinetic BVI and Agnita agreed to extend the repayment date of an interest-free loan in the principal amount of HK$150 million to Agnita.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Fung Sam Ming, who is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(c) The principal place of business in Hong Kong of the Company is at Rooms 3001–3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) This circular has been prepared in both English and Chinese, the English text of this circular shall prevail over the Chinese text in the event of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Rooms 3001–3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 6:00 p.m. on any Business Day for a period of 14 days from the date of this circular:

(a) Ark Cayman Sale and Purchase Agreement;

(b) Ark Taiwan Asset Purchase Agreement;

(c) FDG Subscription Agreement;

(d) Loan Agreement;

(e) R&D Service Agreement;

(f) the Memorandum of Association and Bye-laws of the Company;

(g) the annual reports of the Company for the year ended 31 December 2013, 31 December 2014 and the second interim report for the twelve months ended 31 December 2015;

(h) the material contracts referred to in the section headed "Material Contracts" of this appendix;

(i) the letter from the Independent Board Committee, the text of which is set out on pages 43 to 44 of this circular;

(j) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 45 to 63 of this circular;

(k) the letter from auditor in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(l) the written consent referred to in the section headed "Expert and Consent" in this appendix;

(m) a copy of the audited annual report of the ALEEES Group for the years ended 31 December 2013, 2014 and 2015;

(n) a copy of the reconciliation statement of ALEEES for the financial years ended 31 December 2013, 2014 and 2015; and

(o) a copy of this circular.

FDG Kinetic Limited
五龍動力有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 378)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of FDG Kinetic Limited (the "**Company**") will be held at Rooms 3001–3005, 30th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Thursday, 16 June 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 30 May 2016.

ORDINARY RESOLUTION

"**THAT**:

(a) the ALEEES Share Subscription Agreement entered into between FKIL, ALEEES and the Company dated 14 April 2016 and 23 May 2016 in relation to the subscription for ALEEES Subscription Shares at a total consideration of NT$1,610,000,000 payable in cash upon Completion (a copy of the ALEEES Share Subscription Agreement has been produced to the SGM and marked "A" and initialed by the Chairman of the SGM for the purpose of identification), and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) any one of the Directors be and is hereby authorised to do all such acts and things and sign, agree, ratify or execute all such documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the Board) and take all such steps as the Director in his discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the ALEEES Share Subscription Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director, in the interest of the Company."

By Order of the Board
FDG Kinetic Limited
Samantha S.M. Fung
Company Secretary

Hong Kong, 30 May 2016

Notes:

1. Every Shareholder entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead provided that if more than one person is authorised, the proxy/authorisation must specify the number of shares in respect of which each such person is so authorised. The proxy needs not be a member of the Company.

2. A form of proxy for use at the SGM convened by the above notice is enclosed herewith. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power of attorney or authority) must be completed, signed and deposited at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

3. Delivery of an instrument appointment a proxy shall not preclude a Shareholder from attending and voting in person at the SGM (or any adjourned meeting hereof) or poll convened and, in such event, the instrument appointing a proxy shall be deemed to be revoked.