

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



Minutes of the Annual General Meeting

**Time:** 9:00 a.m., Friday, April 10, 2020

**Place:** No. 398, Taoying Road., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.) (at Chuto Plaza Hotels – Hsiang Fu Hall)

**Quorum:** 173,314,075 shares were represented by the shareholders and proxies present at the meeting (including e-voting 51,965,124 shares), which amounted to 71.74% of the Company's 241,573,654 issued and outstanding shares.

**President (Directors):** Wei-Min Shen 、 Chang, Yie-Yun 、 Wang, Husan

**Chairman of Meeting:** Chang, Sheng-Shih

**Prepared by:** Lee, I-Ching

1. The Chairman declared the meeting duly constituted.
2. Chairman's speech: Omitted.
3. Report Items

Proposal 1:

Proposal: Business Report of 2019.

Explanation: Business Report of 2019, attached in Attachment 1 of the Meeting Agenda, page 9~11.

Proposal 2:

Proposal: Inspection Report of Audit Committee of 2019.

Explanation:

1. In accordance with Article 14, paragraph 4, subparagraph 3 of the Taiwan Securities Transaction Act, when the company sets up the audit committee, the provisions of the Taiwan Securities Transaction Act, the Company Act and other relevant laws for the supervisor are approved by the audit committee.
2. In accordance with the above provisions, the Audit Committee shall use the provisions of Article 228 of the Company Act to review the business report, financial statements and proposals of the deficit compensation approved by the 31st meeting of the 7th Board of Directors, and issue a verification report. Please refer to Attachment 2 of the Meeting Agenda, page 12.

Proposal 3:

Proposal: The report of sound business operation 2019.

Explanation:

1. In accordance with the Financial Supervisory certificate No.1030051218 of the Financial Supervisory Commission on December 26, 2014 the company has reported the implementation of sound business operation 2019 at the 31st meeting

- of the 7th term board of directors on February 26, 2020.
- The report of sound business operation 2019 are as attached in Attachment 3 of the Meeting Agenda, page 13~16.

Proposal 4:

Proposal: Report of private equity 2019.

Explanation: Capital injection by issuance of 30 million shares of common stocks through private placement had been terminated by the resolution of the board of Directors due to can not be done before the expiry date on April 11,2020 °

#### 4. Proposed Items

Proposal 1: (By the Board of Directors)

Proposal: Proposal for Business Report and Financial Statements 2019, please approve it.

Explanation:

- The consolidated financial statements 2019 of the company was reviewed by the accountant Yu-Kuan Lin and Wei-Hao Wu of PwC Taiwan, and reports were issued with unreserved opinions.
- The business report and financial statements 2019 accepted by the board of directors, and it is proposed to the shareholders' meeting for approval.
- Business report are as attached in Attachment 1 of the Meeting Agenda, page 9~11.
- Consolidated financial statements are as attached in Attachment 4 of the Meeting Agenda, page 17~28.

#### VOTE RESULTS,

	Votes	% of the total represented share present
For	170,205,662 (e-vote 49,912,920)	98.20%
Against	71,519 (e-vote 71,519)	0.04%
Invalid/Abstain	3,036,894 (e-vote 1,980,685)	1.75%

Resolution:Resolution:The above proposed was approved as proposed.

Proposal 2: (By the Board of Directors)

Proposal: Proposal of the deficit compensation 2019, please approve it.

Explanation:

- The Company's 2019 loss after tax was NT\$467,770,129, plus the deficits not yet compensated at the beginning of the period NT\$647,769,776, making a total of NT\$1,115,539,905 of accumulated deficits not yet compensated.
- Since the company has a loss after tax in 2019, it will not allocate or distribute dividends in accordance with the Articles of Incorporation.
- Proposal of the deficit compensation 2019 are as attached in Attachment 5 of the

VOTE RESULTS,

	Votes	% of the total represented share present
For	170,181,373 (e-vote 49,888,631)	98.19%
Against	130,935 (e-vote 130,935)	0.07%
Invalid/Abstain	3,001,767 (e-vote 1,945,558)	1.73%

Resolution:Resolution:The above proposed was approved as proposed.

**5. Discussion Items**

Proposal 1: (By the Board of Directors)

Proposal: Proposal for a capital reduction plan to offset company losses.

Explanation:

1. The Company's paid-up capital is NT\$2,415,736,540 and issued 241,573,654 shares. As of December 31,2019, deficit yet to be compensated of NT\$1,115,539,905.
2. In order to improve the financial structure and make up for accumulated losses, it is proposed to reduce NT\$1,115,539,900, and eliminate 111,553,990 shares of common stock, shares are eliminated according to the shareholding ratio of shareholders. It is estimated that the number of shares will be reduced by approximately 461.780447 shares, and the capital reduction ratio will be approximately 46.1780447%.
3. If the shares are less than one share after capital reduction, the shareholder may be required to complete the registration with the Company's stock agency with five days before the share stop-transfer date. If such registration is not completed within the prescribed time limit, the shareholder shall, reissue the cash as per the denomination of shares to the nearest NTD(round down). For those share less than one share, the Chairman of the company is authorized to contact specific persons to subscribe for the shares at denomination.
4. This time, for the shares replacement due to capital reduction, the new shares will be issued as shares in scripless form, the rights and obligations of which are the same as those of ordinary shares already issued; the paid-up capital after the reduction shall be NT\$1,300,196,640, divided into 130,019,664 shares at NT\$10 per share.
5. The base date of the share replacement due to capital reduction, the operation plan of share replacement due to capital reduction or the ratio of capital reduction shall be adjusted as a result of the change of the capital stock and other related matter, etc. When such matters are required by actual facts or as amended by the competent authority, the Chairman of the company shall be authorized by the shareholder's meeting to handle the affairs.

Supplementary explanation:

In accordance with the letter Cheng Pao Fa Tzu No. 1090000781 from Securities and Futures Investors Protection Center on Mar. 17, 2020, the Company explained relevant matters in the reply Cayman Aleees Tzu No. AC200327001 on Mar. 27, 2020:

In accordance with the letter Chin Kuan Cheng Fa Tzu No. 990028032 from Financial Supervisory Commission, Executive Yuan on May 21, 2010, the Company shall submit and explain the following information for the proposal of capital reduction to cover losses during the regular shareholders meeting:

- (I) Reasons for capital reduction.
- (II) Improving business plans and implementing measures for control and management
- (III) The Company shall explain the status of improvement on business plans and the performance of implementation thereof in the next year's shareholders meeting. Regarding this, the Company shall conduct firmly in accordance with relevant regulations to protect shareholders' rights and interests and state the progress of implementation in the minutes of the meeting and the reply letter to the Center.

**【Explanations】**

- (I) Reasons for capital reduction

The Company proposed to conduct capital reduction to compensate the cumulative loss in the past, improve the financial structure and enhance net value of the company. By doing so, the Company hopes to have sustainable development.

Until Dec. 31, 2019, the total net value of the Company was NT\$ 1,376,705 thousand; the paid-in capital was 241,574 thousand shares; the net value per share was around NT\$ 5.7. If we stimulate the percentage of capital reduction, net value per share after capital reduction would be NT\$ 10.59. Still, the actual net value after capital reduction on the prepared financial statements at the time shall prevail.

- (II) Improving business plans and implementing measures for control and management

1. The status of improvements on business plans in 2019 was reported in the shareholders' meeting agenda. Brief explanations on the strategies for improving business plans are given as follows:

- (1). New business development plan

The Company has grown stronger by the development of new energy vehicle market in China for over 10 years. In addition to consolidating such business, the Company optimizes its products and customer portfolios to increase the percentages of high unit price products and sales customers. Besides, the Company actively explores the new niche markets of cathode materials for lithium batteries and develops long-term partners to lay good future development foundation and enhance new momentum for stable business growth. Major plans are as follows:

- (a). Entering global energy storage markets

In response to global warming challenges, countries around the world are vigorously developing renewable energy. The current major direction is energy storage by batteries. In terms of technology aspect, lithium-ion

batteries remain the first-choice technology for market deployment. Thus, energy storage systems have become new darling in the industry with unlimited business opportunities as the growth in green energy raised, the cost of lithium batteries declined rapidly, the global energy consumption and the percentages of renewable energies increased continuously.

The Company has signed supply agreements with overseas well-known enterprises to work on energy storage equipment and products in joint collaboration so as to enter the supply chain of the energy storage markets, develop new customers overseas (Europe and America), strengthen the leading position and brands in the industry and expand relevant market shares.

(b). Entering the automobile lithium-iron battery market in replacement of lead-acid batteries

Under the circumstances that global environmental protection and carbon emission are required, all car manufacturers still aim for energy conservation and carbon reduction. Hence, they have successively introduced hybrid electrical vehicles more energy-efficient than traditional fuel vehicles. Hybrids will become the main vehicles in the market of Europe, America and Japan and have a faster growth than pure electric vehicles. Currently, the two major streams on the market are light-/micro-hybrids with its base in Europe and full hybrids primary from Japanese car manufacturers. Lithium batteries have the advantages of better instant charge efficiency, shallow cycle life, higher energy density and lower weight as well as gradually reduced costs, making them as a priority for car manufacturers to adopt. In addition, the overall battery usage will also increase. It can be expected to have business opportunities of lithium-iron batteries replacing lead-acid batteries.

The Company has signed supply agreements with global well-known battery enterprises and entered the supply chain of vehicles to develop the automobile lithium-iron market in replacement of lead-acid batteries in joint collaborations. In addition, the Company has completed the shipment to other overseas well-known enterprises, which will be used to produce automobile lithium batteries in replacement of the traditional storage battery. The above collaboration opportunities and real performances for shipment will increase the customers' trust for stable product quality and strengthen the leading position and brands of the Company in the industry.

(2). Product R&D plans

- (a). To improve and optimize the current products, promote competitiveness of the products in global markets and fulfill the needs of advanced product applications from customers.
- (b). To continue developing cathode materials for high-voltage lithium batteries, enhancing energy density for batteries and speeding up commercialization so as



to provide selections of better materials in electrical vehicle markets, energy storage markets or exclusive markets with high security needs.

- (c). To actively devote into the development of Ni-rich Ternary Cathode Material and the commercialization of R&D products so as to expand the Company's leading position in the market for lithium battery materials and enhance market competitiveness and profitability.

## 2. Implement measures for control and management

To improve the performance of business plans and enhance operation capabilities in financial and business performance, the management of the Company will regularly hold business management meetings to conduct comparative analysis and track management on the scheduled operational, R&D, financial and expenses goals and make necessary rectification and adjustment measures, which will be submitted to and reviewed by the Board every season. The Company will ensure to implement project progress, achieve continuous financial and business improvements, reach the goal of operational efficiency as well as reporting and explaining the status of implementation to all shareholders during regular shareholders meeting.

## VOTE RESULTS,

	Votes	% of the total represented share present
For	170,050,045(e-vote 49,757,303)	98.11%
Against	262,211(e-vote 262,211)	0.15%
Invalid/Abstain	3,001,819(e-vote 1,945,610)	1.73%

Resolution:Resolution:The above proposed was approved as proposed.

## Proposal 2: (By the Board of Directors)

Proposal: Proposal for the raising of private equity.

### Explanation:

- In order to cope with the company's future development or reinvestment or increase the working capital, and enhance the company's competitiveness, it is proposed the company to handle no more than 15 million shares of private equity to issue new shares of capital increase in cash. It is proposed the shareholders' meeting to authorize the board of directors to take into account the market conditions and meet the actual needs of the company, and handle the following financing methods and principles.
- In accordance with Article 43 paragraph 6 of the Securities and Exchange Act and the "Directions for Public Companies Conducting Private Placements of Securities", statements are as follows:

#### A. Basis and reasonableness of private equity pricing

- (1). Basis for the issuing price: The price of the common stock issued by the private capital increase in cash will be no less than 80% of the reference

price, which will be determined on the pricing date. The reference price is calculated based on the highest price in the following two benchmarks.

- (a) The issuing price shall be determined by the average of the common stock closing price which is calculated on 1, 3 or 5 business days before the pricing date, deducting the bonus shares' ex-right and dividends, and adding back the stock price after the capital reduction.
  - (b) The issuing price shall be determined by the average of the common stock closing price which is calculated on 30 business days before the pricing date, deducting the bonus shares' ex-right and dividends, and adding back the stock price after the capital reduction.
- (2). Reasonableness of the issuing price: The actual issue price is intended to be authorized by the board of directors in accordance with the law and to be within the range of no less than the resolutions of the shareholders' general meeting, depending on the specific future contacts, market conditions and the company's future prospects. The basis for the above-mentioned private placement price is in accordance with the regulations of the competent authority, and at the same time, the timing, object and quantity of the transfer of private equity are in strict restrictions. Also, it is not allowed to be listed in the OTC within 3 years, and the liquidity is poor. Therefore, the portion of private placements should be reasonable.

#### B. The means of selecting the specified persons

- (1). Private placements of securities are limited to the specific persons pursuant to Article 43 paragraph 6 of the Securities and Exchange Act and the Financial Supervisory certificate No. 0910003455 of the Financial Supervisory Commission on June 13, 2002.
- (2). If the subscriber is a strategic investor: The company will choose the subscriber with good understanding of the company's operations and is beneficial to future operations. Individuals or legal persons who assists the company to improve its quality, reduce costs, and increase efficiency by applying the person's own experience, techniques, brand reputation or channel programs, etc. In order to improve the company's financial structure and strengthen its solvency, the funds of the subscribers can improve the overall financial quality of the company. The huge cost of capital and operational risks can be reduced, and the company's financial structure can be improved. It is proposed that the board of directors to be authorized to review the relevant qualifications of strategic investors.
- (3). If the subscriber is an insider or related parties of the company: Currently there are no planned applicants for insider or related parties.
- (4). The subscriber has not yet been arranged by the company, and it is proposed that the board of directors to be authorized to decide the arrangement of the

actual subscriber.

C.Reasons for private placement

- (1).Reasons for not using public offerings: Considering the timeliness, convenience and issuing costs, we plan on cash capital increase through private placement.
  - (2).The purpose and the expected benefits of the private equity shares: The total number of private equity shares is limited to no more than 30 million shares, and the book value per share is NT\$10. It is proposed to authorize the board of directors for private placement several times (up to three times) within one year from the date of resolution of the shareholders' meeting. The funds for each of the private placements are used to enrich working capital, reinvestment or other capital needs for future development, and effectively reduce the cost of capital, strengthen the company's competitiveness and enhance operational efficiency.
3. Private shares of the private placement of securities shall have the same rights and obligations as issued shares, and shall not be transferred except to the transferees specified in Article 43 paragraph 8 of the Securities and Exchange Act within three years from the delivery date. After three full years since the delivery date, it is proposed to authorize the board of directors to apply to the competent authority for the privately placed securities to be traded on the over-the-counter markets in accordance with the relevant laws and regulations.
  4. Except for the portion of private placements, the essential contents of the private placement plan includes issuing price, number of shares, issuance conditions, project plans, progress in the use of funds, expected benefits, and other unfinished matters. If there are any modifications in the future due to changes in objective environmental factors, it is proposed that the board of directors is authorized to fully handle it in accordance with relevant regulations.

Supplementary explanation:

In accordance with the letter Cheng Pao Fa Tzu No. 1090000781 from Securities and Futures Investors Protection Center on Mar. 17, 2020, the Company explained relevant matters in the reply Cayman Aleees Tzu No. AC200327001 on Mar. 27, 2020

The Company will use these private placements to meet cash flow, re-investments or other future development needs. However, in view of the “cash and cash equivalents” in the consolidated balance sheet of the Company issued on Sep. 30, 2019, the amount was approximately 387.5% of the “operating income” in the consolidated balance sheet in 2018. Besides, no major capital expenditures were reported in the Market Observation Post System or in the media recently. The Company already conducted an issuance of common stocks for cash in 2019. Please explain the necessity and rationality for conducting private placements during this shareholders meeting.

【Explanations】



The Board agreed to conduct private placements by resolution on Feb. 26, 2020. The Company shall use the funds from private placements to meet future development, re-investments or cash flow needs. Considering timeliness, convenience and distribution costs, private placements have the features of high speed and convenience and may not be freely transferable within three years, and hence, ensured business stability of the company. Hence, proposals for private placements to raise funds were arranged in the regular shareholders meeting during the past two years for unexpected needs.

The Company had cash and cash equivalents of NT\$ 583,974 thousand on Sept. 30, 2019, which accounted for 387.5% of the consolidated operating income in 2018. This was mainly due to the issuance of common stock for cash, NT\$ 372,000 thousand, in Q3 of 2019. However, the NT\$ 115,000 thousand among them was used to repay bank borrowings in Q4. In addition, the Company has expanded other overseas market and production application markets, making an increase of 158% in 2019, comparing to 2018. Hence, the needs for working capital increased comparing to last year. The proposal for private placements is necessary and rational in response to changes in the industry and to meet the needs for funding business development.

#### VOTE RESULTS,

	Votes	% of the total represented share present
For	166,958,798(e-vote 46,666,056)	96.33%
Against	3,330,394(e-vote 3,330,394)	1.92%
Invalid/Abstain	3,024,883(e-vote 1,968,674)	1.74%

Resolution:Resolution:The above proposed was approved as proposed.

#### Proposal 3: (By the Board of Directors)

Proposal: Proposal for modification of the “Articles of Incorporation”.

#### Explanation:

1. The amendment is in accordance with the regulation of the Checklist for Important Matters Concerning the Protection of Shareholders’ Equity in the Country where A Foreign Issuer is registered which were regulated by Taipei Exchange.
2. Modified Articles of Incorporation Revision Table are as attached in Attachment 6 of the Meeting Agenda, page 30~38.

#### VOTE RESULTS,

	Votes	% of the total represented share present
For	170,199,848(e-vote 49,907,106)	98.20%
Against	71,534(e-vote 71,534)	0.04%
Invalid/Abstain	3,042,693(e-vote 1,986,484)	1.75%

Resolution:Resolution:The above proposed was approved as proposed.

#### Proposal 4: (By the Board of Directors)

Proposal: Proposal for modification of the “Regulations Governing Endorsement & Guarantee Operations”.

Explanation:

1. The amendment is in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” is release by the Financial Supervisory Commission.
2. Modified “Regulations Governing Endorsement & Guarantee Operations” Table are as attached in Attachment 7 of the Meeting Agenda, page 39~42.

VOTE RESULTS,

	Votes	% of the total represented share present
For	170,180,711(e-vote 49,887,969)	98.19%
Against	71,612(e-vote 71,612)	0.04%
Invalid/Abstain	3,061,752(e-vote 2,005,543)	1.76%

Resolution:Resolution:The above proposed was approved as proposed.

Proposal 5: (By the Board of Directors)

Proposal: Proposal for modification of the “Regulations Governing Shareholders’ Meeting”

Explanation:

1. It is proposed to modify parts of the “Regulations Governing Shareholders’ Meeting” in accordance with the official letter No. 10900500261 of the Taipei Exchange on January 13, 2020.
2. Modified “Regulations Governing Shareholders’ Meeting” Table are as attached in Attachment 8 of the Meeting Agenda, page43~45.

VOTE RESULTS,

	Votes	% of the total represented share present
For	170,207,782(e-vote 49,915,040)	98.20%
Against	71,606(e-vote 71,606)	0.04%
Invalid/Abstain	3,034,687(e-vote 1,978,478)	1.75%

Resolution:Resolution:The above proposed was approved as proposed.

## 6. Election Items

Proposal 1: (By the Board of Directors)

Proposal: The Election of Directors

Explanation:

1. The term of the Company’s seventh Board of Directors will terminate on June 15<sup>th</sup>, 2020. The re-election should be held on the annual shareholders general meeting in 2020.
2. According to the corporate guidelines, the company hires 7 to 11 directors,

- including at least 3 independent directors, whose term would not exceed 3 years.
3. The Board of Director meeting resolved that the 8<sup>th</sup> Board of Directors of the company should include 7 directors (including 4 independent directors) elected with candidate nomination system. The three-year term of the directors lasts from April 10<sup>th</sup>, 2020 to April 9<sup>th</sup>, 2023. The original directors step down from the position as soon as new directors take the position.
  4. The nominated candidates for directors and independent directors have been resolved on the Board of Director meeting. The directors should be elected from the name list. Please refer to page 46~48 of the Appendix 9 for candidates' educational background, experience, and other relevant information.
  5. One of the candidates, Mr. Wei-Ming Shen, has served three consecutive terms as an independent director of the company. His participation and the proposal he raised in the Board of Director meeting have displayed his experience in accounting, expertise in auditing, and knowledge in corporation governance. It is believed that he could remain independence and fairness while supervising the Board of Directors meeting and providing professional opinions, so he is nominated again to be the company's independent director to benefit the operation of the company.

Voting Results:

Title	Shareholder No. or ID No.	Candidate	Votes	Note
Director	1	CHANG, Sheng Shih	232,928,385 (e-vote 50,457,972)	Elected
Director	198101****	CHE, Jaime	188,974,363 (e-vote 49,513,674)	Elected
Director	197109****	CHING, Chi Kei	176,051,382 (e-vote 49,553,495)	Elected
Independent Director	A12024****	SHENG, Wei Min	150,812,834 (e-vote 49,758,985)	Elected
Independent Director	T22031****	CHANG, Yie Yun	147,938,886 (e-vote 49,752,467)	Elected
Independent Director	S22231****	WANG, Hsuan	146,947,002 (e-vote 49,808,655)	Elected
Independent Director	F12480****	Lee, Chien Hsiu	145,481,157 (e-vote 49,725,058)	Elected

**7. Other Items**

Proposal 1: (By the Board of Directors)

Proposal: Proposal for Release the Prohibition on Directors from Participation in Competitive Business.

Explanation:

1. The Corporate Guideline Article No. 108 stipulates that a director should make a briefing on the shareholders meeting should any actions be taken by the director for the business operation of his own company or other companies, and the proposal should be accepted by majority of the attendees on a meeting with presence of over 2/3 of the shareholders.
2. The noncompete agreement is to be lifted when the Company's directors invest in or operate other companies of which the target market is identical or similar to that of the Company without harming the benefit of the company. Please refer to page 49 of Appendix 10 in this brochure.

VOTE RESULTS,

	Votes	% of the total represented share present
For	168,777,252(e-vote 49,858,384)	97.38%
Against	104,523(e-vote 104,523)	0.06%
Invalid/Abstain	4,432,300(e-vote 4,432,300)	2.55%

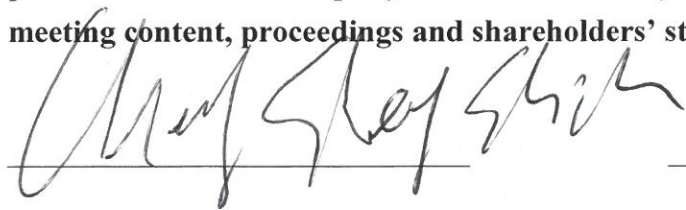
Resolution:Resolution:The above proposed was approved as proposed.

**8. Extemporary Motions**

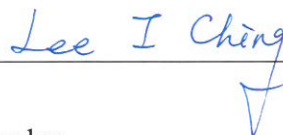
(Questions raised by the shareholders and the management's responses were omitted)

**9. Closure of the Meeting: 12:15 p.m., Friday, April 10, 2020**

**This meeting minutes was recorded in accordance with Article 183, paragraph 4 of the provisions of the Company Act. The meeting audio recording still prevail regarding the meeting content, proceedings and shareholders' statements**



Chairman



Recorder