



Press Release

AEC (Applied Electronics Corporation) agreed with Quanmax PC exclusive sales for Japanese market.

AEC will supply diskless thin client PC, tablet PC, smart phone for the domestic market. These products are the “must” for the Cloud Computing.

Tokyo, July 2nd, 2010 -- AEC (Nishigotanda 1-13-5. Shinagawa, Tokyo, President Masahiro Yano) has announced today AEC has signed the contract with Quanmax Inc. (Taipei, Taiwan, CEO Kevin Tseng) for exclusive sales of the notebook PC for the Japanese market on June 7th, 2010. The outline of the contract is as follows.

1. Quanmax grants AEC exclusive rights to sell current notebook PC product line.
2. Quanmax and AEC will increase the product line from now on.
3. Quanmax will open the PC support center in Japan.

AEC has also agreed with Quanmax about the rights to sell PC products other than notebook PC, along with above contract.

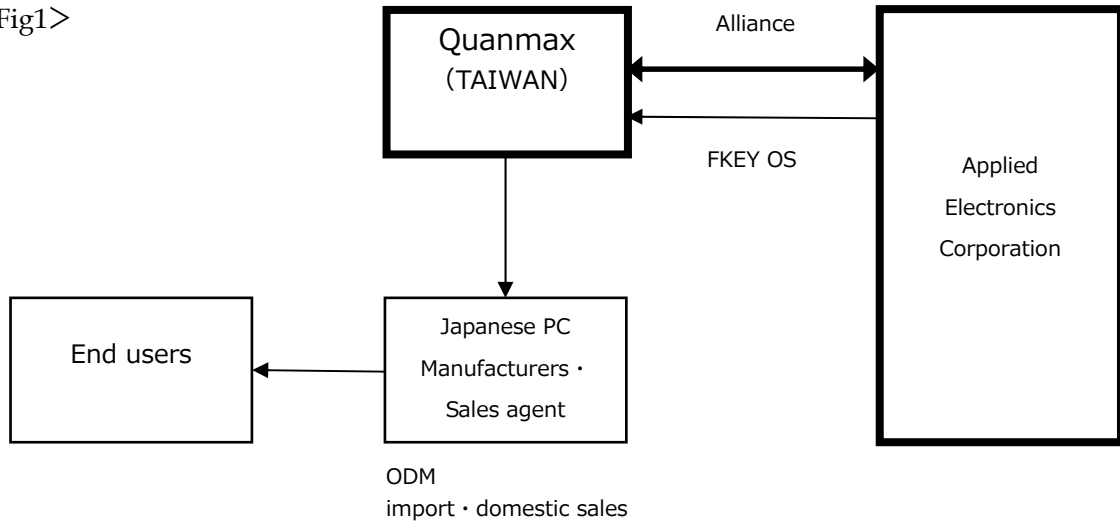
“FKEY OS” will be built into those PC at the production facility. FKEY OS is the dedicated thin client operating system developed by AEC. This is the first trial in the industry dedicated thin client OS is built into PC at the manufacturing line , shipped and sold for the Japanese market.

By getting the partnership with Quanmax, AEC can now stably supply diskless thin client PCs and other PCs equipped with FKEY OS which is very friendly with the cloud computing. This thin client market is expected to grow very rapidly and AEC can respond to the market demand from small scale to large scale flexibly.

AEC promotes own brand “FKEY” with supplying various PCs for the Japanese market. Also, planning to supply the thin client OS for OEM vendors and PC vendors. And expand

the Japanese cloud computing PC market.

<Fig1>



About Quanmax

Quanmax (Quanmax Inc. *1) designs notebooks and embedded PCs and supplying to market such as Europe, Taiwan, China with their brand “Quanmax” and “MAX DATA”.

*1 Quanmax Inc. URL <http://www.quanmax.com/> TAIWAN over the counter market (3549.TWO)

Objectives of the partnership with AEC

The main purpose of this partnership is to enrich the product line and expand the business in Japan since AEC has the leading edge next generation communication and software technology.

With the growing market’s interest in the cloud computing, Quanmax has been considering to utilize the thin client technology, which satisfy both usability and security into their products. For the cloud computing and thin clients, it is very important to support the next generation high speed communication network such as 4G and LTE. Quanmax believes Japanese mobile network operators have the world cutting edge technology in this area and has been looking for a chance to go into the cloud computing / thin client business that matches the corporate strategy. With the alliance of AEC, Quanmax will take advantage of the Japanese next generation high speed network technology promptly. Quanmax hopes to add the cloud computing and dedicated thin client terminals to their product line. These products are expected to get the strong demand from Japanese market.

About AEC

Applied Electronics Corporation has been doing business in the advanced technology area for more than twenty years. Especially after 2007, AEC is developing advanced software for cloud computing together with the major domestic mobile network operator.

Purpose of the alliance with Quanmax

After the joint development of the thin client operating system FKEY OS together with the major mobile network operator, AEC is manufacturing FKEY OS built in USB memory sticks and micro SD cards. These products are used with existing PCs and turn them into the thin client. With the growing market interest about the cloud computing these days, there is also strong market demand for the dedicated thin client terminals which have no hard disks and built in operating system. We have decided this alliance is mandatory in order to built in the FKEY OS at the PC production line.

The purpose of the alliance with Quanmax is to establish the path to supply the FKEY OS built in thin client PCs to the major PC vendors worldwide including Japanese vendors. By doing this, data center hosting business will grow which is very important part of the cloud computing. AEC is working with data centers and will supply “Thin client package” and “Cloud computing service”. Thin client terminals will play very important role in this business. With this alliance, mass production and sales of the thin client PC is ready. Also the domestic maintenance system will be available shortly.

Smart phones and tablet PCs are included in the cloud computing ready thin client terminal line. AEC will increase the FKEY OS built in products in the domestic market.

<Fig2> Examples of Quanmax products



Market size specialized for thin client

○Domestic PC shipping

	2006~2009 Average	2010	2011	2012	2013	2014
Domestic annual shipments of PC (thousand units)	13,383	13,750	13,750	13,750	13,750	13,750
Ratio of forecast for introduction of virtualization	11.5%	14.0%	17.5%	22.5%	28.0%	35.1%
Forecast units of PC for virtualization (thousand units)	1,539	1,925	2,406	3,094	3,850	4,826

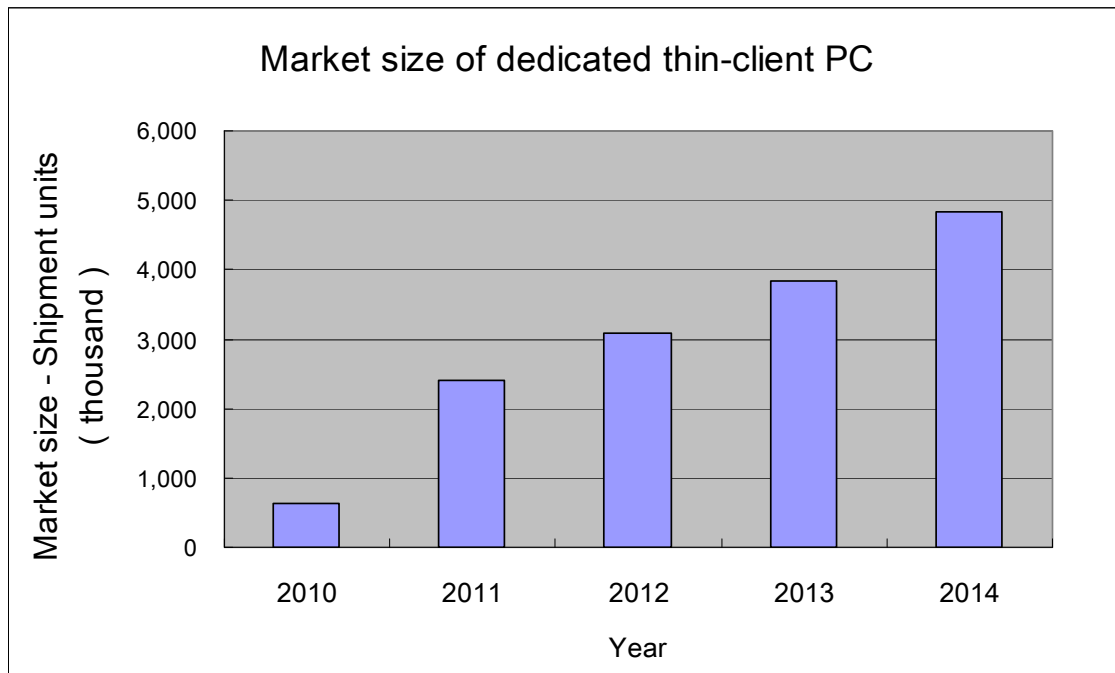
- 1 . PC shipping 2006~2009 year average(actual)and 2010 (estimate) by Mitsubishi Research Institute. After 2011, it assumes there is no change from2010, since change after 2006 is less than 10%.
- 2 . Estimated ratio used for virtualization is form IDC documentation. Year average from 2006 to 2009 is the value of 2009.

○Market size estimated by AEC

AEC assume the client for virtualization is the target of the thin client "FKEY OS"

AEC estimates as the following table after 2010. For 2010 the number is after Q3.

	2010	2011	2012	2013	2014
Market scale of dedicated thin-client PC Annual shipments (thousand units)	642	2,406	3,094	3,850	4,826



This estimate only includes thin client PCs and not include servers, smart phones, tablet PCs etc. which are also FKEY OS built in products.

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