

Stock Code : 5227

aleees



Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Annual Report 2022

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

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

Printed on May 10, 2023

THIS IS A TRANSLATION OF THE 2022 ANNUAL REPORT (THE "ANNUAL REPORT") OF ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

1. Company Spokesperson, Deputy Spokesperson, Name of Domestic Litigation/Non-Litigation Agent, Title, Contact No. and Email Address:

Spokesperson: Paul Chu, Investment Chief	Email: ir@alechem.com
Deputy Spokesperson: Paul Chu, Investment Chief	Email: ir@alechem.com
Contact Tel: 886-3-364-6655	
Name of Domestic Litigation/Non-Litigation Agent:	
Sheng-Shih Chang Chairman cum CEO	Email: ir@alechem.com
Contact Tel: 886-3-364-6655	

2. Address and contact no. of headquarters, subsidiary and factories
 - (1) Parent Company

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Registered Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands, British West Indies.
	Main Operating Address: No. 2-1, Xinghua Road, Guishan Industrial Park, Taoyuan District, Taoyuan City, Taiwan (R.O.C.)
Website: http://www.aleees.com	Tel: (886) 3-364-6655

 - (2) Subsidiary

Advanced Lithium Electrochemistry Co., Ltd.	Address: No. 2-1, Xinghua Road, Guishan Industrial Park, Taoyuan District, Taoyuan City, Taiwan (R.O.C.)
Website: http://www.aleees.com	Tel: (886) 3-364-6655
Aleees Eco Ark Co., Ltd.	Address: No. 2-1, Xinghua Road, Guishan Industrial Park, Taoyuan District, Taoyuan City, Taiwan (R.O.C.)
Website: http://www.aleees.com	Tel: (886) 3-364-6655
Advanced Lithium Electrochemistry (HK) Co., Limited	Address: Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong
Website: http://www.aleees.com	Tel: (886) 3-364-6655
Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.	Address: Address: Room 1201-004, 12F., Building 2 ,No. 2020, Zhongshan West Road, Xuhui District, Shanghai, China
Website: http://www.aleees.com	Tel: (86) 21-6420-1418
Aleees US, Corp.	Address: 257 Old Churchmans Road, New Castle City, New Castle County, zip code 19720, Delaware.
Website: http://www.aleees.com	Tel: (886)3-364-6655
Aleees AU Pty. Ltd.	Address: 62-64 Burwood RD Burwood NSW 2134
Website: http://www.aleees.com	Tel: (886)3-364-6655
Aleees Texas, LLC	Address: 2245 Texas Drive, Suite 300, Sugar Land, TX, USA 77479
Website: http://www.aleees.com	Tel: (886)3-364-6655
Aleees EU SARL	28 rue de l'Amiral Hamelin 75116 Paris France
Website: http://www.aleees.com	Tel: (886)3-364-6655
Aleees UK, Ltd.	Address:42-46 STATION ROAD EDGWARE ENGLAND HA8 7AB
Website: http://www.aleees.com	Tel: (886)3-364-6655

3. Name, address, website and contact no. of stock brokerage

Name: Concord Securities Group.	Address: B1., No. 176, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)
Website: https://www.concords.com.tw	Tel: (886) 2-8787-1888

4. Name of CPA for the latest certified annual financial statements; name, address, website and contact no. of accounting firm:

Name of CPA: WEI-HAO Wu, Yu-Kuan Lin

Name of Accounting Firm: PwC Taiwan Address: 30F., No. 1092, Zhongzheng Rd., Taoyuan Dist., Taoyuan City, Taiwan (R.O.C.)

Website: <http://www.pwc.tw>

Tel: (886) 3-315-8888

5. Name of stock exchange for overseas listed securities and method for enquiry of overseas securities information: N/A

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

7. List of the Company's board of directors:

Title	Name	Nationality	Academic Qualifications/Experience
Chairman	Sheng-Shih Chang	ROC	<ul style="list-style-type: none"> • Juris Doctorate, National Taiwan Normal University • Juris Master, National Taiwan Normal University • Juris Asst. Professor, China University of Science and Technology • General Manager of Neso Technology Limited in Greater China, Pou Chen Group
Director	Jaime Che	Australia	<ul style="list-style-type: none"> • The Scots College • CEO/Chairman's Assistant and Investor Relations Manager, Shougang Fushan Resources Group Limited (SEHK: 0639 , now renamed as Shougang Fushan Resources Group Limited)
Director	Chi-Kei Ching	Hong Kong China	<ul style="list-style-type: none"> • MBA, Bradford University (UK) • Bachelor of Business Administration in Accountancy, Hong Kong Polytechnic University • ACCA, certified by the Association of Chartered Certified Accountants • Member of the Hong Kong Institute of Certified Public Accountants
Independent Director	Wei-Min Shen (Note1)	ROC	<ul style="list-style-type: none"> • Ph.D. in Accounting, Purdue University • Dean of Research and Development Division, Office of Academic Affairs and Department of Public Finance and Taxation of National Taichung University of Science and Technology • Chair of the Department of Accounting, Associate Professor of Tunghai University • Independent Director of Siliconware Precision Industries Co., Ltd
Independent Director	Yie-Yun Chang	ROC	<ul style="list-style-type: none"> • Doctor Juris, University of Munich (Germany) • Dean of the School of Law, Fu Jen Catholic University • Member of the Copyright Consultation and Review Committee of the Intellectual Property Office, MOEA • Member of the 6th Fair Trade Commission
Independent Director	Hsuan Wang	ROC	<ul style="list-style-type: none"> • Ph.D. in Accounting, National Taiwan University • Assistant Professor, School of Management, Yuan Ze University • Adjunct Lecturer, Department of Accounting, National Taiwan Normal University • Assistant Supervisor, Deloitte Accounting Firm
Independent Director	Chian-Hsiu Lee	ROC	<ul style="list-style-type: none"> • MAA, Central Queensland University • Mandarin Brother international pty ltd. (Sydney) Sales Manager • G.M., Taiwan Hua-Yu Industrial Co., Ltd. • Technical Director, Boteng (Xiamen) Plastics Co. Ltd. • President, Bailin Fluorescent PTY., LTD.
Independent Director	Jhih-Da Yan (Note2)	ROC	<ul style="list-style-type: none"> • PhD in Finance from National Chengchi University • Associate Professor of Finance and Taxation Department at National Taichung University of Science and Technology • Independent Director of Feature Integration Technology Inc. • Independent Director of Sinopower Semiconductor Inc.

Note1: The dismiss of that independent director was effective on April 15, 2022.

Note2: The independent director was appointed at the shareholder's meeting on June 30, 2022, with a term starting from June 30, 2022, and ending on April 9, 2023.

Table of Contents

I. LETTER TO THE SHAREHOLDERS	1
1. 2022 BUSINESS REPORT.....	1
2. BUSINESS PLAN OVERVIEW FOR THE CURRENT YEAR AND COMPANY DEVELOPMENT STRATEGIES	2
3. THE EFFECTS OF THE EXTERNAL COMPETITIVE ENVIRONMENT, REGULATORY ENVIRONMENT AND OVERALL BUSINESS ENVIRONMENT	3
II. COMPANY PROFILE	5
1. DATE OF ESTABLISHMENT AND COMPANY INTRODUCTION	5
2. COMPANY CHRONICLE OF EVENTS.....	8
3. RISK MATTERS.....	11
III. COMPANY GOVERNANCE REPORT	12
1. MANAGEMENT SYSTEM.....	12
2. INFORMATION ON THE DIRECTORS, SUPERVISORS, CEO (GM), VICE PRESIDENTS, SENIOR MANAGER AND THE MANAGER OF EACH DEPARTMENT AND BRANCH.....	14
3. CORPORATE GOVERNANCE STATUS	26
4. INFORMATION ON THE CERTIFIED PUBLIC ACCOUNTANT (CPA) FEES.....	67
5. INFORMATION ON THE CHANGE IN THE CPAS	68
6. THE COMPANY’S CHAIRMAN, CEO(GM), THE MANAGER IN CHARGE OF FINANCIAL AFFAIRS OR ACCOUNTING AFFAIRS HAVING SERVED WITH THE VERIFYING CERTIFIED PUBLIC ACCOUNTANT HOUSE OR ITS RELATED COMPANIES OVER THE PAST YEAR.....	69
7. TRANSFER OF SHARES, PLEDGE OR CHANGE IN EQUITY BY THE DIRECTORS, SUPERVISORS, MANAGERS AND MAJOR SHAREHOLDERS HOLDING OVER 10% OF THE AGGREGATE TOTAL IN THE RECENT FISCAL YEAR AND AS OF THE PRINTING DATE OF THIS ANNUAL REPORT.....	69
8. INFORMATION ON THE TOP-10 SHAREHOLDERS OF THE COMPANY BEING RELATED PARTIES, SPOUSES, OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP AMONG THEMSELVES	69
9. COMPANY, COMPANY DIRECTORS, SUPERVISORS, MANAGERS AND BUSINESSES CONTROLLED BY THE COMPANY DIRECTLY OR INDIRECTLY PERTAINING TO THE SAME RE-INVESTMENT BUSINESS SUPPORTING SHARE VOLUME, AND THE CONSOLIDATED SHAREHOLDINGS RATE COMBINED AND CALCULATED	70
IV. CAPITAL RAISING STATUS	72
1. CAPITAL AND SHARES	72
2. STATUS OF COMPANY DEBT (INCLUDING OVERSEAS COMPANY DEBT) ARRANGEMENTS	76

3.	ISSUANCE OF PREFERRED SHARES.....	76
4.	ISSUANCE OF OVERSEAS DEPOSIT RECEIPT CERTIFICATES (DRC)	76
5.	ISSUANCE OF EMPLOYEE STOCK OPTION CERTIFICATES.....	76
6.	RESTRICTION UPON EMPLOYEES IN RIGHTS OVER NEW SHARES.....	76
7.	STATUS OF MERGER	76
8.	INWARD TRANSFER OF OTHER FIRMS' NEW SHARES	76
9.	IMPLEMENTATION OF CAPITAL UTILIZATION PLANS	76
V.	OPERATIONAL HIGHLIGHTS	82
1.	BUSINESS ACTIVITIES	82
2.	MARKET AND SALES OVERVIEW.....	92
3.	UPDATE OF EMPLOYEES IN THE LAST TWO YEARS AND UP TO THE PUBLICATION OF THE ANNUAL REPORT.....	100
4.	DISBURSEMENTS FOR ENVIRONMENTAL PROTECTION.....	100
5.	LABOR RELATIONS.....	100
6.	INFORMATIC SECURITY MANAGEMENT	102
7.	IMPORTANT CONTRACTS	104
VI.	FINANCIAL STATUS	106
1.	CONDENSED BALANCE SHEET AND STATEMENTS OF COMPREHENSIVE INCOME FOR THE PAST FIVE YEARS	106
2.	FINANCIAL ANALYSES FOR THE PAST FIVE YEARS.....	108
3.	AUDIT REPORT ISSUED BY THE AUDIT COMMITTEE MEMBERS FOR THE FINANCIAL REPORTS FOR THE MOST RECENT YEAR(S)	109
4.	FINANCIAL STATEMENTS FOR THE MOST RECENT YEAR	109
5.	A PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE MOST RECENT YEAR, CERTIFIED BY A CPA	109
6.	IF THE COMPANY OR ITS AFFILIATES HAVE EXPERIENCED FINANCIAL DIFFICULTIES IN THE RECENT TWO YEARS AND UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT, THE ANNUAL REPORT SHALL EXPLAIN HOW SAID DIFFICULTIES WILL AFFECT THE COMPANY'S FINANCIAL SITUATION.....	109
VII.	A REVIEW AND ANALYSIS OF THE COMPANY'S FINANCIAL POSITION AND FINANCIAL PERFORMANCE, AND A LISTING OF RISKS.....	110
1.	FINANCIAL POSITION	110
2.	FINANCIAL PERFORMANCE	111
3.	CASH FLOW	112
4.	IMPACT OF MAJOR CAPITAL EXPENDITURE ON FINANCIAL OPERATION IN THE MOST RECENT FISCAL YEAR	112

5.	RE-INVESTMENT POLICY FOR THE MOST RECENT FISCAL YEAR, THE MAIN REASONS FOR THE PROFITS AND LOSSES, IMPROVEMENT PLANS AND INVESTMENT PLANS FOR THE COMING YEAR.....	112
6.	RISK ANALYSIS AND EVALUATION IN RECENT YEARS AND UP TO THE PUBLICATION OF THE ANNUAL REPORT.....	114
7.	OTHER IMPORTANT MATTERS:NONE.....	130
VIII.	SPECIAL DISCLOSURE	131
1.	COMPANY ORGANIZATION	131
2.	TRANSACTION ABOUT THE COMPANY'S PRIVATE PLACEMENT OF SECURITIES IN THE RECENT FISCAL YEAR AND UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT	134
3.	HOLDING OR DISPOSAL OF SHARES IN THE COMPANY BY THE COMPANY'S SUBSIDIARIES IN THE RECENT FISCAL YEAR AND UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT...	134
4.	OTHER MATTERS NECESSARY TO BE SUPPLEMENTED WITH EXPLANATION	134
5.	EXPLANATION OF ANY MATERIAL DIFFERENCES FROM THE RULES OF THE ROC IN RELATION TO THE PROTECTION OF SHAREHOLDERS' EQUITY	135
6.	ANY OF THE SITUATIONS LISTED IN ARTICLE 36, PARAGRAPH 2, SUBPARAGRAPH 2 OF THE SECURITIES AND EXCHANGE ACT, WHICH MIGHT MATERIALLY AFFECT SHAREHOLDERS' EQUITY OR THE PRICE OF THE COMPANY'S SECURITIES	139

I. Letter to the Shareholders

1.2022 Business Report

(1) The overview and results of management policy and business plan implementation

Our company has been deeply involved in the lithium battery cathode material industry for more than a decade, accumulating years of research and development and technological innovation. We hold over 120 exclusive patents worldwide and are one of the few companies outside of China that possess complete LFP lithium material manufacturing technology and patents.

The outbreak of COVID-19 in 2020 had a severe impact on the global economy, resulting in a significant decline in revenue. However, as the pandemic situation has gradually improved, the testing and production demands of our customers in Europe, the US, Japan, and Korea have gradually recovered and grown. In addition, in 2022, we transformed into a company that focuses on intellectual property rights licensing and signed a licensing agreement with a European customer in the fourth quarter of 2022, which drove revenue growth. As a result, our consolidated revenue for 2022 was NTD 707.524 million, an increase of NTD 394.656 million or about 126% compared to the previous year, while our consolidated after-tax net loss for 2022 was NTD 398.099 million, a decrease of NTD 160.587 million or about 29% compared to the previous year.

All employees will work hard, hoping to create a more favorable environment, improve sales performance, and create corporate value, so as to repay all shareholders and investors for their long-term support to the company.

All employees will work hard, hoping to create a more favorable environment, improve sales performance, and create corporate value, so as to repay all shareholders and investors for their long-term support to the company.

(2) Financial income and expenses and profitability analysis

Unit: NT\$ thousand

	Item	2022	2021
Financial Income and Expenses	Operating revenues	707,524	312,868
	Gross Operating Profit	18,149	(72,390)
	Net Operating Profit	(398,099)	(558,686)
Profitability	Gross Profit %	3%	-23%
	Net Profit %	-56%	-178%

With the easing of the impact of the COVID-19 pandemic, the demand for the company's positive electrode materials has increased. Additionally, the company has transformed into a lithium intellectual property supplier that licenses LFP patents and technology. The company signed its first customer in 2022 and recognized intellectual

property licensing revenue, which resulted in an increase in revenue of NT \$395 million compared to the same period last year.

As a result of recognizing intellectual property licensing revenue, the company's operating loss of NT \$72 million in 2021 has turned into an operating profit of NT \$18 million in 2022. In response to the expansion of licensing business, the company has increased its operating consulting expenses and overseas subsidiary operating expenses, resulting in an increase in operating expenses of approximately NT \$147 million in 2022 compared to the same period last year (excluding expected credit losses).

In summary, due to the significant increase in revenue and no provision for expected credit losses related to long-term receivables (i.e., convertible bonds) from FDG Electric Vehicles Limited in 2022, the company's net loss after tax decreased by approximately NT \$161 million compared to the same period last year, a decrease of approximately 29%.

(3) Research and Development

- i. The company is actively investing in research and development of high-voltage lithium battery cathode materials and high-nickel ternary cathode materials, and commit to commercialization of new products.
- ii. The company continues to develop new granule designs and cathode post-processing techniques, optimize the quality and function of the product, offer high-quality products to fulfill the needs of various clients, and increase its competitive advantage.
- iii. The company takes initiative and launch developing projects in collaboration with domestic and overseas research institutes as well as the clients so as to increase the cycle life and density of energy density of the batteries.

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

The company's product is known for having the longest life cycle and highest quality in the industry. We focus on developing lithium battery cathode materials, introduce a new generation of process technology and equipment, and combine advanced wet nano grinding technology and surface modification technology. The aim is to further increase the volume energy of materials density and rate discharge performance so that the lithium battery cathode materials we produce can have higher purity, lower impurities, and better processing performance. Hopefully, we can meet the needs of customers requiring high-end products or offer customized applications. Also, we use advanced powders design and powder post-processing technology to improve production yield and reduce production costs, which can strengthen the company's leading position in the industry, remaining the competitiveness our products in the global market.

This year, we will continue to expand our market in energy storage batteries and electric vehicle batteries. In addition, we are transforming ourselves into a lithium intellectual property (IP) supplier specializing in lithium iron phosphate patents and technologies. We will help our clients to establish automated production factories for lithium battery materials with a capacity of more than 100,000 tons in Europe, America, and Asia. Our goal is to achieve stable revenue growth and improve operational efficiency. We will collaborate with clients to jointly develop high-energy density battery materials, enhance our competitive advantage, establish a solid foundation for our future long-term development, and create new momentum to sustain our company's steady growth.

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

Developing sustainable energy has been viewed as an important global trend in environmental protection. Currently, more than 130 countries have passed or announced their goal to achieve net-zero carbon emissions by 2050. Developing green energy has become a global consensus, and as countries continue to increase their efforts in developing renewable energy and increasing the proportion of green energy, the establishment of energy storage systems is also necessary. Energy storage systems can smooth out the output of green energy and improve the utilization rate of renewable energy, which is the key reason for developing energy storage. Energy storage equipment can be widely used in the power system, including power generation, transmission, distribution, and end-users, including residential and commercial enterprises, all of which have a demand for energy storage equipment. Since it involves the entire power system, the main driving force is still government policy support. In addition to government policies, there is also an expected increase in demand from end-users who install energy storage systems at home to maintain stable electricity, and in the business sector, driven by the commitment to achieving net-zero carbon emissions, the demand for green energy generation is increasing, and energy storage needs are also increasing. The lithium-ion battery energy storage market has shown significant growth, and under the influence of the electric vehicle market, lithium-ion battery technology is gradually improving, production capacity is expanding, and costs are decreasing. With the push of international decarbonization policies, the energy storage sector is expected to become the second-largest application market for lithium-ion batteries in the next few years.

The global electric vehicle market is developing rapidly, with over 20 countries worldwide setting goals to electrify their vehicles or ban the sale of fossil fuel vehicles, with the target timeline falling between 2025 and 2050, with European countries being the most active. Many countries are promoting the sale of electric vehicles through policies,

such as legal targets for carbon dioxide emissions in Europe, subsidies for electric vehicle purchasers in China, or tax incentives for purchasers in the United States, driving carmakers to invest heavily in the global electric vehicle market, resulting in a significant growth in demand for electric vehicles. According to TrendForce research, some orders and demand for the vehicle market have been postponed until 2023 due to chip shortages. It is estimated that the global vehicle sales in 2023 will be about 83.9 million units, with an annual growth rate of 3.7%, reaching approximately 91 million units by 2025. Benefiting from the rapid penetration of electric vehicles, there are huge business opportunities for car electronics related components. The components related to electric vehicles will become the main incremental market in the next ten years and will enjoy a high growth rate, driven by national decarbonization goals, sales bans, and subsidies for purchasing. As the core component that accounts for the highest cost of electric vehicles, reducing power battery cost will be the strategy critical to the upcoming competitiveness, also including that companies will concentrate on two topics, that is, dropping down the cost of battery materials and safe supply chain. Toward this trend, lithium iron phosphate battery would mostly have more clear cost performance ratio (CP Value); besides, with constant progress in technology globally, we would anticipate it to be the mainstream of end-user market in the upcoming 2-3 years, and the ratio of lithium iron phosphate battery to ternary lithium battery will expect to turn from 3:7 to 6:4 in 2024.

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

Chairman Sheng-Shih Chang



II. Company Profile

1. Date of Establishment and Company Introduction

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. was established as an investment holding company on November 16th, 2007. The organizational of the Company is according to their business operations, which is the production, R&D and sales of cathode materials for LFP batteries. Emerging industries belonging to alternative energy technology.

The Company started off with its foothold in Aleees (Taiwan), which was established on April 15th, 2005. Since its establishment, we have been relentlessly developing olivine-structured cathode materials, a critical driving force in the standing of lithium-ion batteries, and focusing our development on the goals of extending battery life and improving energy density. Our terminal application of the products are mainly electric vehicles (including hybrid electric vehicles) and energy storage business. Through our self-developed LFP Nano Cocrystalline Olivine (LFP-NCO) patent, substantial manufacturing capabilities, production experience and shipment track records, we have achieved a leading position in the global market of cathode materials for LFP batteries.

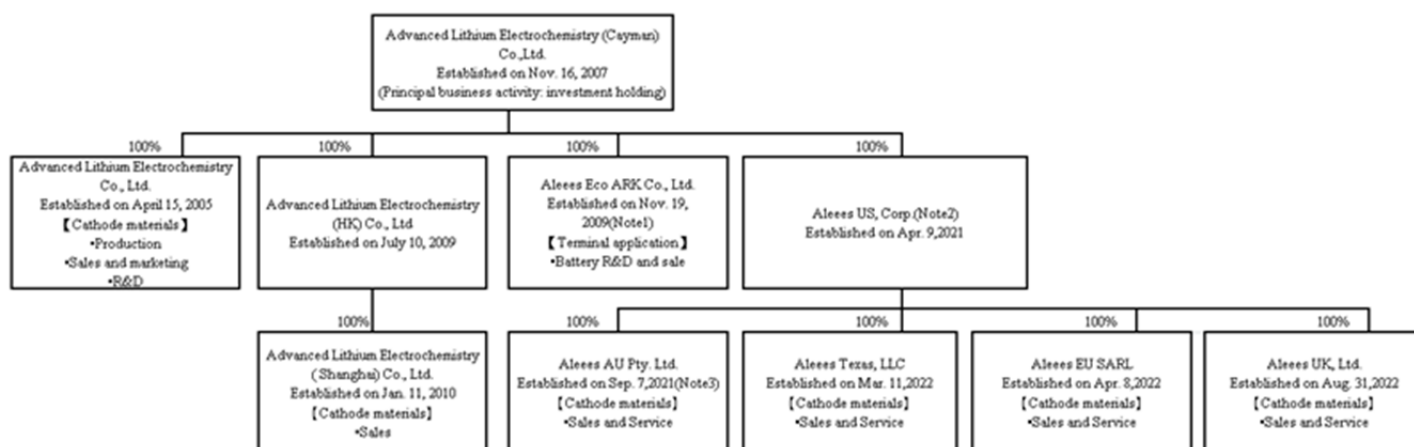
Following the trend of energy saving and carbon reduction, many countries around the world have successively promulgated policies to promote the energy storage, which brings about well-developed environment for the market of energy storage. Stable power supply can be achieved with energy storage equipment, which brings about business opportunities of energy storage for applications of household and industrial use or electric vehicles. The batteries used for energy storage systems are also designed to fulfill criteria of green energy and safety regulations. Lithium-iron batteries have become the first choice in the market for energy storage. Due to the demand for energy saving and carbon reduction, governments of various countries have been promoting electrification of automobiles, launching policies of encouragement as well as penalty to urge global traditions and the emerging OEM companies to actively developing vehicles using renewable energy (including hybrid vehicles); as lithium-iron batteries are favored by the market, and their production scale and efficiency have increased year by year. With production costs decreased, products can be sold at an ideal price. The technique can be applied by more manufacturers, and uses of iron batteries have gradually prevailed the market. As industry develops, and steady growth of lithium iron battery materials can be ensured.

The company's strategic layout in the lithium battery material industry is summarized as follows: starting from 2022, it will transform into a lithium intellectual property (IP) supplier specializing in the patent and technology licensing of lithium iron phosphate. Here is a summary of the operating functions of each important subsidiary company.

Company Name	Established Location	Operational Function
Aleees (Taiwan)	Taiwan	Production, R&D and sales of cathode materials for lithium battery.
Aleees (HK)	Hong Kong	Investment holding, reinvestment in Aleees SH.
Aleees SH	Mainland China	Sales of cathode materials for lithium battery
Aleees(US)	United States of America	Investment holding, reinvestment in Aleees(AU), Aleees(TX), Aleees(EU) and Aleees(UK).
Aleees(AU)	Australia	Development and service of lithium battery cathode materials for overseas customers.
Aleees(TX)	United States of America	Development and service of lithium battery cathode materials for overseas customers.
Aleees(EU)	France	Development and service of lithium battery cathode materials for overseas customers.
Aleees(UK)	United Kingdom	Development and service of lithium battery cathode materials for overseas customers.

(1) Group Structure

As of May 10,2023



Note1: This company has been dissolved by resolution in the twentieth meeting of the seventh session of the Board of Directors, and is currently undergoing liquidation.

Note2 : Advanced Lithium Electrochemistry(US), LLC. , renamed as Aleees US, Corp. on April 15, 2022.

Note3 : Alees AU Pty. Ltd. , renamed as Aleees AU. Ltd. on May 20, 2022.

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

i. Headquarters

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Registered Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208 , Cayman Islands, British West Indies.

Main Operating Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Tel: (886) 3-364-6655

Taiwan (R.O.C.)

ii. Main Operating Location

Advanced Lithium Electrochemistry Co., Ltd.

Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-364-6655

Aleees Eco Ark Co., Ltd.

Address: No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan District, Taoyuan City, Taiwan (R.O.C.) Tel: (886) 3-364-6655

Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.

Address: Room 1201-004, 12F., Building 2 ,No. 2020, Zhongshan West Road, Xuhui District, Shanghai, China Tel: (886) 3-364-6655

Aleees AU Pty Ltd

Address: 62-64 Burwood RD Burwood NSW 2134 Tel:(886)3-364-6655

Aleees Texas, LLC

Address: 2245 Texas Drive, Suite 300, Sugar Land, TX, USA 77479 Tel:(886)3-364-6655

Aleees EU SARL

Address: 28 rue de l'Amiral Hamelin 75116 Paris France Tel:(886)3-364-6655

Aleees UK, Ltd.

Address: 42-46 STATION ROAD EDGWARE ENGLAND HA8 7AB Tel:(886)3-364-6655

iii. Investment Holding Subsidiaries

Advanced Lithium Electrochemistry (HK) Co., Limited

Address: Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong Tel: (886) 3-364-6655

Aleees US, Corp.

Address:257 Old Churchmans Road, New Castle City , New Castle County , zip code 19720, Delaware. Tel:(886)3-364-6655

2. Company Chronicle of Events

Date	Major Events
Apr 2005	Aleees Taiwan was established.
Oct 2006	Aleees Taiwan set up its first LFP production line in Taoyuan Taiwan.
May 2007	Aleees Taiwan passed its ISO9001:2000 quality certification.
Jun 2007	Aleees Taiwan completed its four worldwide LFP patent deployments in 8 countries and territories (Taiwan, Japan, the U.S., Canada, European Union (EU), Korea, Mainland China and India).
Jul 2007	Aleees Taiwan announced its $\text{LiFePO}_4 \cdot z\text{M}'\text{O}$ technology.
Nov 2007	The Company completed its establishment and registration.
Jan 2008	Aleees Taiwan passed its ISO14001:2004 quality certification.
Jan 2008	Aleees Taiwan announced the start of a 3-year cooperation plan on the study of base materials with NSRRC Taiwan.
Jul 2008	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. was established
Nov 2008	Aleees Taiwan formally starts the mass production of LFP-NCO.
Nov 2009	Aleees Eco Ark (Taiwan) was established.
Jan 2010	Aleees SH was established.
May 2010	Aleees Taiwan set up its precision instruments lab.
May 2010	Aleees Taiwan presented its research results on neutron diffraction.
Dec 2010	Aleees Eco Ark (Taiwan) produced its first pure electric-powered low-floor battery swappable bus.
Feb 2011	Aleees Taiwan began phase two of its 3-year cooperation plan on study of base materials with NSRRC Taiwan.
May 2011	Aleees Taiwan set up the Electric Vehicle Demonstration Alliance.
Jul 2011	The group obtained licensing for 85 patents from LiFePO_4+C Licensing AG, including the “Good enough” patent and “Carbon-coating” patent.
Aug 2011	Aleees Taiwan passed the TTQS training quality evaluation conducted by the Workplace Development Agency of the Council of Labor Affairs, Executive Yuan.
Sep 2011	Aleees Eco Ark (Taiwan) completed the development of the E-bus battery module.
Oct 2011	Aleees Taiwan received invitation from Boston in the U.S., to give a keynote speech in the 220th ECS Meeting.
Dec 2011	Aleees Eco Ark (Taiwan) received the proof of vehicle safety certification from VSCC for its pure electric-powered low-floor battery swappable bus.
Jan 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Taoyuan City.
Feb 2012	Aleees Taiwan passed the OHSAS18001:2007 certification (Occupational Safety and Hygiene Management System).
Mar 2012	Aleees Taiwan passed the TS16949:2009 certification (Automotive Supplier Quality Management System).
Jun 2012	Aleees Eco Ark (Taiwan) signed the Electric Bus Procurement Agreement with Hsinchu Bus Co.
Aug 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Zhongli City.
Oct 2012	Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. completed the cancellation of its registration

Date	Major Events
Oct 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Taipei City.
Oct 2012	The group joined as a member of the “Taiwan Electric Bus Cross-Industry Alliance”.
Nov 2012	The first pure electric-powered low-floor battery swappable bus of Aleees Eco Ark (Taiwan) was officially unveiled in Kinmen County.
Dec 2012	Aleees Taiwan received an award at the 6th Taoyuan County Corporate Excellence Awards for “Excellence in Green Energy”.
Dec 2012	Aleees Taiwan received an award at the 2012 EPA, Executive Yuan Award Ceremony for “Excellence in Taking Actions for Low Carbon Emissions”.
Mar 2013	Aleees Eco Ark (Taiwan) received proof of vehicle safety certification from VSCC for its pure electric-powered low-floor battery swappable large-sized buses.
Aug 2013	Aleees Taiwan received the “Outstanding Corporation Award” at the 10th National Quality Awards; while Aleees Eco Ark (Taiwan) received the “Best Green Energy Transportation System” in the award category of “Best Product Categories”.
Dec 2013	Aleees Taiwan passed the audit of the Industrial Development Bureau, MOEA, in “Determination of Conformance as a Green Mark Factory in the Hygienic Production Evaluation System”.
Dec 2013	Aleees Eco Ark (Taiwan) won the 2013 National Sustainable Award
Dec 2013	First share listing of the Company on GTSM.
Jan 2014	The Aleees Group held the “Arts and Fun Fest with You” event to give back to local low income residents through the donation of household resources and care for the underprivileged. We led our employees to engage in volunteer work and take the lead to spread our remarkable corporate culture.
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with CHTC Bonluck Bus Co., Ltd. in Nanchang, Jiangxi Province, China.
Mar 2014	Aleees Eco Ark (Taiwan) began its collaboration with Yuyao City People’s Government in Zhejiang Province, China.
Mar 2014	Aleees Eco Ark (Taiwan) reaches the one-million-mile mark for its pure electric-powered low-floor battery swappable buses in Taiwan.
Apr 2014	The Aleees Group set up the Bade Research Center.
Apr 2014	In response to International Earth Day, our pure electric-powered low-floor battery swappable buses were put on display for the first time at the Lady Run Charity Run and the “Electric Bus Low Carbon Rest Area” was set up.
May 2014	Aleees Taiwan was invited to participate in the “LFP Batteries Recycled Use League” to manufacture secondary storage use of vehicular batteries.
June 2014	The vehicular batteries manufactured by Aleees Taiwan were on official display in Kinmen and adopted to team up with the National Chung-Shan Institute of Science & Technology to jointly promote the “Community Oriented Recycled Energy Storage Systems”.
June 2014	The Aleees Group participated in the 11 th International Battery Tech Expo, believed to be the world’s top scale exhibition of its like, to display the highest-level specification cathode materials for LFP batteries, applicable to electric buses and integrated usage in other regions (including energy storage).

Date	Major Events
July 2014	The low floor pure electric buses manufactured by Aleees Eco Ark (Taiwan) were put into commercial run in Hualien County in eastern Taiwan, to create a brand-new backyard for the Company in Taiwan.
July 2014	The Aleees Group sponsored the “Cross-Strait Green Industry Forum 2014”.
July 2014	The Aleees Group teamed up with Longhua Automobile Co., Ltd.—the largest vehicle manufacturer in Heilongjiang, China and signed the Letter of Intent to deploy in China’s electric bus market.
Aug 2014	The Aleees Group officially set up the Corporate Social Responsibility Committee.
Aug 2014	Aleees Taiwan signed the Memorandum of Understanding with Japanese counterpart Sony for a joint venture in the manufacturing of lithium batteries as the world’s most advanced production base for lithium batteries.
Aug 2014	The Aleees Group set up Aleees Eco ARK (Ningbo) in Yuyao, Zhejiang, China to officially land in Chinese markets.
Sep 2014	Aleees Eco Ark Canada was officially incorporated.
Nov 2014	Aleees Eco Ark (Taiwan) was invited to co-sponsor the Contemporary Engineering Tech Symposium XXV and to sponsor a sub-project about the Trends of Sustainable Green Development to promote low carbon and energy conservation deployment for the entire world.
Nov 2014	Pure electric-powered low-floor battery swappable buses manufactured by Aleees Eco Ark (Taiwan) start to serve Taroko National Park, as the first line of low carbon green energy buses to serve a national park in Taiwan.
Nov 2014	The Aleees Group was conferred upon the double honors of “Sustainable Development Report Award among the Top 50 in Taiwan”, and the “Innovative Growth Award”.
Dec 2014	As officially promulgated by the Industry & Information Ministry, People’s Republic of China through Announcement No. 82 [2014], the pure electric buses manufactured by Aleees through a joint venture with CHTC Bonluck Bus Co., Ltd. in Jiangxi, China were officially licensed in China and were approved to be marketed in the entire Chinese market.
May 2015	The Aleees Group was ranked among the top 5% among all companies listed on the Taipei Stock Exchange in Session One.
Nov 2015	The Aleees Group was awarded with the ISO50001 certification for efficient management of energy usage in the whole factory.
Nov 2015	The Aleees Group, for the second time, was conferred upon the honor of “Sustainable Development Report Award among Top 50 in Taiwan”.
Apr 2016	The Aleees Group was awarded the distinction of being ranked among the top 5% among all enterprises listed on TSEC/TPEX in Session Two.
Apr 2016	The Aleees Group signed the strategic alliance and capital-related cooperation agreement with FDG Electric Vehicles Limited and FDG Kinetic Limited.
Apr 2016	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the second consecutive year.
Jun 2016	The Aleees Group received the Green Leadership Award-Asia Responsible Entrepreneurship Awards 2016.
Nov 2016	The Aleees Group received the gold medal among the Top 50 Corporate Sustainability Reports in Taiwan for three years running.

Date	Major Events
Nov 2016	The Aleees Group, FDG Kinetic Limited and the District Administration Commission of Gui'an New District, Guizhou Province, China, signed a cooperative framework agreement.
Dec 2016	Aleees Taiwan's cumulative shipments exceeded 10,000 metric tons.
Apr 2017	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the third consecutive year.
Apr 2018	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the fourth consecutive year.
Dec 2018	Through resolution at the Twentieth Meeting of the Seventh Session of the Board of Directors, Aleees Eco Ark (Taiwan) was dissolved and is currently undergoing liquidation
Apr 2019	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the fifth consecutive year.
Jun 2019	Officially signed a business purchase agreement by the Advanced Lithium Electrochemistry Co., Ltd with a International battery manufacturer
Apr 2020	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the Sixth consecutive year.
May 2020	Reduce capital to make up for losses of NT\$ 1,115,539,900 .
Apr 2021	The Aleees Group was ranked among the top 5% of all companies listed on the Taipei Stock Exchange for the Seventh consecutive year.
Apr 2021	Advanced Lithium Electrochemistry (US), Corp. was officially incorporated.
May 2021	Reduce capital to make up for losses of NT\$ 679,199,750.
Sep 2021	Alees AU Pty Ltd. was officially incorporated.
Nov 2021	Reduce capital to make up for losses of NT\$ 320,996,890.
Mar 2022	Aleees Texas, LLC was officially incorporated.
Apr 2022	Aleees EU SARL was officially incorporated.
Apr 2022	Advanced Lithium Electrochemistry (US), Corp., renamed as Aleees US, Corp.
May 2022	Alees AU Pty. Ltd. renamed as Aleees AU. Ltd.
May 2022	The company has signed a memorandum of understanding for the production of lithium iron phosphate (LFP) battery materials with ICL Group Ltd., a US-listed company.
Aug 2022	Aleees UK, Ltd. was officially incorporated.
Sep 2022	Aleees (Taiwan) has signed a formal memorandum of understanding with the Northern Territory Government of Australia and Australian company Avenir Ltd.
Oct 2022	Aleees (Taiwan) has signed a formal service contract for LFP cathode material authorization with a major European lithium-ion battery manufacturer.
Feb 2023	Aleees (Taiwan) has signed a global production authorization license and service contract with ICL Group (NYSE code: ICL) (TASE code: ICL), a US specialty chemicals company.

3. Risk Matters

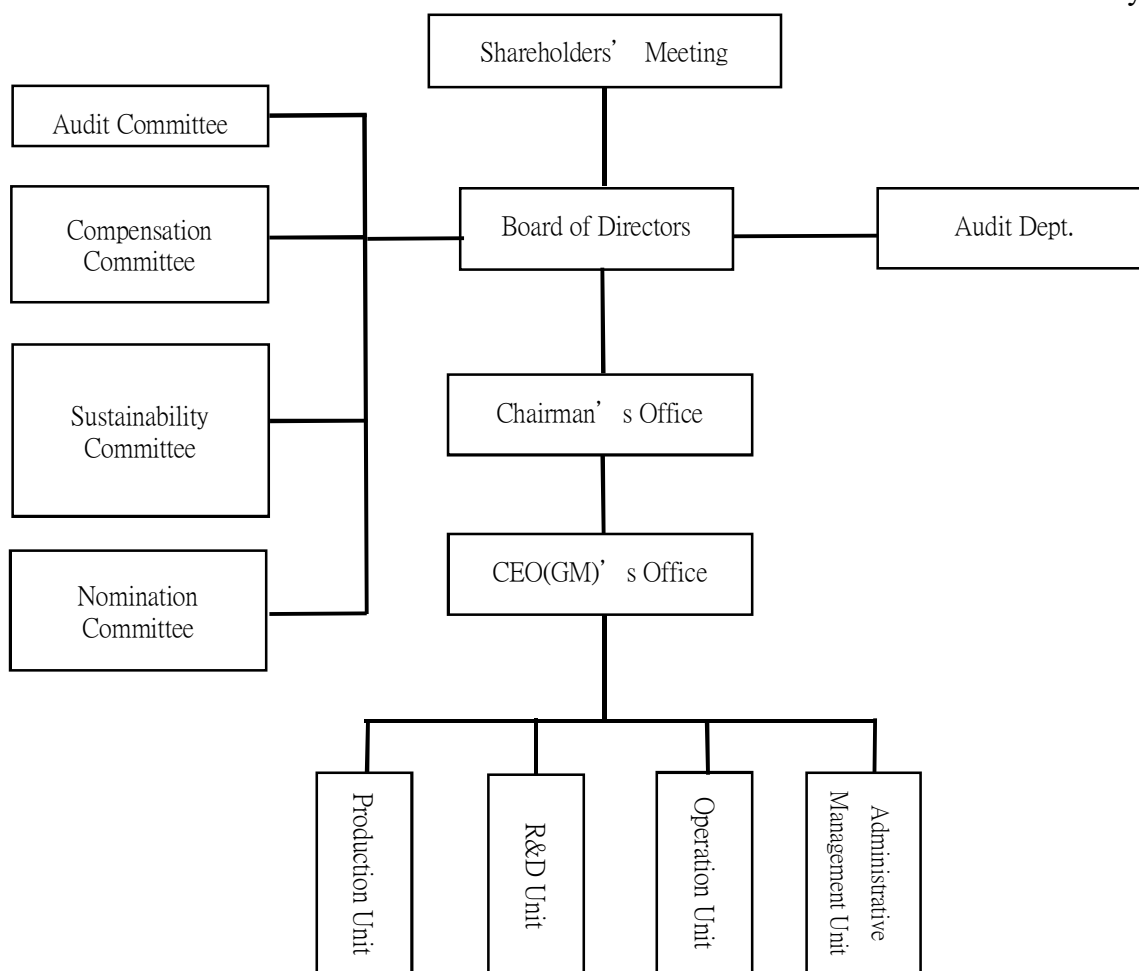
Please refer to the current year annual report from page 114 to page 130 .

III. Company Governance Report

1. Management System

(1) Company Organization Chart

As of May 10, 2023



(2) Main operations of the respective departments:

Department Name	Work Scope
CEO(GM)'s Office	<ul style="list-style-type: none"> All types of operational management and operational analysis, and various project operations within the Company. Draft and collate documents and enquire on regulations relevant to employee health, assume the role of internal audit personnel during the normal course of operations, and be the contact window for relevant units.
Administrative Units	<ul style="list-style-type: none"> Manage general administration, human resources, education training (including the establishment and promotion of training on product inspection / management). Manage the company's general affairs and fixed asset. In charge of the procurement for instruments and equipment, raw materials, semi-finished goods, products, consumables, spare parts, tracking of engineering work, tracking and analysis of pricing trends, development of countermeasures, procurement plan, management of contractor's delivery date and quality, time efficiency of shipment handling and inventory management, as well as coordinate the distribution and use of resources to all departments to have strong oversight on productivity resources. Draft and implement the short, medium and long-term plans for the upgrading of computing equipment in the Company. Provide management of information services and equipment, and the relevant operations of information services and equipment as well as its integrated maintenance. In charge of review and legal negotiation of contracts, litigation matters, selection of lawyers, trademark management, technical intelligence gathering, intellectual property and internal legal

Department Name		Work Scope
		<p>consultation services, and other relevant services.</p> <ul style="list-style-type: none"> • In charge of accounting matters, financial cash flow deployment, investment planning and stock affairs, as well as maintain normal operations of the Company's financial and stock affairs. • In charge of keeping accurate records of the Company's operating results, provide relevant financial reports for use internally and externally to satisfy user requirements.
	Production Units	<ul style="list-style-type: none"> • In charge of the production of powders, including planning of production resource integration, production scheduling, control and improvement of production quality, control and management of production, management of engineering resources and execution of factory planning, management and maintenance of equipment and machine, warehousing and assistance in material control for material preparation plan development; it is also responsible for material cost-benefit analysis. • To establish quality inspection systems and inspection procedures that can meet quality assurance requirements. To implement quality system certification plans, product inspections, calibration of measuring instruments, product development verification operations, and product after-sales service management.
	R&D Units	<ul style="list-style-type: none"> • In charge of development plans on various cathode materials, new product development, and establishment of production procedure. It is also responsible for improving process development quality and confirmation procedure of new production process. • Customer pre-sales and after-sales technical services.
	Internal Audit Dept.	<ul style="list-style-type: none"> • Take charge of the design and revision of the Company's internal control and internal audit system. • Take charge of the drafting and execution of the Company's annual audit plan. • Take charge of the improvement of internal control flaws and remediation tracking, as well as the planning and implementation of corporate governance.
Operational Units	Aleees Taiwan	<ul style="list-style-type: none"> • In charge of the sales & marketing of all products and agent management. Manage the development of all products, deployment of product lines and relevant management. Gathering of data and development in new markets. It's also responsible for relevant affairs of importing and exporting, including various raw materials, materials and production management, and cargo transportation required for production. • Contact unit of after-sales service.
	Aleees SH	<ul style="list-style-type: none"> • In charge of the sales & marketing of all products and agent management. Gathering of data and development in new markets. • Management and arrangement of cargo shipment matters from Taiwan to Mainland China and back-end customers. • In charge of sales and marketing services, drafting of transaction terms, customer complaints, product returns, market intelligence gathering, and position customer segments, critical sales and marketing points and key competitors according to the determined marketing strategy, to ensure and continuously improve customer satisfaction.
	Aleees (AU)	<ul style="list-style-type: none"> • In charge of the sales & marketing of all products and agent. • In charge of sales and marketing services, drafting of transaction terms, customer complaints, product returns, market intelligence gathering, and position customer segments, critical sales and marketing points and key competitors according to the determined marketing strategy, to ensure and continuously improve customer satisfaction.
	Aleees (TX)	<ul style="list-style-type: none"> • In charge of the sales & marketing of all products and agent. • In charge of sales and marketing services, drafting of transaction terms, customer complaints, product returns, market intelligence gathering, and position customer segments, critical sales and marketing points and key competitors according to the determined marketing strategy, to ensure and continuously improve customer satisfaction.
	Aleees (EU)	<ul style="list-style-type: none"> • In charge of the sales & marketing of all products and agent. • In charge of sales and marketing services, drafting of transaction terms, customer complaints, product returns, market intelligence gathering, and position customer segments, critical sales and marketing points and key competitors according to the determined marketing strategy, to ensure and continuously improve customer satisfaction.
	Aleees (UK)	<ul style="list-style-type: none"> • In charge of the sales & marketing of all products and agent. • In charge of sales and marketing services, drafting of transaction terms, customer complaints, product returns, market intelligence gathering, and position customer segments, critical sales and marketing points and key competitors according to the determined marketing strategy, to ensure and continuously improve customer satisfaction.

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

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

As of May 10, 2023; Units: Shares, %

Title	Nationality	Name	Sex/ Age	Date on Board	Term	Date on Board for the First Time	Shareholdings on Board (Note 1)		Current Shareholdings (Note 1)		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in this Company and Other Companies	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor			Note
							Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation	
Chairman cum CEO	ROC	Sheng-Shih Chang	Male 51~60	2020/04/10	3	2009/02/10	1,170,661	0.48%	236,247	0.34%	—	—	—	—	<ul style="list-style-type: none"> • Juris Doctorate, National Taiwan Normal University • Juris Master, National Taiwan Normal University • Asst. Professor, China University of Science and Technology. • General Manager of Neso Technology Limited in Greater China, Pou Chen Group 	Note 2	—	—	—	Note 10
Director	Australia	Jaime Che	Male 41~50	2020/04/10	3	2016/11/23	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> • The Scots College • CEO/Chairman's Assistant and Investor Relations Manager, Shougang Fushan Resources Group Limited (SEHK: 0639, now renamed as Shougang Fushan Resources Group Limited) 	Note 3	—	—	—	—
Director	HK, China	Chi-Kei Ching	Female 41~50	2020/04/10	3	2016/11/23	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> • MBA, Bradford University (UK) • Bachelor of Business Administration in Accountancy, Hong Kong Polytechnic University • ACCA, certified by the Association of Chartered Certified Accountants • Member of the Hong Kong Institute of Certified Public Accountants 	Note 4	—	—	—	—
Independent Director	ROC	Wei-Min Shen	Male 61~70	2020/04/10	3	2011/06/27	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> • Ph.D. in Accounting, Purdue University • Dean of Research and Development Division, Office of Academic Affairs and Department of Public Finance and 	Note 5	—	—	—	Note 5

Title	Nationality	Name	Sex/ Age	Date on Board	Term	Date on Board for the First Time	Shareholdings on Board (Note 1)		Current Shareholdings (Note 1)		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in this Company and Other Companies	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		Note
							Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	
Independent Director	ROC	Yie-Yun Chang	Female 51~60	2020/04/10	3	2017/06/16	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	ROC	Hsuan Wang	Female 41~50	2020/04/10	3	2017/06/16	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	ROC	Chian-Hsiu Lee	Male 41~50	2020/04/10	3	2017/06/16	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent	ROC	Jhih-Da	Male	2022/6/30	0.8	2022/6/30	—	—	—	—	—	—	—	—	—	—	—	—	Note 9

Title	Nationality	Name	Sex/ Age	Date on Board	Term	Date on Board for the First Time	Shareholdings on Board (Note 1)		Current Shareholdings (Note 1)		Shareholding of the Spouse, Underage Children for the Time Being		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in this Company and Other Companies	Other Managers, Directors or Supervisors that Have Spousal Relationship or are within the Second Degree of Kinship with the Concerned Director/Supervisor		Note
							Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	
Director		Yan	51~60												Chengchi University <ul style="list-style-type: none"> Associate Professor of Finance and Taxation Department at National Taichung University of Science and Technology Independent Director of Feature Integration Technology Inc. Independent Director of Sinopower Semiconductor Inc. 				

Note 1: The ratio of shares held at the time of appointment is calculated based on the company's actual paid-in share capital of 241,573,654 shares on Apr 10, 2020; the current shareholding ratio is calculated based on the company's paid-up share capital of 70,000,000 shares on April 17, 2023.

Note 2: Concurrent Positions in this Company and other companies: Chairman cum CEO of Aleees (Taiwan), Chairman cum CEO of Aleees (HK), Director of Aleees(US), Director of Aleees(AU), Director of Aleees(TX), Director of Aleees(EU) and , Director of Aleees(UK)

Note 3: Concurrent Positions in this company and other companies: Vice Chairperson of Yan Oi Tong Limited., Director of FDG Kinetic Investment Limited , Director of FDG Kinetic Strategic Limited and Director of Chanje Energy, Inc.

Note 4: Concurrent Positions in this company and other companies: Vice President of FDG Kinetic Strategic Limited.

Note 5: The resignation of that independent director was effective since April 15, 2022.

Note 6: Concurrent Positions in this company and other companies: Director of Great Eastern Resins Industrial Co. Ltd., Independent Director of Ocean Plastic Co., Ltd. and Independent Director of YFY Inc..

Note 7: Concurrent Positions in this company and other companies: Independent Director of AP Memory Technology Corporation and Independent Director of Highpoint Service Network Corporation.

Note 8: Concurrent Positions in this company and other companies: AHK Australia Pty Ltd. Chairman.

Note 9: 1. The independent director was appointed at the shareholder's meeting on June 30, 2022, with a term starting from June 30, 2022, and ending on April 9, 2023.

2. Concurrent Positions in this company and other companies: Independent Director of Epasil Technologies Inc. and Independent Director of ProLight Opto Technology Corp.

Note 10: Where chairperson and general manager/personal of the equivalent level (the top executive) are the same person, spouses or first-degree relative, please explain reasons, rationality, necessity and countermeasures for this situation :

(1) The company is one of the emerging energy industry where its principal business activity is to make research and development, production and sales business on the cathode materials for lithium batteries. For the same person to take on both positions of chairman and general manager, this person can have more insight into the business status of the company so that the board of directors can get hold of it as well. This kind of flat management can enhance the management efficiency and make the execution of decisions smoother.

(2) The Company has established an audit committee. In addition to clearly defined tasks, it can also improve and supervise the management function of the board of directors. Meanwhile, when the Company re-elected the new board of directors in 2017, a seat of independent director will be added to make the total seats of 4 accounted for 57.14% of the total seats of directors. This way, it not only helps the Company to strengthen the supervision and balance systems, it can also reduce centralized power caused by the chairman and the general manager served by the same person, resulting loss in its power for objectivity and supervision.

- i. Main shareholders of corporate shareholders: N/A
- ii. Main shareholders being ones of a corporate: N/A
- iii. The Qualification of Directors and Independence Criteria of Independence Directors:

As of May 10, 2023

Name	Terms	Qualification and Experience	Independence Information	Number of the Other Public Companies in Which the Concerned Director / Supervisor Acts Concurrently as an Independent Director
Sheng-Shih Chang	<ul style="list-style-type: none"> • Have over experience of over 16 working years in business, laws, marketing and operation management. • Juris Doctorate, National Taiwan Normal University, Former Asst. Professor, China University of Science and Technology, General Manager of Neso Technology Limited in Greater China, Pou Chen Group; Current Chairman of the Company and Subsidiary Chairman cum CEO of Aleees (Taiwan), Chairman cum CEO of Aleees SH, Director of Aleees(HK), Director of Aleees(US), Director of Aleees(AU), Director of Aleees(TX), Director of Aleees(EU) and Director of Aleees(UK). • Not having any of the conditions defined in Article 30 of the Company Law. 	Concurrent the director of the Company and subsidiary	—	
Jaime Che	<ul style="list-style-type: none"> • Have over experience of over 12 working years in business, marketing and operation management. • Graduated from the Scots College, former CEO/Chairman's Assistant and Investor Relations Manager, Shougang Fushan Resources Group Limited (SEHK: 0639, now renamed as Shougang Fushan Resources Group Limited); current Current Vice Chairperson of Yan Oi Tong Limited., Diector of FDG Kinetic Investment Limited, Diector of FDG Kinetic Strategic Limited and Diector of Chanje Energy, Inc. • Not having any of the conditions defined in Article 30 of the Company Law. 	—	—	
Chi-Kei Ching	<ul style="list-style-type: none"> • Have over experience of over 20 working years in accounting, marketing and operation management. • University of Bradford MBA, Current Accountancy, Hong Kong Polytechnic University ACCA, certified by the Association of Chartered Certified Accountants, Member of the Hong Kong Institute of Certified Public Accountants and Vice President of FDG Kinetic Strategic Limited. • Not having any of the conditions defined in Article 30 of the Company Law. 	—	—	
Wei-Min Shen (Note2)	<ul style="list-style-type: none"> • Have over experience of over 20 working years in accounting, tax and operation management. • Ph.D. in Accounting, Purdue University, Former Dean of Research and Development Division, Office of Academic Affairs and Department of Public Finance and Taxation of National Taichung University of Science and Technology, Chair of the Department of Accounting, Associate Professor of Tunghai University, Independent Director of Siliconware Precision Industries Co., Ltd., Current Professor of Public Finance and Taxation at National Taichung University of Science and Technology., Independent Director of Episil-Precision Inc., Independent Director of UPI Semiconductor Corp., Independent Director of ENNOSTAR Inc. • Not having any of the conditions defined in Article 30 of the Company Law. 	As an independent director of the Company. The qualifications and conditions of directors have been reviewed during the nomination and fulfill with the independent criteria.	3	
Yie-Yun Chang	<ul style="list-style-type: none"> • Have over experience of over 29 working years in law, intellectual property right and operation management. • Doctor Juris, University of Munich (Germany), Former Dean of the School of Law, Fu Jen Catholic University, Member of the Copyright Consultation and Review Committee of the Intellectual Property Office, MOEA, Member of the 6th Fair Trade Commission, Current administrative vice president of Fu Jen University, Director of Great Eastern Resins Industrial Co. Ltd., Independent Director of Ocean Plastic Co., Ltd., Independent Director of YFY Inc.. • Not having any of the conditions defined in Article 30 of the Company Law 	As an independent director of the Company. The qualifications and conditions of directors have been reviewed during the nomination and fulfill with the independent criteria.	2	

Hsuan Wang	<ul style="list-style-type: none"> • Have over experience of over 15 working years in accounting, finance and operation management. • Ph.D. in Accounting, National Taiwan University, former Adjunct Lecturer, Department of Accounting, National Taiwan Normal University, Assistant Supervisor, Deloitte Accounting Firm, current Assistant Professor, School of Management, Yuan Ze University, Independent Director of AP Memory Technology Corporation and Independent Director of Highpoint Service Network Corporation.. • Not having any of the conditions defined in Article 30 of the Company Law 	As an independent director of the Company. The qualifications and conditions of directors have been reviewed during the nomination and fulfill with the independent criteria.	2
Chian-Hsiu Lee	<ul style="list-style-type: none"> • Have over experience of over 19 working years in business, marketing and operation management. • Central Queensland University MAA, former Mandarin Brother international Pty Ltd. (Sydney) Sales Manager, G.M Taiwan Hua-Yu Industrial Co., Ltd., Technical Director, Technical Director, Boteng (Xiamen) Plastics Co. Ltd., President, Bailin Fluorescent PTY., LTD., current AHK Australia Pty Ltd. Chairman ° • Not having any of the conditions defined in Article 30 of the Company Law. 	As an independent director of the Company. The qualifications and conditions of directors have been reviewed during the nomination and fulfill with the independent criteria.	–
Jhih-Da Yan (Note3)	<ul style="list-style-type: none"> • Has over 20 years of experience in accounting, taxation, and business management. • Holds a Ph.D. in Finance from National Chengchi University and has previously served as an Independent Director of Feature Integration Technology Inc. • Independent Director of Sinopower Semiconductor Inc. : Currently serving as an associate professor in the Department of Finance and Taxation at Taichung University of Science and Technology, Independent Director of Episil Technologies Inc. and Independent Director of ProLight Opto Technology Corp. • Not having any of the conditions defined in Article 30 of the Company Law. 	As an independent director of the Company. The qualifications and conditions of directors have been reviewed during the nomination and fulfill with the independent criteria.	2

Note1 : The independent directors shall meet the following conditions in the two years before and during the term:

- (1) Not an employee of the Company nor any of its related companies.
- (2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking as one of the top-10 shareholders.
- (4) Not a spouse, relative within the second-degree of kinship, or lineal relative within the third degree of kinship, of any of the persons specified in the preceding three notes.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the Company or that ranks among the top-5 in shareholding or the representatives served as directors or supervisors appointed in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- (6) Not a director, supervisor or employees of other companies controlled by the same person had shares over half of the company's director seats or voting rights. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- (7) Not a director, supervisor or employees of other companies or institutions whom or his/her spouse is also the chairman, general manager or employee of equivalent position in the company. (It does not apply in cases where the person is also an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business relations with the Company. (This does not apply, in the cases where a specific company or institution held more than 20% of the total issued shares of the company, but less than 50%, and also served as an Independent Director of the company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- (9) Not a professional individual, sole proprietor, partner, owner of a company or institution, director, supervisor, manager or a spouse thereof of a sole proprietorship, partnership, company, or institution providing auditing or services including commercial, legal, financial, accounting or consultation services to the Company or its related companies with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply, in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performed their functions in accordance with the relevant laws of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within the second degree of kinship to any other director of the Company.
- (11) Not having any of the conditions defined in Article 30 of the Company Law.
- (12) Not a governmental or judicial person, or a representative of such institutions as defined in Article 27 of the Company Law.

Note2: The resignation of that independent director was effective since April 15, 2022.

Note3: Jhih-Da Yan was appointed as an independent director on June 30, 2022.

iv. The Diversity and Independence of the Board of Directors

(i) The Diversity Policy of the Directors

The Company complies with the concept of diverse directors in the “Corporate Governance Best Practice Principles”. It is advisable that directors concurrently serving as company managers not exceed one-third of the total number of the board members. In addition, the Company shall formulate diverse guideline in terms of itself operation, business and development requirement. The standard shall include but not limit to below two directions:

- A. Basic condition and value: Gender, Age, Nationality, Culture and so on, Among them, the ratio of female directors should reach 1/3 of the board seats.
- B. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience Each board member shall have the necessary knowledge, skills, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows: The ability to make judgments about operations. Accounting and financial analysis ability. Business management ability. Crisis management ability. Knowledge of the industry. An international market perspective. Leadership and Decision-making ability.

(ii) Current Implementation on the Diversity and Independence of the Directors

As of the printing date of the annual report, the Board of Directors of the Company consists of 7 members (including 4 independent directors), with expertise covering finance or accounting, legal affairs, business management, industry knowledge, and corporate governance. There are 5 Taiwanese directors, 1 Australian director, and 1 Hong Kong director. Among them, there are 4 male directors, accounting for 57.14% of the total board members, with an average age of 47.5 years old. There are 3 female directors, accounting for 42.86% of the total board members, with an average age of 53 years old. The number of female directors has reached 42.86% of the total board members, exceeding the target of more than 1/3 of the board seats.

In order to enhance the independence of the Board of Directors, there are 4 independent directors, accounting for 57.14% of the total board members. Among the 7 board members, none of them have a spouse or a second-degree relative relationship, and the number of directors who also serve as executive officers of the Company does not exceed one-third of the board seats.

Name	Basic composition			Industrial Experience				Professionals							
	Nationality	Sex	concurrently serving as company staffs	Age			Terms of independent directors	Operational Judgment	Risk assessment ability	Industry Knowledge	Int'l Market Perspective	Accounting	Knowledge of Law	Management	Intellectual property
				40 – 50	51 – 60	61 – 70									
Sheng-Shih Chang	ROC	Male	V	V				V	V	V	V		V	V	V
Jaime Che	Australia	Male		V				V	V	V	V			V	
Chi-Kei Ching	HK,China	Female		V				V	V	V	V	V		V	
Yie-Yun Chang	ROC	Female			V		V		V		V		V		V
Hsuan Wang	ROC	Female		V			V		V		V	V			
Chian-Hsiu Lee	ROC	Male		V			V	V	V		V			V	
Jhieh-Da Yan	ROC	Male			V		V		V		V	V			

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

As of May 10, 2023

Title	Nationality	Name	Sex	Date on Board (Note 1)	Shareholding		Shareholding of the Spouse and Underage Children		Shareholding Held in the Name of a Third Party		Academic Qualifications/Experience	Concurrent Positions in Other Companies	Other Managers that Have Spousal Relationship or are Kinship with the Concerned Person			Note
					Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate			Title	Name	Relation	
Chairman cum CEO	ROC	Sheng-Shih Chang	Male	2007/11/16	236,247	0.34%	—	—	—	—	<ul style="list-style-type: none"> Juris Doctorate, National Taiwan Normal University Juris Master National Taiwan Normal University Juris Asst. Professor, China University of Science and Technology General Manager of Neso Technology Limited in Greater China, Pou Chen Group 	<ul style="list-style-type: none"> Aleees (Taiwan)-Chairman cum CEO Aleees SH- Chairman cum GM Director of Aleees(HK) Director of Aleees(US) Director of Aleees(AU) Director of Aleees(TX) Director of Aleees(EU) Director of Aleees(UK) 	—	—	—	Note2
Chief, Finance & Accounting Dept.	ROC	Mei-Fang Huang	Female	2018/05/10	—	—	—	—	—	—	<ul style="list-style-type: none"> Department of Accounting, Chung Yuan Christian University Manager of Audit Department, KPMG Accounting Unit Manager, Tex-Ray Industrial Co., Ltd. Senior Manager, Accounting Unit, Radium Life Tech Co., Ltd. 	<ul style="list-style-type: none"> Senior Manager of Accounting Dept., Aleees (Taiwan) 	—	—	—	Note3
Corporate Governance Officer	ROC	Siang-Cyuan Zeng	Male	2022/07/01	—	—	—	—	—	—	<ul style="list-style-type: none"> Department of Accounting, Tamkang University Financial Division Chief, Hsiang Yu Electronics Co., Ltd. Audit Director, Shim He Certified Public Accountants 	<ul style="list-style-type: none"> Manager of Accounting Dept., Aleees (Taiwan) 	—	—	—	—

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

Note 2: Where chairperson and general manager/personal of the equivalent level (the top executive) are the same person, spouses or first-degree relative, please explain reasons, rationality, necessity and countermeasures for this situation:

(1) The company is one of the emerging energy industries where its principal business activity is to make research and development, production and sales business on the cathode materials for lithium batteries. For the same person to take on both positions of chairman and general manager, this person can have more insight into the business status of the company so that the board of directors can get hold of it as well. This kind of flat management can enhance the management efficiency and make the execution of decisions smoother.

(2) The company has an audit committee, which, in addition to defining its responsibilities, can also improve and supervise the management function of the board of directors. At the same time, when the company elected a new board of directors in 2020, four independent directors were appointed, accounting for 57.14% of the total board seats. This not only strengthens the mechanism of supervision and balance but also reduces the concentration of power caused by the chairman and general manager, which leads to the loss of objectivity and supervisory power.

Note 3: On June 30, 2022, the board of directors approved the appointment of Siang-Cyuan Zeng as the new head of finance and accounting of the company and dismissed Mei-Fang Huang from the position of finance and accounting manager.

(3) Compensation Paid to Directors, Supervisors, CEO (GM) and Vice Presidents in the Most Recent Year (2022)

i. Compensation of directors (including independent directors)

Unit: NT\$ thousand

Title	Name	Compensation for Directors				The proportions of the total amounts and percentages of after-tax net income for A, B, C, and D	Compensation Received by Concurrent Employees		Pension (F)	Wages, Bonus and Special Disbursement, etc. (E)		The proportions of the total amounts and percentages of after-tax net income for A, B, C, D, E, F, and G	Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		Wages (A)	Pension (B)	Bonus and Special Disbursement, etc.(C)	Employee Compensation (D)		Employee Compensation (G)	Wages, Bonus and Special Disbursement, etc. (E)					
Chairman cum CEO	Sheng-Shih Chang	All companies listed in the Financial Reports	-	-	-	-	-	-	-	-	-	-	-
		This company	720	-	-	-	-	2,400	-	-	-	2,400 (0.60)	-
Director	Jaime Che	All companies listed in the Financial Reports	720	-	-	22.5	-	-	-	-	-	742.5 (0.19)	-
		This company	720	-	-	25	-	-	-	-	-	745 (0.19)	-
Director	Chi-Kei Ching	All companies listed in the Financial Reports	720	-	-	25	-	-	-	-	-	745 (0.19)	-
		This company	720	-	-	32.5	-	-	-	-	-	745 (0.19)	-
Independent Director	Wei-Min Shen (Note1)	All companies listed in the Financial Reports	280	-	-	32.5	-	-	-	-	-	312.5 (0.078)	-
		This company	280	-	-	85	-	-	-	-	-	312.5 (0.078)	-
Independent Director	Yie-Yun Chang	All companies listed in the Financial Reports	900	-	-	85	-	-	-	-	-	985 (0.25)	-
		This company	900	-	-	85	-	-	-	-	-	985 (0.25)	-
Independent Director	Hsuan Wang	All companies listed in the Financial Reports	840	-	-	85	-	-	-	-	-	925 (0.23)	-
		This company	840	-	-	25	-	-	-	-	-	925 (0.23)	-
Independent Director	Chian-Hsiu Lee	All companies listed in the Financial Reports	780	-	-	25	-	-	-	-	-	805 (0.20)	-
		This company	780	-	-	25	-	-	-	-	-	805 (0.20)	-

Unit: NT\$ thousand

Title	Name	Compensation for Directors				Compensation Received by Concurrent Employees				Whether Receiving Compensation from any Companies Invested by the Company Other Than the Subsidiaries of the Company or Not	
		Wages (A)	Pension (B)	Bonus and Special Disbursement, etc.(C)	Employee Compensation (D)	The proportions of the total amounts and the percentages of after-tax net income for A, B, C, and D	Wages, Bonus and Special Disbursement, etc. (E)	Pension (F)	Employee Compensation (G)	The proportions of the total amounts and the percentages of after-tax net income for A, B, C, D, E, F, and G	
Independent Director	Jhih-Da Yan (Note 2)	All companies listed in the Financial Reports	All companies listed in the Financial Reports	All companies listed in the Financial Reports	All companies listed in the Financial Reports	All companies listed in the Financial Reports	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports	432	432
		This company	This company	This company	This company	This company	This company			(0.11)	(0.11)
Total		422	—	—	10	—	—	—	—	432	432
		4,662	—	—	285	—	2,400	—	—	4,947	7,347
										(0.11)	(1.85)
										(1.24)	(1.24)
										(1.24)	(1.85)

1. Please describe the policies, systems, standards and structure of independent directors' remuneration, and explain the relevance with the amount of remuneration based on their responsibilities, risks, and time investment :

According to Article 95 of the Company by-law, the directors' remuneration is only paid in cash. The amount of remuneration shall be determined by the Board of Directors with respect to the director's contribution to the Company, the operating performance and the remuneration level of the domestic and overseas peers of the R.O.C. In addition, the remuneration shall be paid no matter the Company earns or losses. Because the independent directors fully promoted and guided various businesses for the transformation of the Company, they actively led the company to a brand-new future regardless of remuneration. Therefore, after the recommendation of the remuneration Committee and the resolution of the Board of Directors, the Company will pay the fixed remuneration such as monthly payment, transportation fees. The directors (the Chairman is excluded) only receive fixed remuneration of transportation fees. The aforementioned remuneration is irrelevant with business performance and has not been paid any variable remuneration in accordance with Article 115 of the Company by-law (if the company makes profits in the year, it shall allocate 1% to 10% as the remuneration of employees and not more than 1% as the remuneration of directors).

But the company is still at a loss. Compared with the remuneration of other listed companies, it is relatively low. Therefore, the Company will irregularly require the remuneration committee to evaluate and provide suggestions in the future.

2. In addition to the above disclosures, there were no remunerations provided by the company's directors for services rendered (such as serving as a consultant for the parent company/ all companies in the financial report/ investee companies that are not employees, etc.) during the most recent fiscal year.

Note1: The resignation of that independent director was effective since April 15, 2022.

Note2: The independent director was elected by the shareholders' meeting on June 30, 2022.

Pay Band of Compensation

All Types of the Compensation Paid to Each Compensation for Directors of this Company	Director name			
	Top four compensation budgets (A+B+C+D)	Total first seven remuneration (A+B+C+D+E+F+G)		
	This company	All companies listed in the Financial Reports	This company	All companies listed in the Financial Reports
Below \$1,000,000	Sheng-Shih Chang, Jaime Che, Chi-Kei Ching, Wei-Min Shen, Yie-Yun Chang, Hsuan Wang, Chian-Hsiu Lee, Jhih-Da Yan	Sheng-Shih Chang, Jaime Che, Chi-Kei Ching, Wei-Min Shen, Yie-Yun Chang, Hsuan Wang, Chian-Hsiu Lee, Jhih-Da Yan	Jaime Che, Chi-Kei Ching, Wei-Min Shen, Yie-Yun Chang, Hsuan Wang, Chian-Hsiu Lee, Jhih-Da Yan	Jaime Che, Chi-Kei Ching, Wei-Min Shen, Yie-Yun Chang, Hsuan Wang, Chian-Hsiu Lee, Jhih-Da Yan
\$1,000,000 (inclusive) ~\$2,000,000 (exclusive)	—	—	—	—
\$2,000,000 (inclusive) ~\$3,500,000 (exclusive)	—	—	Sheng-Shih Chang	Sheng-Shih Chang
\$3,500,000 (inclusive) ~\$5,000,000 (exclusive)	—	—	—	—
\$5,000,000 (inclusive) ~\$10,000,000 (exclusive)	—	—	—	—
\$10,000,000 (inclusive) ~\$15,000,000 (exclusive)	—	—	—	—
\$15,000,000 (inclusive) ~\$30,000,000 (exclusive)	—	—	—	—
\$30,000,000 (inclusive) ~\$50,000,000 (exclusive)	—	—	—	—
\$50,000,000 (inclusive) ~\$100,000,000 (exclusive)	—	—	—	—
Over \$100,000,000	—	—	—	—
Total	8	8	8	8

- ii. Compensation of Supervisors: The company established audit committee and hence not applicable.
- iii. Compensation of CEO (General Manager) and VP

Unit: NT\$ thousand

Title	Name	Wages (A)		Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Compensation (D)				The proportions of the total amounts and the percentages of after-tax net income for A, B, C, and D		Whether Receiving Compensation from the Companies Invested by the Company Other Than the Subsidiaries of the Company or Not
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements	
								Cash Bonus	Share Bonus	Cash Bonus	Share Bonus			
Chairman cum CEO	Sheng-Shih Chang	—	2,400	—	—	—	—	—	—	—	—	2,400 (0.60)	—	

Pay Band of Compensation

All Types of the Compensation Paid to Each Respective CEO, General Manager and VP of this Company	Names of CEO, General Manager and VP	
	This Company (Note 1)	All Companies Specified in the Financial Statements (Note 2)
Below \$1,000,000	—	—
\$1,000,000 (inclusive) ~ \$2,000,000 (exclusive)	—	—
\$2,000,000 (inclusive) ~ \$3,500,000 (exclusive)	—	Sheng-Shih Chang
\$3,500,000 (inclusive) ~ \$5,000,000 (exclusive)	—	—
\$5,000,000 (inclusive) ~ \$10,000,000 (exclusive)	—	—
\$10,000,000 (inclusive) ~ \$15,000,000 (exclusive)	—	—
\$15,000,000 (inclusive) ~ \$30,000,000 (exclusive)	—	—
\$30,000,000 (inclusive) ~ \$50,000,000 (exclusive)	—	—
\$50,000,000 (inclusive) ~ \$100,000,000 (exclusive)	—	—
Over \$100,000,000	—	—
Total	—	1

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

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

iv. Compensation of the top five highest paid executives

Unit: NT\$ thousand

Title	Name	Wages (A) Pension (B)		Bonus and Special Disbursement, etc. (C)		Employee Compensation (D)				The proportions of the total amounts and the percentages of after-tax net income for A, B, C, and D		Whether Receiving Compensation from the Companies Invested by the Company Other Than the Subsidiaries of the Company or Not	
		This Company	All Companies Specified in the Financial Statements	This Company	All Companies Specified in the Financial Statements	This Company		All Companies Specified in the Financial Statements		This Company	All Companies Specified in the Financial Statements		
						Cash Bonus	Share Bonus	Cash Bonus	Share Bonus				
Chairman cum CEO	Sheng-Shih Chang	–	2,400	–	–	–	–	–	–	–	2,400 (0.60)	–	
Chief, Finance & Accounting Dept. (Note)	Mei-Fang Huang	–	650	–	–	–	449.9	–	–	–	–	1,099.9 (0.28)	–
	Siang-Cyuan Zeng	–	725.4	–	–	–	264.2	–	–	–	–	989.6 (0.25)	–
Corporate Governance Officer	Yi-Jing Lee	–	828.3	–	–	–	436.6	–	–	–	–	1,264.9 (0.32)	–

Note: On June 30, 2022, the board of directors approved the appointment of Manager Siang-Cyuan Zeng as the new finance and accounting director of the company and dismissed Manager Mei-Fang Huang from the position of finance and accounting director

v. Names of Managers Who Distributed Employee Bonuses and Circumstances of Distribution

No such circumstances exist in our company.

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

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

Unit: NT\$ thousand

Item	Year 2021				Year 2022			
	This Company		The consolidated financial statements		This Company		The consolidated financial statements	
	Amount	%	Amount	%	Amount	%	Amount	%
Director	5,120	(0.92)	5,120	(0.92)	4,947	(1.24)	4,947	(1.24)
CEO (General Manager) and VP	–	–	2,400	(0.43)	–	–	2,400	(0.60)
Total	5,120	(0.92)	7,520	(1.35)	4,947	(1.24)	7,347	(1.85)

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

According to Article 95 of the Company by-law, the directors' remuneration is only paid in cash. The amount of remuneration shall be determined by the Board of Directors with respect to the director's contribution to the Company, the operating performance and the remuneration level of the domestic and overseas peers of the R.O.C. In addition, the remuneration shall be paid no matter the Company earns or losses. Because the independent directors fully promoted and guided various businesses for the transformation of the Company, they actively led the company to a brand-new future regardless of remuneration. Therefore, after the recommendation of the remuneration Committee and the resolution of the Board of Directors, the Company will pay the fixed remuneration such as monthly payment, transportation fees. The directors (the Chairman is excluded) only receive fixed remuneration of transportation fees. The aforementioned remuneration is irrelevant with business performance and has not been paid any variable remuneration in accordance with Article 115 of the Company by-law (if the company makes profits in the year, it shall allocate 1% to 10% as the remuneration of employees and not more than 1% as the remuneration of directors). But the Company is still at a loss. Compared with the remuneration of other listed companies, it is relatively low. Therefore, the Company will irregularly require the remuneration committee to evaluate and provide suggestions in the future.

The remuneration amount of president and vice presidents shall be determined by the positions, the contribution to the Company, and the remuneration level of the peers of industry, and conducted in line with the provision of personnel affair of the Company. But the Company is still at a loss, so the Company did not pay any variable remuneration in accordance with Article 115 of the Company by-law (if the company makes profits in the year, it shall allocate 1% to 10% as the remuneration of employees and not more than 1% as the remuneration of directors). In addition, according to the recommendation of the remuneration Committee and the resolution of the Board of Directors, the Company did not release any performance bonus to the Chairman concurrently the president, who only received the monthly fixed salary regarding its position.

3. Corporate Governance Status

(1) Operating Status of the Board of Directors

2022 and as of the date of publication of the annual report, 13 [A] board meetings were held and the attendance rate of the directors is as follows:

Title	Name	Times of Attendance in Person [B]	Times of Attendance by Proxy	Actual Attendance Ratio (%) [B/A]	Remarks
Chairman	Sheng-Shih Chang	12	1	92.31%	—
Director	Jaime Che	11	1	84.62%	—
Director	Chi-Kei Ching	12	—	92.31%	—
Independent Director	Wei-Min Shen	5	—	100.00%	2022/4/15 resignation effected
Independent Director	Yie-Yun Chang	13	—	100.00%	—
Independent Director	Hsuan Wang	13	—	100.00%	—

Independent Director	Chian-Hsiu Lee	12	1	92.31%	—
Independent Director	Jhih-Da Yan	7	—	100.00%	2022/06/30 Newly elected
Other remarks as required:					
i. If any of the below situations apply, the details of the meeting date, session number, proposal content, opinions of all independent directors and actions taken by the Company in response to the opinions of the independent directors should be listed.					
(i) Matters enumerated under Article 14-3 of Securities and Exchange Act:					
Date and Session of the Board of Directors	Content of the Proposal	Opinions of the Independent Directors	Actions taken by the Company in response to the Independent Directors		
Jan 14 th , 2022 Meeting 17, Session 8	The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.	None	None		
Feb 25 th , 2022 Meeting 19, Session 8	1. The company drew up to apply for a capital loan from its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. 2. The subsidiary Taiwan Aleees Electric Power Technology proposed to provide an endorsement guarantee for the Company. 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.				
Mar 25 th , 2022 Meeting 20, Session 8	1. Review of the 2021 Business Report and Financial Statements. 2. In 2021, the annual general meeting approved that the private placement of ordinary shares will no longer be handled. 3. Proposal for the raising of private equity. 4. Proposal to add or amend the company's subsidiaries' and its sub-subsidiaries' "Operating Measures for Acquisition or Disposal of Assets."				
Apr 13 th , 2022 Meeting 21, Session 8	1. The Company proposed to engage in the cash capital increase and issuance of new shares of the subsidiary Advanced Lithium Electrochemistry Co., Ltd. 2. Grandson company Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. proposed to apply for funds lending from the subsidiary of the Company, Advanced Lithium Electrochemistry (HK) Co., Limited. 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.				
May 6 th , 2022 Meeting 22, Session 8	1. Proposal for Public expenses of appointed accounting firm and independence accountant to deal with the Company's 2022 Financial Statements. 2. Proposal of release the prohibition on independent directors from participation in competitive business.				
Jun 30 th , 2022 Meeting23, Session8	1. Appointment of one member of the third nomination committee of the company. 2. Appointment of the new accounting and financial chief of the company and approval of his/her compensation.				
Aug 26 th , Meeting24, Session8	1. The financial report of the first half of the year 2022 for the company and its subsidiaries. 2. Whether there are any significant overdue receivables (including other receivables) from Advanced Lithium Electrochemistry Co., Ltd., a subsidiary, that have not been collected for more than three months beyond the normal credit period and whether they are considered as fund loans.				

	<ol style="list-style-type: none"> 3. Early repayment of the fund loan applied to Advanced Lithium Electrochemistry Co., Ltd., a subsidiary. 4. Formulation of the operating procedures for the acquisition and disposal of assets of the subsidiary Aleees Texas, LLC. 5. Temporary suspension of the formulation of the operating procedures for fund loans and endorsement guarantees of Aleees Texas, LLC to others. 6. Replacement of the share registrar of the company. 		
Nov 10 th ,2022 Meeting25, Session8	<ol style="list-style-type: none"> 1. Preparation of the 2023 audit plan for the company and its subsidiaries. 2. Aleees AU Pty Ltd, a subsidiary, plans to sell equipment to Taiwan Lekai Electric Energy Technology Co., Ltd. 		
Dec 23 th , 2022 Meeting26, Session8	<ol style="list-style-type: none"> 1. Early repayment of the fund loan to Advanced Lithium Electrochemistry Co., Ltd., a subsidiary. 2. Application for fund loan to Advanced Lithium Electrochemistry Co., Ltd., a subsidiary. 3. Temporary suspension of the formulation of the operating procedures for fund loans and endorsement guarantees of Aleees UK Ltd. and Aleees EU SARL, subsidiaries. 		
Jan 12 th ,2023 Meeting27, Session8	Operating plan and budget for the company and its subsidiaries for the year 2023.		
Mar 10 th ,2023 Meeting28, Session8	<ol style="list-style-type: none"> 1. Annual business report and financial statement of the company for the year 2022. 2. Private placement of common shares for capital increase. 3. Discontinuation of private placement of common shares approved at the 2022 shareholders' meeting. 4. Cash capital increase and issuance of new shares for the year 2023. 5. Appointment of the accounting firm for the public expense and independence evaluation of the independent accountant for the financial statement of the company for the year 2023. 6. Pre-approval of non-assurance services provided by the signing accountant, its firm, and its affiliated companies to the company. 7. Internal control statement of the company and its subsidiaries for the year 2022. 8. Revision of certain articles of the company's bylaws. 9. Comprehensive election of the board of directors of the company. 10. The company plans to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. 11. Advanced Lithium Electrochemistry Co., Ltd. plans to provide an endorsement guarantee for the company. 12. Greenhouse gas inventory and verification schedule plan for Advanced Lithium Electrochemistry Co., Ltd. 		
May 1 th ,2023 Meeting29, Session8	<ol style="list-style-type: none"> 1. The company will accept the list of candidates for directors and independent directors nominated by shareholders with the right to nominate under the Company Act at the 2023 Annual General Meeting. 2. The case to lift the restriction on new directors from competing with the company. 3. The proposed amendment to the reasons for convening the 2023 Annual General Meeting. 4. The proposed operation plan for the acquisition and disposal of assets of subsidiary Aleees UK Ltd. 		

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

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

Date/Session of the Board of Directors	Director's Name	Proposal Content	Cause of Withdrawal due to Conflict of Interests	Results of Voting
May 6 th , 2022 Meeting 22, Session 8	Hsuan Wang	Proposal of release the prohibition on independent director from participation in competitive business	Independent director Hsuan Wang withdrew from discussion and voting due to conflict of interests.	After consultation with the attending directors Jaime Che, Chie-Kei ching, Yie-Yun Chang, and Chian-Hsiu Lee , which was conducted by chairperson of the meeting, the proposal passed as proposed.
Jun 30 th , 2022 Meeting23, Session8	Jhih-Da Yan	1. Draft a compensation plan for the new independent director of the company. 2. Nominate one member for the third nomination committee of the company.	Jhih-Da Yan withdrew from discussion and voting due to conflict of interests.	After consultation with the attending directors Jaime Che, Chie-Kei ching, Yie-Yun Chang, Hsuan Wang and Chian-Hsiu Lee , which was conducted by chairperson of the meeting, the proposal passed as proposed.
Dec 23 th , 2022 Meeting26, Session8	Sheng-Shih Chang	Award performance bonuses to the company's executives for the year 2022.	Due to the personal interests and salary confidentiality of Chairman Sheng-Shih Chang involved in this case, he is not allowed to participate in the discussion and vote, and is represented by Independent Director Yi-Yun Chang as the acting chairman. Other executives involved in salary confidentiality are also excluded from the discussion.	After consulting with directors Jaime Che, Chie-Kei Ching, Hsuan Wang, and Chian-Hsiu Lee Yan, JHIH-DA, the case was approved as consistent and without objection by the Compensation Committee and passed as proposed by the acting chairman.
May 1 th , 2023 Meeting29, Session8	Sheng-Shih Chang	Proposal of release the prohibition on director from participation in competitive business	Director Sheng-Shih Chang withdrew from discussion and voting due to conflict of interests.	The case was passed without objection after consulting the opinions of independent directors Hsuan Wang and Jhih-Da Yan, and representative independent director Chian-Hsiu Lee.

iii. The evaluation cycle and period, evaluation scope, method and evaluation content and other information of the self (or peer) evaluation of the Board of Directors:

Evaluation of the Board of Directors

Cycle	Period	Scope	Method	Content
The internal board of directors shall be evaluated for their performance at least once a year, which shall also be evaluated at least once every three years by an external professional independent institution or a team of experts and scholars.	Evaluate the performance of the Board of Directors from 2022/01/01 to 2022/12/31	1. Board of Directors 2. Each director 3. Functional committees	Internal self-evaluation by the board of directors, self-evaluation by directors, peer evaluation, appointment of external professional organizations, experts or other appropriate	Evaluation items of the Board of directors (functional committees): 1. Engagement in the operations of the Company 2. Improve the quality of decisions made by the Board of Directors 3. The composition and structure of the Board of Directors 4. Selection and continuing education of the directors 5. Internal Control Evaluation items for Board members (self or peer): 1. Management of the Goal and Mission of the Company

			methods for evaluation	2. Awareness of directors' responsibilities 3. Engagement in the operations of the Company 4. Management and communication of internal relationship 5. Profession and continuing education of directors 6. Internal control
<p>iv. Evaluation of the execution status of, and with the purpose to strengthen the functionality of the Board of Directors in the current and most recent years (such as the establishment of the audit committee to enhance transparency):</p> <p>(i) To fulfill relevant regulations specified in authorities' official documents, the Company revised some provisions of the "Procedure for Evaluation on the Board of Directors' Performance", "Rules Governing the Scope of Powers of Independent Directors," and "Ethical Corporate Management Best Practice Principles".</p> <p>(ii) The Company has renamed the "Social Responsibility Committee" to the "Sustainability Committee". In addition, the Company expands the committee's responsibilities to cover the scope of risk management, in order to improve the corporate governance, to control the Company's operations on risk management and to elevate the concept of sustainable development.</p> <p>(iii) In order to enhance effectiveness of corporate governance, the 6th meeting of the 8th session of the Board, held on November 4, 2020, has accepted a resolution to update the "risk management procedures." A report was made on the 26th meeting of the 8th session of the Board, held on December 23, 2022, to offer updates about implementation status to directors.</p> <p>(iv) The Company has purchased liability insurance for all directors and declared according to the regulations.</p> <p>(v) The Company shall inform relevant improvement courses to board members and assist in arranging for training courses to enhance the absorption of new knowledge and maintain professional advantages.</p>				

Attendance Records of the Independent Directors in 2022~2023

Name	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th
Wei-Min Sheng (Note)	◎	◎	◎	◎	◎	—	—	—	—	—	—	—	—
Yie-Yun Chang	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Hsuan Wang	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Chian-Hsiu Lee	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎	☆
Jhieh-Da Yan (Note)	—	—	—	—	—	—	◎	◎	◎	◎	◎	◎	◎

◎: Present ; ☆: Attendance by Proxy

Note: The resignation of that independent director was effective since April 15, 2022. Jhieh-Da Yan was appointed as an independent director in the shareholder's meeting on June 30th, 2022.

(2) Operating Status of the Audit Committee

i. Annual work priorities of the Audit Committee

- Establish or amend internal control systems in accordance with the company's articles of association.
- Assessment of the effectiveness of the internal control system.
- Handling or amending the handling procedures for obtaining or disposing of assets, engaging in derivative commodity transactions, borrowing funds from others, or endorsing or providing guarantees for major financial business activities in accordance with the Articles of Association of the Company.
- Review matters involving the director's own interests.
- Review major assets or derivatives transactions.
- Review major fund loans, endorsements or provide guarantees.
- Review the issuance, issuance or private placement of securities of an equity nature.

- Review the appointment, dismissal or remuneration of the visa accountant.
- Review the appointment and dismissal of financial, accounting or internal audit supervisors.
- Review annual and semi-annual financial reports.
- Review other major matters stipulated by the company or the competent authority.

ii. 2022 and as of the date of publication of the annual report, 12 [A] audit committee meetings were held and the attendance rate of the independent directors is as follows:

Title	Name	Times of Attendance in Person [B]	Times of Attendance by Proxy [A]	Actual Attendance Ratio (%) [B/A]	Notes
Independent Director	Wei-Min Shen	5	—	100.00%	2022/4/15 resignation effected
Independent Director	Yie-Yun Chang	12	—	100.00%	—
Independent Director	Hsuan Wang	12	—	100.00%	—
Independent Director	Chian-Hsiu Lee	10	2	83.33%	—
Independent Director	Jhieh-Da Yan	6	—	100.00%	2022/6/30 Newly elected.

Other remarks as required:

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

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

Date and Session of the Board of Directors	Content of the Proposal	Voting Results by the Audit Committee	Actions taken by the Company in response to the Audit Committee
Jan 14 th , 2022 Meeting 16, Session 4	The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.	After consultation by the chairman with all committee members present, the proposal passed as proposed.	None
Feb 25 th , 2022 Meeting 18, Session 4	1. The company drew up to apply for a capital loan from its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. 2. The subsidiary Advanced Lithium Electrochemistry Co., Ltd. proposed to provide an endorsement guarantee for the Company. 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.		
Mar 25 th , 2022 Meeting 19, Session 4	1. Review of the 2021 Business Report and Financial Statements. 2. Proposal to approve the 2021 Declaration of Internal Control for the Company and subsidiaries and sub-subsidiaries. 3. In 2021, the annual general meeting approved that the private placement of ordinary shares will no longer be handled. 4. Proposal for the raising of private equity. 5. Proposal to add or amend the "Operational Procedures for Acquisition or Disposal of Assets" of the company, its subsidiaries, and its sub-subsidiaries.		
Apr 13 th , 2022	1. The Company proposed to engage in the cash capital increase		

Meeting 20, Session 4	<p>and issuance of new shares of the subsidiary Advanced Lithium Electrochemistry Co., Ltd..</p> <ol style="list-style-type: none"> 2. Grandson company Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. proposed to apply for funds lending from the subsidiary of the Company, Advanced Lithium Electrochemistry (HK) Co., Limited. 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. 		
May 6 th , 2022 Meeting 21, Session 4	Proposal for Public expenses of appointed accounting firm and independence accountant to deal with the Company's 2022 Financial Statements		
Jun 30 th , 2022 Meeting 22, Session 4	Appointment of new accounting and financial director		
Aug 26 th , 2022 Meeting 23, Session 4	Consolidated financial report for the first half of 2022		
Nov 10 th , 2022 Meeting 24, Session 4	<ol style="list-style-type: none"> 1. Proposed audit plan for the Company and its subsidiaries for the year 2023 2. Proposed sale of equipment by subsidiary Aleees AU Pty Ltd to Advanced Lithium Electrochemistry Co., Ltd. 		
Dec 23 th , 2022 Meeting 25, Session 4	<ol style="list-style-type: none"> 1. Proposed early repayment of funds lent to subsidiary Advanced Lithium Electrochemistry Co., Ltd.. by the Company 2. Proposed application for funds lent to subsidiary Advanced Lithium Electrochemistry Co., Ltd. by the Company 3. Proposed temporary suspension of the formulation of operation procedures for lending funds and endorsing guarantees for Aleees UK Ltd. and Aleees EU SARL 		
Mar 10 th , 2023 Meeting 26, Session 4	<ol style="list-style-type: none"> 1. Annual operating report and financial statement for the year 2022 2. Proposed allocation of losses for the year 2022 3. Proposed appointment of accounting firms and certified public accountants for the financial statements of the Company for the year 2023 4. Proposed advance approval of non-assurance services provided by the certifying accountant, their firm, and affiliated enterprises to the Company 5. Proposed declaration of internal control systems for the Company and its subsidiaries for the year 2022 6. Proposed private placement of common stock for capital increase 7. Proposed discontinuation of the private placement of common stock approved by the 2022 shareholders' meeting 8. Proposed cash capital increase and issuance of new shares in 2023 9. Proposed endorsement guarantees by subsidiary Advanced Lithium Electrochemistry Co., Ltd.. for the Company 10. Proposed endorsement guarantees by the Company for subsidiary Advanced Lithium Electrochemistry Co., Ltd. 		
May 1 th , 2023 Meeting 27, Session 4	<ol style="list-style-type: none"> 1. Financial report for the first quarter of 2023 2. The proposed operation plan for the acquisition and disposal of assets of subsidiary Aleees UK Ltd. 		

- (2) Besides the information above, any resolutions not passed by the audit committee, but passed by two-thirds of the board of directors: None
2. Information on the withdrawal of independent directors from proposals due to conflict of interests. The names of the directors, proposal content, causes of required withdrawal due to conflict of interests and results of voting: None
3. Circumstances of Communications between the independent directors and the internal audit manager and CPA (including company financial matters, important communications regarding important matters, procedures and results of the status of business, etc.):
- (1) The Company's internal audit manager reports to the independent directors on the auditing matters of the Company and its subsidiaries, in addition to the execution status of follow-up reports, on a scheduled basis in the audit committee. The internal audit manager needs to frequently contact the independent directors directly; the status of communications is good, the internal audit supervisor and the accountant communicate with the independent directors separately and once a year. The general directors and the management team do not engage in.
- (2) The Company assigns CPA to the audit committee every quarter to report information to the independent directors, focusing on the review of the Company's and its subsidiary's financial reports, the examination of results, and the status of internal control. The CPA also communicates when there are adjusted journal entries for financial reports and the impact on accounting procedures.
- (3) The Company's independent directors communicate very well with the internal audit manager and the CPA.
- (4) Below is a 2022 summary of the occasions in which the independent directors communicate with the internal audit manager:

Date	Channel	Highlight of Communication	Result
2022/01/14	Audit Committee	As of the Nov. 2021 Audit Report	No comment
2022/02/25	Audit Committee	As of the Dec. 2021 Audit Report	No comment
2022/03/25	Audit Committee	As of the Jan. 2022 Audit Report	No comment
2022/04/13	Audit Committee	As of the Feb. 2022 Audit Report	No comment
2022/05/06	Audit Committee	As of the Mar. 2022 Audit Report	No comment
2022/06/30	Audit Committee	As of the Apr. 2022 Audit Report	No comment
2022/08/26	Audit Committee	As of the May and Jun.2022 Audit Report	No comment
2022/11/10	Audit Committee	1. As of the Oct. 2022 Audit Report 2. 2022 Annual audit plan	No comment
2022/11/10	Communication meeting of corporate governance	1. Internal Control Audit Report for Q2 2021 OTC 2. 2022 Annual audit plan	Only internal audit supervisor and the accountant participate the communication. The general directors and the management team do not engage in.
2022/12/23	Audit Committee	As of the Oct. 2022 Audit Report	No comment

- Below is a 2022 summary of the occasions in which the independent directors communicate with the CPAs:

Date	Channel	Highlight of Communication	Result
2022/03/25	Audit Committee	1. The accountant gave an explanation on the 2021 financial statements and profit and loss situation, and discussed issues related to the application of certain	No comment

			<p>accounting principles.</p> <p>2. Discussion and communication regarding questions the CPA has raised to members of the meeting.</p>	
2022/05/06	Audit Committee		<p>1. Explanation of a review of the consolidated financial reports from the first quarter of 2021.</p> <p>2. Discussion and communication regarding questions the CPA has raised to members of the meeting.</p>	No comment
2022/08/26	Audit Committee		<p>1. Explanation of a review of the consolidated financial reports from the second quarter of 2022.</p> <p>2. Discussion and communication regarding questions the CPA has raised to members of the meeting.</p>	No comment
2022/11/10	Audit Committee		<p>1. Explanation of a review of the consolidated financial reports from the third quarter of 2022</p> <p>2. Discussion and communication regarding questions the CPA has raised to members of the meeting.</p>	No comment
2022/11/10	Communication meeting of corporate governance		<p>1. Scope of the review.</p> <p>2. Communication matters of the governance group after the review.</p> <p>3. Highlights of the review.</p>	Only internal audit supervisor and the accountant participate the communication. The general directors and the management team do not engage in.
2022/12/22	Communication meeting of corporate governance		<p>1. Scope of the review.</p> <p>2. Communication matters of the governance group after the review.</p> <p>3. Highlights of the review.</p>	Only internal audit supervisor and the accountant participate the communication. The general directors and the management team do not engage in.

(3) Corporate Governance Status and the Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms

Evaluation Contents	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
1. Has the Company set up and disclosed the Corporate Governance Best Practice Principles based on the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	V		Our company firmly believes that a Board of Directors with sound structure and operations, transparency of information, protecting the rights and interests of shareholders and the fair treatment of shareholders is the foundation for company governance. Our company has set up "Corporate Governance Best Practice Principles" and disclosed it on our company's website in addition to the Market Observation Post System in accordance to the related procedures and laws regarding the establishment of corporate governance. Since the past, our company has ranked in the top tiers in terms of standards for corporate governance, and has received affirmation for the Company's corporate governance and transparency of information.
2. Company's Shareholding Structure and the Rights and Privileges of Shareholders A. Does the Company set up internal procedures to deal with shareholders' recommendations, concerns, disputes, litigation matters, and does it implement these rules according to procedure?	V		Our company has set up a spokesperson and acting spokesperson system to guarantee that any information regarding decisions that impact our shareholders is able to be promptly announced. Our company's website also contains a specialized e-mail inbox, dedicated to dealing with our shareholders' issues, such as recommendations and disputes. If the issue is related to laws and regulations, shareholders will be directed to the legal affairs department, according to procedure.
B. Does the Company retain a register of major shareholders that have controlling power over the Company and people who hold ultimate power over those major shareholders?	V		Our company has set up stock affairs and transfer agency departments and can bring up the register of major shareholders that have controlling power over the Company and people who hold ultimate power over those major shareholders. Changes in the stockholdings of people within the Company are reported every month, as required by law.
C. Has the Company set up and executed controls for risks and firewall mechanisms between affiliated firms?	V		Our company has established the "Rules Governing Related Party Transactions" and the "Procedures for the Supervision of Subsidiaries" to set the norms for financial and business matters involving related firms. This acts as an effective control for risk and as a firewall mechanism.
D. Has the Company set up rules and regulations to prohibit persons inside the firm from using unreleased market information to buy and sell negotiable securities?	V		Our company has already established the "Procedures Handling Internal Information and the Management of Preventing Insider Trading", preventing persons inside the Company from using unreleased market information to buy and sell negotiable securities.
3. The Organization and Responsibilities of the Board of Directors A. Does the Board of Director formulate the diversity policy, specific management goals and implement based on the member composition?	V		1. The Company complies with the concept of diverse directors in the "Corporate Governance Best Practice Principles". It is advisable that directors concurrently serving as company managers not exceed one-third of the total number of the board members. In addition, the Company shall formulate diverse guideline in terms of itself operation, business and development requirement. The diverse guideline include but not limit to gender, age, nationality and culture and so on, Among them, the ratio of female directors should reach 1/3 of the board seats. 2. The Board of Directors of the Company has 7 directors, including 4 independent

Evaluation Contents	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
		<p>Summary of Explanations</p> <p>directors. The professionals cover the finance or accounting, law and regulation, business management, knowledge of industry, corporate governance and so on. The board members are composed of four Taiwanese, one Australian and one Hong Kong. There are a total of 7 board members, with 4 male directors, accounting for 57.14% of all board members, with an average age of 47.5 years old, and 3 female directors, accounting for 42.86% of all board members, with an average age of 53 years old. At present, there is no more than one-third of the directorship held by the directors who concurrently serve as the company's managers. The number of female directors has reached 42.86% of all board members, exceeding the target of one-third. (The implementation of diversity for individual director shall be referred to page 19 of the Annual report.)</p>	
B. Other than the Compensation Committee and the audit Committee which are required by law, is the company willing to set up other committees?	V	<p>Other than the Compensation Committee and the Audit Committee, the Company has set up the committees described below:</p> <ul style="list-style-type: none"> • Under the Board of Directors is the Sustainability Committee, which plans and sets goals for sustainable development and regularly reviews the progress and achievements of those goals. • A Nomination Committee has been set up to improve the functions of the Board of Directors of this company and to strengthen management mechanisms. This committee consists of three directors nominated by the Board and half of the committee consists of independent directors. 	None
C. Whether the Company formulates the regulations and method for the performance evaluation of the board of directors, conducts performance evaluation regularly every year, reports the results of the performance evaluation to the board of directors, and takes it as a reference for the remuneration, nomination and re-appointment of each director?	V	<p>To implement the Company's governance and improve the functionality of the Board of Directors, performance goals are established to improve efficiency in the operations of the Board. The Company has set criteria to evaluate the performance of the Board and evaluates the Board internally once every year. In addition, the Board undergoes an external evaluation at least once every three years.</p> <p>In November 2021, the Company appointed EY Advisory Services Inc. (hereinafter referred to as EY) to perform the performance evaluation of the external board of directors in 2021 and submitted the report of performance evaluation results of the board of directors to the board of directors on February 25, 2022. The evaluation uses EY's eight big criteria to assist in identifying key elements to supplement the evaluation of our company's Board. Those criteria include: the structure and process of the Board, the members of the board, corporate and organizational structure, role and authority, behavior and culture, the training and developments of directors, the supervision of risk control and the supervision of reporting, disclosure and performance.</p> <p>Based on the performance evaluation of the Board of Directors, EY believes that Cayman Aleees Electric Energy has a healthy and good interactive culture, which is one of the basic elements of a high-performance Board of Directors. Based on this, it is hoped that EY is able to offer the observations and suggestions to the company in this evaluation in</p>	None

Evaluation Contents	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
		<p>terms of board members, operating practices, risk management and performance supervision, and even assist the company and the Board of Directors to continuously optimize and improve. Eventually the company becomes the benchmark of industry for corporate governance and performance of Board of Directors.</p> <p>The Company submitted the 2022 internal performance evaluation results of the Board of Directors at the Board meeting on March 10, 2023. The evaluation scores more than 99 points and the operation was in good condition.</p>	
D. Does the Company regularly evaluate the independence of the CPAs?	V	<p>According to our company's "Corporate Governance Best Practice Principles", None regularly review the independence and appropriateness of CPA every year in terms of the qualifications and experience of certified CPAs, the standards of independence, the number of years for continuous audit services, the nature of non-audit services, audit and non-audit public funds, the quality of audit services, and whether the CPA has been punished by relevant authorities. The 2023 independence and appropriateness assessment of certified CPS are listed in Table 1 below, which was approved by the Audit Committee and the Board of Directors on March 10, 2023.</p> <p>According to the evaluation of the independence of the Company's CPAs, they do not fall under the categories of being the Company's directors, supervisors, managers or a position of great impact to the Company. They are also not stakeholders and thus there are no issues of any direct or indirect conflicts of interest; they do not have any direct or indirect significant financial interests with our company. The CPAs execute professional services with upright, objective and serious attitude. In addition, the Audit Committee regularly obtains independence declarations from the CPAs. When the Company's Audit Committee and Board of Directors discuss the competence of the CPAs, they examine the CPA's personal credentials in addition to the CPA's major reviews and clients to evaluate the CPA's competence.</p>	None
4. Whether TWSE/TPEX listed companies have deployed appropriate numbers of suitable corporate governance personnel, and designated corporate governance directors responsible for corporate governance-related matters (including but not limited to providing directors, supervisors with information required to perform business, assisting directors, supervisors in complying with laws, handled matters related to meetings of the board of directors and shareholders' meeting on the basis of the laws, and prepared the minutes of the board of directors and shareholders' meetings, etc)?	V	<p>To enhance corporate governance and improve the effectiveness of the board of directors, the Company approved a resolution at the 25th meeting of the 7th Board of Directors on June 5, 2019 to set up a supervisor of corporate governance, and a qualified corporate governance personnel has been deployed. The main job description includes coordinating each relevant departments to provide directors with the information required to perform their business in time, assist directors in complying with laws and regulations, handling matters related to the board of directors and board meetings, and implement corporate governance, which includes the establishment of related promotion goals and regular follow-up of corporate governance, arrangement of related corporate governance training courses and other matters for directors and senior supervisors.</p> <p>The 2022 implementation of the corporate governance business by the corporate governance group is as follows:</p>	None

Evaluation Contents	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms																				
	Yes	No																					
		<p>Summary of Explanations</p> <ul style="list-style-type: none"> Plan and arrange diversified training courses for directors, with each director completing at least 6 hours of training in the fiscal year of 2022. Conduct an annual performance evaluation of the board of directors. The results of the 2021 evaluation were all above 98 points and were reported to the board of directors in February 2022. The board of directors' performance evaluation for 2022 is scheduled to be completed by March 2023. Hold the shareholders' meeting on June 30, 2022, and handle shareholder meeting date registration, prepare meeting notices, agendas, and meeting minutes in both Chinese and English within the legal deadline. Shall notify the directors 7 days before the Board meeting, convene the meeting and provide the meeting materials. Complete the minutes of the meeting, distribute to the directors within 20 days after the meeting, and include into the company's important files. Maintain the transparent communication between the directors and the supervisors by offering the requested company information Arrange separate communication meetings between independent directors and the accounting firm and audit manager, respectively. Regularly review the promotion goals and implementation of corporate governance by the ESG Committee, and annually report to the Board of Directors The continuous training situation of the head of corporate governance is as follows: <table border="1" data-bbox="901 392 1284 1355"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Professional Development Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2022/07/27</td> <td>Taiwan Stock Exchange Taipei Exchange</td> <td>Industry-themed promotion of sustainable development roadmap</td> <td>2</td> </tr> <tr> <td>2022/08/15</td> <td>Accounting Research and Development Foundation</td> <td>Latest developments in ESG sustainability and self-edited financial reports Practices in policy development and internal control management</td> <td>6</td> </tr> <tr> <td>2022/08/25</td> <td>Taipei Exchange</td> <td>Explanation meeting on internal employee share ownership for OTC and emerging companies</td> <td>3</td> </tr> <tr> <td>2022/09/30</td> <td>Accounting Research and Development Foundation</td> <td>ISSB S1 criteria "General provisions for disclosure of sustainability-related financial information"</td> <td>3</td> </tr> </tbody> </table>	Date	Organizer	Professional Development Course	Hours	2022/07/27	Taiwan Stock Exchange Taipei Exchange	Industry-themed promotion of sustainable development roadmap	2	2022/08/15	Accounting Research and Development Foundation	Latest developments in ESG sustainability and self-edited financial reports Practices in policy development and internal control management	6	2022/08/25	Taipei Exchange	Explanation meeting on internal employee share ownership for OTC and emerging companies	3	2022/09/30	Accounting Research and Development Foundation	ISSB S1 criteria "General provisions for disclosure of sustainability-related financial information"	3	
Date	Organizer	Professional Development Course	Hours																				
2022/07/27	Taiwan Stock Exchange Taipei Exchange	Industry-themed promotion of sustainable development roadmap	2																				
2022/08/15	Accounting Research and Development Foundation	Latest developments in ESG sustainability and self-edited financial reports Practices in policy development and internal control management	6																				
2022/08/25	Taipei Exchange	Explanation meeting on internal employee share ownership for OTC and emerging companies	3																				
2022/09/30	Accounting Research and Development Foundation	ISSB S1 criteria "General provisions for disclosure of sustainability-related financial information"	3																				
5. Has the Company established channels of	V	<ul style="list-style-type: none"> The Company values communication with its stakeholders (including shareholders, 	None																				

Evaluation Contents	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
communication with stakeholders (including but not limited to shareholders, employees, clients, suppliers, etc.), and set up a designated area on the Company website to handle the issues of the stakeholders? Has the Company appropriately responded to the stakeholders regarding key corporate responsibility issues that affect them?		<p>employees, clients, upstream and downstream factories, investors, etc.), each other's rights and privileges, and a balance in the dutiful relationship between both parties. In addition to regular communications with stakeholders, the Company's website has set up a "Designated Zone for Stakeholders". This zone contains online surveys that help the Company to understand the main concerns of the stakeholders, an e-mail inbox Aleees@alechem.com, and contact information, through which stakeholders can express their opinions.</p> <ul style="list-style-type: none"> The Company's website also has a page for corporate governance in the "Investor Relations\Corporate Governance\Major Internal Policies", in which investors can download documents related to the rules and regulations of corporate governance. The Company has also set up a "Corporate Social Responsibility" section on the website. In addition to understanding the topics the major stakeholders are concerned about and the level of concern toward each topic, the website's content also reveals the implementation and the latest development of the Company's sustainable development goals for the reference of the stakeholders. It also provides ① e-mail address CSR@alechem.com and the contact no. 03-3646655 for Ms. Lee ②Praise/Complaint Mailbox :speak-up@alechem.com ③ e-mail address and contact no. for the Investor and Media Contact Person (e.g.: Spokesperson: Rueli-Yang Chu, Investment Chief), ir@alechem.com, 03-3646655, to provide a channel for voicing opinions and suggestions to the Company. 	
6. Has the Company delegated a professional shareholder services agent to serve the shareholders?	V	The Company has delegated a professional shareholder services agent to serve the shareholders.	None
7. Disclosure of Information A. Has the Company set up a website that discloses information on the Company's financial affairs and corporate governance?	V	The Company has set up a company website (www.aleees.com) to disclose relevant information at all times, provide information on the Company's situation, all relevant information on MOPS and on the financial affairs of the Company, according to the stipulations of the competent authorities.	None
B. Has the Company taken other measures to disclose its information (i.e., setting up an English website, appointing personnel to gather and disclose the Company's information, implement a spokesperson system, uploading the whole process of the investor conference onto the Company website)?	V	The Company has already set up an English website, appointed personnel to gather and disclose the Company's information, implemented a spokesperson system and uploaded the whole process of the investor conference onto the Company website.	None
C. Whether the Company announced and reported the annual financial report within two months after the end of the fiscal year, and announced and reported the first, second and third quarter financial reports and	V	Although the Company has not announced and reported the annual financial statement within two months after the end of the fiscal year, it has announced the 2022 financial statement within the time limit stipulated by the Law, that is March 10, 2023.Publication of financial reports for the first, second, and third quarters and the operational performance in each	

Evaluation Contents	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
<p>operation of each month in advance before the prescribed period ?</p> <p>8. Does the Company have any other information that would assist in letting others learn more about the Company's corporate governance status (including but not limited to the rights and privileges of employees, concern toward staff, relationship with investors, relationship with suppliers, rights and privileges of stakeholders, pursuance of higher education by directors and supervisors, risk control policy and performance of risk measuring standards, performance of customer policy, the Company taking out liability insurance for the directors and supervisors)?</p>	V	<p>month was completed within the specified time limit.</p> <p>Our company firmly believes that a Board of Directors with sound structure and operations, transparency of information, protecting the rights and interests of shareholders and the fair treatment of shareholders is the foundation for company governance. Since the past, our company has ranked in the top tiers in terms of standards for corporate governance, and has received affirmation for the Company's corporate governance and transparency of information.</p> <ul style="list-style-type: none"> • In 2022, the Company arranged for professional development courses for the directors to attend. Related information in the table2 attached. • Every year, the Company takes out liability insurance for the directors and managers. Coverage and insurance rate among other important contents in the next report of the Board of Directors. • Implementation of risk management policies and risk measurement standards: Major operations related to major operational policies, investment cases, endorsement guarantees, capital loans, and bank financing have been evaluated and analyzed by appropriate authority department and implemented pursuant to the resolutions made by the board of directors, and the auditing office also drew up its annual auditing plans based on the results of risk evaluation, which shall be implemented exactly to conduct the supervision mechanism and control the implementation of various risk management. • The Company established a complaint mailbox to actively handle customer complaints to protect the rights of customers. • The Company has prepared a Sustainability Report, which includes information on the rights and privileges of employees, concern toward staff, relationship with investors, relationship with suppliers and the rights and privileges of stakeholders. Please refer to the Company's Sustainability Report at www.aleees.com. 	None
<p>9. Please provide details regarding improvements made based recommendations listed in the most recent year's assessment from the Corporate Governance Center, Taiwan Stock Exchange Co., Ltd. If the changes have not yet been made, please provide a list of matters to be improved and the corresponding measures. (N/A for companies not assessed): For the past seventh consecutive years, our company has ranked in the top 5% of companies in terms of corporate governance, receiving strong affirmation in this area. The Company takes serious on the corporate governance's impact on the company operation, take cares of the shareholders' right and fair treatment on the shareholders, and implements the sustainable development. The efficient operations of the Board of Directors and disclosure of credible and transparent information solidifies the Company's culture of governance. With increasing competitiveness, our company will continue to implement company governance and create maximum value for the Company and shareholders in the future.</p>			

Appendix Table 1: The 2022 assessment of the independence and appropriateness of CPA is as follows

1. The Independence of CPA

Independence		Independence criteria	
Item	Description	Yes	No
1	The CPA shall avoid and not undertake when having a direct or significant indirect interest in the commission items so that affect their fairness and independence.	V	
2	The audit or review of the financial statements is to provide a wide range of potential statement users with high or moderate but not absolute confidence. In addition to maintaining substantive independence, the CPA's formal independence is more important. Therefore, members of the audit team, other joint CPA, firms and firm-affiliated companies shall maintain the independence from audit clients.	V	
3	The CPA appointed by the company keep the following matters: (as shown in 3.1~3.3 below)		
3.1	Integrity: CPA shall perform the professional services with integrity and rigor.	V	
3.2	Fairness and objectivity: CPA shall maintain a fair and objective attitude when performing professional services, and, meanwhile, shall avoid any conflicts of interest that affect their independence.	V	
3.3	Independence: When CPAs perform the audit or review of financial statements, they shall maintain an independent position in form and substance and express their opinions impartially.	V	
4	The independence of CPAs is associated with integrity, fairness, and objectivity. Whether the CPA lacks or loses independence at the time of appointment would affect the position of integrity, fairness and objectivity.		V
5	Whether the independence of CPAs is affected by self-interest, self-evaluation, defense, familiarity and coercion.		V
6	Independence being affected by self-interest refers to the obtain of property benefits through the Company, or conflicts of interest with the Company due to other interests. Is there any of the following effects : (as shown in 6.1~6.6 below)		
6.1	Have a direct or significant indirect financial interest in the Company.		V
6.2	Have a finance or guarantee act with the Company or its directors and supervisors.		V
6.3	Consider the possibility of loss of the Company.		V
6.4	Have a close business relationship with the Company.		V
6.5	Have a potential relationship of employment with the Company.		V
6.6	Have the public expenses related to the Company's auditing cases.		V
7	Independence is affected by self-evaluation. The report or judgment made by the CPA in the execution of non-audit service cases is used as an important basis for the conclusion of the audit in the process of performing the audit or review of financial information. Or members of the audit team have served as directors and supervisors of the Company, or have held positions that directly and significantly affect the audit. Whether it has the following effects: (as shown in 7.1~7.2 below)		
7.1	The members of the audit team have served, currently or in the last two years, as directors, supervisors, managers of the Company or any position that has a significant impact on the audit.		V
7.2	The non-audit services provided to the Company directly affect the important objectives of the audit.		V
8	Independence being affected by the defense means that the members of the audit service team become the defenders of the auditing client's position or opinion, making their objectivity be questioned. Whether it has the following effects : (as shown in 8.1~8.2 below)		
8.1	Promote or broker the stocks or other securities issued by the Company.		V
8.2	Act as the Company's defender, or coordinate the conflicts with other third parties on behalf of audit clients.		V
9	The influence of familiarity on independence refers to the close relationship with the Company's directors, supervisors, and managers, making CPAs or members of the audit service team pay excessive attention to or sympathize with the interests of audit clients. Whether it has the following effects: (as shown in 9.1~9.3 below)		
9.1	Have a kinship relationship with the Company's directors, supervisors, managers, or persons who have a significant influence on the audit.		V
9.2	Co-certified CPAs who have resigned within one year shall serve as directors, supervisors, managers, or positions that have a significant impact on audit cases of the company.		V
9.3	Accept the gifts with great value from the Company or its directors, supervisors, and managers of the auditing client.		V
10	The effect of coercion on independence refers to the members of the audit service team who have endured or felt intimidation from the company, making them unable to maintain objectivity and clarify professional doubts. Whether it has the following effects: (as shown in 10.1~10.2 below)		

Independence		Independence criteria	
Item	Description	Yes	No
10.1	CPAs are required to accept improper choices by management in accounting policies or improper disclosures in financial statements.		V
10.2	In order to reduce public expenses, pressure is put on CPAs to improperly reduce the inspections that should be performed.		V

2. The Appropriateness of CPA

Appropriateness		Evaluation	
Item	Description	Yes	No
1	Have the qualifications of a CPA to be able to perform the business of an accountant.	V	
2	Whether it has not been punished by the authority and the Institute of Certified Public Accountants, or in accordance with the provisions of paragraph 3 of Article 37 of the Securities and Exchange Act. If paragraph 3 of Article 37 of the Securities and Exchange Act (Management of Audit visas for Accountants) If an accountant applies for the first visa and makes an error or omission, the authority may, depending on the seriousness of the circumstances, impose the following penalties : (1) Warning. (2) Stop applying for visas stipulated in this act within two years. (3) Revocation of visa approval.	V	
3	Have knowledge of related industries for the Company.	V	
4	Whether to perform the financial statement audit work in accordance with generally accepted audit standards and the financial statement rules of the accountant's audit visa, and issue a financial report in accordance with the audit planning schedule.	V	
5	Have not to use the CPA's status to improper competition in industry and business.	V	
6	Whether proactively provide the management with the newly announced accounting, audit and other relevant regulations changes, and fully discuss and communicate the major differences.	V	

3. Assessment conclusion of the independence and appropriateness of CPAs:

- (1) The audit CPA of the Company belongs to the Big Four international accounting firms and has no interest in the Company.
- (2) The Company has conducted an evaluation based on the items of the independence and appropriateness, and the independence and appropriateness of the CPA shall be no doubt.

Appendix Table 2: Professional Development Courses Taken by the Company’s Directors and Independent Directors in 2022 are as follows:

Title	Name	Organizer	Professional Development Course	Date	No. of Hours	Does the professional development conform to the stipulations? (Note)
Chairman	Sheng-Shih Chang	Securities and Futures Institute	Company Governance 3.0 from the perspective of investigation and prosecution	2022/07/14	3.0	Yes
			Global Risk Perception - Opportunities and Challenges for the Next Decade		3.0	
Director	Jaime Che	Taiwan Corporate Governance Association	Prevention of Insider Trading	2022/05/13	3.0	Yes
		Securities and Futures Institute	Cybersecurity Value in the Post-Pandemic Era and the US-China Trade War	2022/08/18	3.0	
Director	Chi- Kei Ching	Accounting Research and Development Foundation	Trends and Strategies in ESG Sustainable Finance	2022/02/17	3.0	Yes
			Legal Responsibility and Case Analysis of New Business Incident Trial Law	2022/02/18	3.0	
Independent Director	Chian-Hsiu Lee	Taiwan Corporate Governance Association	18th (2022) Corporate Governance Summit - Enhancing Director Function and Implementing Sustainable Corporate Governance	2022/10/19	6.0	Yes
Independent Director	Hsuan Wang	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations, and the Operation Practice of Audit Committee	2022/05/16	3.0	Yes
			Fraud Risk Management and Ethical Management	2022/08/19	3.0	
Independent Director	Yie-Yun Chang	Taiwan Corporate Governance Association	Prevention of Labor Disputes and Corporate Governance	2022/04/26	3.0	Yes
		Taiwan Corporate Governance Association	Quick Interpretation and Preparation of ESG Disclosure Requirements for Corporate Governance 3.0	2022/06/28	3.0	
Independent Director	Jhih-Da Yan	Securities and Futures Institute	Facts Supporting the Establishment of Crimes of Breach of Trust and Special Breach of Trust by Directors and Supervisors	2022/03/29	3.0	Yes
		Taiwan Corporate Governance Association	The Virtual World Outburst: The Future Development of Metaverse and Cryptocurrency Blockchain	2022/09/23	3.0	

Note: Referring to the amount of class hours, course content, course system, arrangement of courses and disclosure of information as stipulated by the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”.

(4) The Compensation Committee established by the Company, and the status of its organization, duties and operations:

i. Information on the Members of the Compensation Committee

The members of the 4th Compensation Committee consisted of Mr. Miao-Lung Hsieh, independent directors Yie-Yun Chang and Hsuan Wang.

As of May 10, 2023

Position	Names	Professional Qualification and Experience	Independence Information (Note)	Number of Other Public Companies Concurrently Serving as a Member of Compensation Committee	Remark
Independent Director (Convener)	Yie-Yun Chang	<ul style="list-style-type: none"> Have over experience of over 29 working years in law, intellectual property right and operation management. Doctor Juris, University of Munich (Germany), Former Dean of the School of Law, Fu Jen Catholic University, Member of the Copyright Consultation and Review Committee of the Intellectual Property Office, MOEA, Member of the 6th Fair Trade Commission, Current administrative vice president of Fu Jen University, Director of Great Eastern Resins Industrial Co. Ltd., Independent Director of Ocean Plastic Co., Ltd., Independent Director of YFY Inc.. 	As an independent director of the Company. The qualifications and conditions of directors have been reviewed during the nomination and fulfill with the independent criteria.	2	—
Independent Director	Hsuan Wang	<ul style="list-style-type: none"> Have over experience of over 15 working years in accounting, finance and operation management. Ph.D. in Accounting, National Taiwan University, former Adjunct Lecturer, Department of Accounting, National Taiwan Normal University, Assistant Supervisor, Deloitte Accounting Firm, current Assistant Professor, School of Management, Yuan Ze University, Independent Director of AP Memory Technology Corporation, and Highpoint Service Network Corporation.. 	As an independent director of the Company. The qualifications and conditions of directors have been reviewed during the nomination and fulfill with the independent criteria.	2	—
Other	Miao-Lung Hsieh	<ul style="list-style-type: none"> Have experience in accounting and finance. Former finance director of Hong Kong TianAn Investment Inc., the finance director of Grand Ocean Retail Group Limited, CFO of First Steamship Co., Ltd. Current members of Royal Chartered Certified Accountant. 	As a member of the remuneration committee of the Company. The academic, experience, qualifications and conditions have been reviewed during the nomination of remuneration committee election and fulfill with the independent criteria.	—	—

Note : During the two years before and during the term of office, each member shall have been or be the following:

- (i) Not an employee of the Company nor any of its related companies.
- (ii) Not a director or supervisor of the Company or any of its related companies. It does not apply in cases where the person is an independent director of the Company, its parent company or any subsidiary that has been legally established according to this law or the statutes and ordinances of the country the Company is in.
- (iii) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking as one of the top-10 shareholders.
- (iv) Not a spouse, relative within the second-degree relatives, or lineal relative within the fifth degree, of any of the persons specified in the preceding three notes. Not a spouse, relative within the second-degree of kinship, or lineal relative within the third degree of kinship, of any of the persons specified in the preceding three notes.
- (v) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the Company or a director, supervisor, or employee of a corporate shareholder that ranks among the top-5 in shareholding (Do not apply to independent directors appointed in accordance with the Act or the regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.)
- (vi) If a majority of the company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company. (Do not apply to independent directors appointed in accordance with the Act or the regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.)
- (vii) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (Do not apply to independent directors appointed in accordance with the Act or the regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.)
- (viii) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business relations with the Company. (It holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company; Do not apply to independent directors appointed in accordance with the Act or the regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent.)
- (ix) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (x) Not having any of the conditions defined in Article 30 of the Company Law.

ii. Responsibilities of the Compensation Committee

The Compensation Committee shall perform the duties listed below with the duty of care and integrity. Recommendations made in the Committee shall be submitted to the Board of Directors for discussion:

- (i) Determine and regularly review the performance of directors and managers in addition to the policies, systems, benchmarks and structure of their compensation.
- (ii) Regularly assess and determine the salary compensation of directors and managers.

iii. Information on the Performance of the Compensation Committee

A. The Company's Compensation Committee had a total of three committee members.

B. The tenure of Committee members currently in office: April 10th, 2020 to April 9, 2023. In the most recent year and as of the printing date of this annual report, four board meetings were held 3[A], and the qualifications and attendance of the Committee members are as follows:

Title	Name	Times of Attendance in Person[B]	Times of Attendance by Proxy	Actual Attendance Ratio (%) [B/A]	Remarks
Convener	Yie-Yun Chang	3	—	100%	—
Committee member	Hsuan Wang	3	—	100%	—
Committee member	Miao-Lung Hsieh	3	—	100%	—

Other remarks as required:

1. If the Board of Directors refuses to adopt or revise suggestions from the Compensation Committee, the details of the meeting date, session number, proposal content, results of voting by the Board of Directors, and actions taken by the Company in response to the opinions of the members of the Compensation Committee should be listed (i.e., if the Board of Directors approved a compensation structure that is better than that suggested by the Compensation Committee, the circumstance of discrepancy and reasoning should be clearly stated): None
2. If members of the Compensation Committee object to or abstain from voting from resolutions of the Compensation Committee, and there is a record or written declaration regarding said objection or abstention, the details of the meeting date, session number, proposal content, all the opinions of the committee members, and actions taken in response to the opinions of the members of the Compensation Committee should be listed: None

C. Discussion of the reasons and resolutions of the remuneration committee in the most recent year and up to the date of this annual report, and the company's handling of members' opinions.

Date and Session of the Board of Compensation Committee	Content of the Proposal	Voting Results by the Compensation Committee	Actions taken by the company in response to the Compensation Committee
Jan 14 th , 2022 Meeting 4, Session 4	1. 2021 department performance bonus plan for the Company's managers (the holiday bonus). 2. The salary adjustment proposal of the Company's managers.	After consultation by the chairman with all committee members present, the proposal passed as proposed.	None
Jun 30 th , 2022 Meeting 5, Session 4	1. The proposed compensation plan for the Company's new independent directors. 2. The proposed compensation plan for the Company's new accounting and finance executives.		
Dec 23 th , 2022 Meeting 6, Session 4	1. The 2022 performance bonus plan for the Company's executives. 2. The salary adjustment proposal for the Company's corporate governance executives.		

(5) The company's nomination committee with its composition, responsibilities and operation

i. Qualifications for appointment and responsibilities of the Nomination Committee

The nomination committee of the Company is composed of at least three directors elected by the Board of Directors, of which the independent directors shall account for the half of the members, and shall serve as the convenor and the Chairman. The Nomination Committee of the Company shall faithfully execute the following functions in behavior with the sincere managers, and shall submit the recommendations to the Board of Directors for discussion:

- (i) Formulate the standards for the diverse background and independence that required by the Board members and senior managers such as professional knowledge, technology, experience, gender, and so on.
- (ii) Review and nominate the candidates for directors, supervisors and senior managers.
- (iii) Construct and develop the organizational structure of the Board of Directors and the committees; conduct the performance evaluations of the Board of Directors, the committees, the directors and the senior managers; and evaluate the independence situation of the independent directors
- (iv) Formulate and regularly review the director's training plan as well as the succession plan of the directors and senior managers.
- (v) Formulate the corporate governance principle of the Company

ii. Qualifications, experience and operation of members in the Nomination Committee

- (i) There are 3 members of the Nomination Committee of the Company
- (ii) The term of office of the current session: From April 10, 2020 to April 9, 2023. The Nomination Committee held 3 times of meeting in 2022 and as of the date of publication of the annual report [A]. The qualifications and experience of the members, attendance and discussion items are as following:

Position	Name	Professional Qualification and Experience	Times of Attendance in Person[B]	Times of Attendance by Proxy	Actual Attendance Ratio (%) [B/A]	Remarks
Convener	Yie-Yun Chang	1. Have over experience of over 29 working years in law, intellectual property right and operation management. 2. Doctor Juris, University of Munich (Germany), Former Dean of the School of Law, Fu Jen Catholic University, Member of the Copyright Consultation and Review Committee of the Intellectual Property Office, MOEA, Member of the 6th Fair Trade Commission, Current administrative vice president of Fu Jen University, Director of Great Eastern Resins Industrial Co. Ltd., Independent Director of Ocean Plastic Co., Ltd., Independent Director of YFY Inc..Independent Director of YFY Inc.	3	—	100%	—
Committee member	Sheng-Shih Chang	1. Have over experience of over 16 working years in business, laws, marketing and operation management. 2. Juris Doctorate, National Taiwan Normal University, Former Asst. Professor, China University of Science	3	—	100%	—

		and Technology, General Manager of Neso Technology Limited in Greater China, Pou Chen Group; Current Chairman of the Company and Subsidiary Chairman cum CEO of Aleees (Taiwan), Chairman cum CEO of Aleees SH, Director of Aleees(HK), Director of Aleees(US), Director of Alees(AU), Director of Alees(TX), Director of Alees(EU) and Director of Aleees(UK).				
Committee member	Wei-Min Shen	1. Have over experience of over 20 working years in accounting, tax and operation management. 2. Ph.D. in Accounting, Purdue University, Former Dean of Research and Development Division, Office of Academic Affairs and Department of Public Finance and Taxation of National Taichung University of Science and Technology, Chair of the Department of Accounting, Associate Professor of Tunghai University, Independent Director of Siliconware Precision Industries Co., Ltd., Current Professor of Public Finance and Taxation at National Taichung University of Science and Technology., Independent Director of Episil-Precision Inc., Independent Director of UPI Semiconductor Corp., Independent Director of ENNOSTAR Inc.	1	—	100%	2022/4/15 Resignation effected
Committee member	Jhih-Da Yan	1. Has over 20 years of experience in accounting, taxation, and business management. 2. Holds a Ph.D. in Finance from National Chengchi University and has previously served as an Independent Director of Feature Integration Technology Inc. 3. Independent Director of Sinopower Semiconductor Inc. ; Currently serving as an associate professor in the Department of Finance and Taxation at Taichung University of Science and Technology, Independent Director of Episil Technologies Inc. and ProLight Opto Technology Corp.	2	—	100%	2022/06/30 Newly appointed

Other matters :

The matters generated in 2022 and as of the publication date of the annual report including the meeting date, period, content of the main proposals of the Nomination Committee, the recommendations or objections of the nomination Committee's members, the resolutions of the Nomination Committee, and the Company's response on the opinions of the Nomination Committee:

Date and Session of the Board of Nominating Committee	Content of the Proposal	Voting Results by the Nominating Committee	Actions taken by the company in response to the Nominating Committee
Mar 25 th , 2022 Meeting 4, Session 3	Nomination of candidates for independent directors	After consultation by the chairman with all committee members present, the proposal passed as proposed.	None
Mar 12 th , 2023 Meeting 5, Session 3	Drafting of the Company's 2023 Director Training Plan.		
May 1 st , 2023 Meeting 6, Session 3	The company will accept the list of candidates for directors and independent directors nominated by shareholders with the right to nominate under the Company Act at the 2023 Annual General Meeting.		

(6) Implementation of sustainable development promotion and ‘Deviation and Reason for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies’

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
1. Does the company establish a governance structure to promote the sustainable development, set up a special group to promote sustainable development, have the senior managers, who are authorized by the board of directors, to conduct, and have the Board of Directors to supervise the situation?	V	<p>Summary of Explanations</p> <p>1. In order to ensure the implementation of the sustainable development strategy, the Company changed the name of "Social Responsibility Committee", which was established in 2014 and under the Board of Directors, to the "Sustainability Committee" in 2022 for integrating the organizational resources and improving the efficiency. Study on the policies and supervise the implementation of the sustainable development for the company and its subsidiaries. Regularly and annually report to the Board of Directors on the implementation performance of the Company's sustainable development.</p> <p>2. There is a secretariat under the Sustainability Committee, of which is the affairs group. In terms of implementation, the Sustainability Committee has established four functional groups, including the Green Genome Group, the Employee Training and Care Group, the social Participation Group, and the Corporate Governance Group. These groups are composed of the heads of the business units and related departments that involved in the decision-making of the Company. These groups are committed to building a complicated corporate governance system and implementing the Company's sustainable development strategy.</p> <p>3. The Company has recently reported to the Board of Directors on the implementation of the sustainable development strategy on December 23, 2022.</p>	None
2. Whether the Company have conducted risk assessments of environmental, social and corporate governance issues related to its operations in accordance with the materiality principles, and formulated relevant risk management policies or strategies?	V	<p>1. To guarantee the full implementation of strategies for sustainability, the Company established the Sustainability Committee under the Board of Directors in 2014 to integrate the resources of the Company and raise efficiency. The Sustainability Committee operates following the "P-D-C-A" (Plan-Do-Check-Act) method of management. Each team regularly identifies stakeholders, to identify major themes and distinguish them into three major aspects: environment, society, and economy/corporate governance. With confirmation by the committee, the execution plan will be launched and the progress and effectiveness</p>	None

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	
		<p>of corporate social responsibility-related businesses will be reported regularly. After reviewing the effectiveness of each functional group, the chairperson of the committee reports the performance of sustainable development to the board of directors every year.</p> <p>2. The Sustainability Committee reviews the three major aspects of environment, society, and economics/corporate governance every year. The aim is to ensure risks and opportunities faced by the Company can be handled through comprehensive risk management and appropriate crisis management to ensure damage prevention and grasp the opportunity to improve the business model.</p> <p>3. The performance and detailed contents of the Company's risk management and sustainable development are disclosed in the Company's annual Sustainability Report.</p>	
<p>3. Issues of Environment</p> <p>A.Has the Company established appropriate systems for environmental management based on the characteristics of its operations?</p>	V	<p>1. The Company's principles for sustainable environmental management consist of reducing environmental impact, implementing environmental management, developing green products, taking environmental responsibility and disseminating environmental knowledge, in addition to making efforts to reduce environmental footprint caused by the Company's operations.</p> <p>2. To implement green factories, we promoted clean production processes, strengthened internal autonomy implementation to increase the energy and resource efficiency, improve the equipment effectiveness, reduce the pollution sources, replace raw materials, recover the resource of waste, we were also approved by the Industrial Department Bureau, Ministry of Economic Affairs for the "Identification of Green Factory Mark for the Cleaner Production Evaluation System"</p> <p>3. Concerning the air pollution, we installed a washing tower to wash the gas discharged from the powder production line to minimize the emission of nitrogen oxides, sulfur oxides, particulate matters and other gas, thereby achieving the goal of no pollution. In terms of air pollution, there are the dust collectors and scrubbers to wash the gases that emitted from the powder production line to</p>	None

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
		<p>minimize air emissions such as nitrogen oxides, sulfur oxides, and suspended particles, so as to achieve the goal of zero-pollution.</p> <p>4. As to sewage treatment, we adjusted the amount of detergents added to the sewage treatment equipment, increased the amount of treatment and reduced the moisture content of sludge, which not only reduced the amount from the inside of the Company, but also gradually increased the proportion of resource recovery of waste from the outside.</p>	
B. Is the company committed to improving the energy efficiency and using the recycled materials that have less loading on the environment?	V	<p>The Company utilizes the Cradle to Cradle ideology in the design of its products, hoping to reach the sustainable environmental target of “zero waste, 100% recycling” and implement it in the life cycles of all our products and services.</p> <p>1. Acquisition of Raw Materials (Green Design): The Company has executed the R&D of increasing the life span and times of use of lithium batteries, significantly increased the purity of LFP cathode materials, and increased the efficiency of resource usage.</p> <p>2. Production (Green Factories): The Company has put forward green factories, the conservation of resources and reduction of carbon emissions in addition to surveying the usage of water resources and the consumption of energy, specifically making several proposals to conserve water and energy.</p> <p>3. Usage (Optimal Performance): Continuously promote the eco-energy projects, with 1% of an annual power-saving rate, and automatically implement the improvements in the resource efficiency of the internal.</p> <p>4. Waste and Recycling (Zero Waste, 100% Recycling): we look forward to creating a complete recycling system with the supply chain by taking reducing waste and secondary reuse as our goals; implement environmental management and reduce the environmental footprint made by operations.</p>	None
C. Whether the Company have assessed the current and future potential risks and opportunities of climate change to the Company, and adopted measures to respond to climate-related issues?		<p>The Company pays close attention to issues leading from global climate change and the Sustainability Committee has established a plan of action toward global climate change, divided into three big steps</p> <p>1. Acknowledgement:</p>	

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
		<p>Identify the climate risks brought by global climate change, including but not limited to lack of materials risk, disaster risk, market risk and operating risks</p> <p>2. Action: The Company has adopted actions such as adjustment and reduction, in addition to setting up evaluation tools to identify related risks and opportunities, including: surveying adjustment ability, past evaluations on climate impact, future predictions on climate impact, planning adjustment measures and opportunity evaluation.</p> <p>3. Sustainability: Through the publication of the Sustainability Report, sound communications with the stakeholders and review of the enterprise's development path, the Company can reach its sustainable development goals.</p> <p>Through the comprehensive risk management and appropriate crisis management, the Company has achieved the goals of the prevention and the improvement in its operation model. The Company annually identifies the risks and opportunities caused by climate change, develops the countermeasures, and discloses these matters in the Annual Sustainability Report.</p>	
D. Whether the Company counted the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and whether the Company formulated policies on energy saving and carbon reduction, reduction of greenhouse gas and water consumption or other waste management?	V	<p>1. Policy on managing greenhouse gases (1) According to the guidelines in ISO14064-1 and 14064-3, the Company has established and organized mechanisms to take inventory of greenhouse gases. the Company will internally verify the amount of greenhouse gases emitted on a yearly basis and use the information to create and execute feasible plans to reduce greenhouse gas emissions. In accordance with ISO 14064-1 and the relevant checking guidelines announced by the Environmental Protection Administration of the Executive Yuan, the Company establishes an organization to check the management mechanism of the greenhouse gas and strengthen internal verification capabilities; conducts the regular internal check of greenhouse gas emissions every year; manages and proposes feasible proposal to reduce greenhouse gas, and implements the</p>	None

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	
		<p>reduction plan indeed.</p> <p>(2)The Company annually conducts an internal check of greenhouse gas emissions, and actively discloses the management information of greenhouse gas in Aleees's sustainability report and official website</p> <p>2. Policy on managing Water and Electricity Conservation</p> <p>(1)Promoting the management of water conservation, build the recycling facilities for process wastewater and then reuse in process cooling water; in the water for living use, install the water-saving devices or reduce the pressure of water supply to achieve the goal of saving 1% of water every year.</p> <p>(2)Continuously promote the eco-energy projects, with 1% of an annual power-saving rate</p> <p>(3)Using Energy Conserving and Green Mark Products: We installed LED energy-saving lamps to improve the efficiency of the lighting system; energy-saving lamps have been largely replaced since 2014, so energy has been successfully saved and the lighting has been improved as well.</p> <p>(4)Renting environmentally friendly copy machines, using recycled copy paper and environmentally friendly toner to lessen the impact on the environment. Due to the adoption of electronic forms, the amount of copy paper used decreases every year.</p> <p>(5)Raising Efficiency in Equipment Systems: Variable-frequency drives are used or installed in equipment to improve performance, reduce damages and can reduce electricity costs.</p> <p>(6)Regular Inspection of Electronic Equipment: Inspection and maintenance of equipment are performed regularly to guarantee electrical safety and reduce energy consumption due to inefficiency and calculate the optimal contract capacity for electricity usage to reduce electricity costs.</p> <p>3. Waste Management: Adjusting the amount of detergents added to the sewage treatment equipment, effectively increasing the amount processed and</p>	

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	
		<p>decreasing the amount of water in the sewage. The target is to decrease the amount of water in the sewage to below 65%.</p> <p>4. Recycling and Reuse of Packaging Materials by Suppliers: The containers (buckets) holding raw materials used in production should be recycled and reused by the supplier to reduce costs in buying new containers and the production of waste.</p> <p>The Company statistics the data such as greenhouse gas emissions, water consumption and total waste every year, reviews the implementation performance of each policy, and discloses them in the annual sustainability reports and the official website for shareholders' reference.</p>	
<p>4. Issue of Social</p> <p>A. Has the Company established management policies and procedures based on relevant laws and the International Bill of Human Rights?</p>	V	<p>1. Human rights policy Employees are the most important assets of the Company. It's important for us to respect human rights and create a dignified working environment. Therefore, the management of the Company uniformly agreed that the Company shall follow the "Universal Declaration of Human Rights", the "United Nations Global Compact", the "United Nations Guiding Principles on Business and Human Rights", the "Declaration of Fundamental Principles and Rights at Work of the International Labour Organization", the "Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development", and the regulations of the location of the operating offices; formulate and update the human rights policies; implement the human rights policies in accordance with the following management plans and implementation guidelines.</p> <p>2. Scope of application The Policy applies to the direct operating activities, products and services of all affiliated companies of the Company, and extends to stakeholders in the value chain, including employees, customers, suppliers, and partners. The Company also formulates the relevant measures such as the "Measures for the Sustainable Development of Suppliers", which requires the suppliers to follow the same standards. The specific management plans and measures of the Company are as following: 1. Assessment on Human Rights</p>	None

Evaluation Status	Operational Status			Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms	
	Yes	No	Summary of Explanations		
			Topics		Management measures
			<p>Diversity, inclusiveness and equal opportunities</p> <ul style="list-style-type: none"> The "Employee Codes" specify a working environment that prohibits discrimination and harassment to offer an equal appointment. Establish a "Sexual Harassment Prevention and Control Committee", and formulate the prevention measures, grievances and disciplinary points, and procedures. 	<ul style="list-style-type: none"> Establish a specific hotline for discrimination notification. Sexual harassment complaint mailbox. 	
			<p>overlong working hours</p> <ul style="list-style-type: none"> The "Employee Codes" specify the working hours and extended working hours. 	<ul style="list-style-type: none"> Implement the restrictions on overtime. Conduct the application and scheduling of deformed working hours through labor-management meetings. Improve the excessive working hours through the adjustment of manpower and organization. 	
			<p>Healthy and safe workplace</p> <ul style="list-style-type: none"> In order to prevent occupational disasters and to protect the safety and health of employees, the Company has formulated the "Regulation of Employee Health Protection". 	<ul style="list-style-type: none"> Regularly implement the occupational safety education and training, the physical and mental health assessment, and the improvement plans. Set up an automatic external defibrillator 	

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms															
	Yes	No																
		<p>Summary of Explanations</p> <table border="1"> <tr> <td></td> <td>(AED) of cardiac shock in the workplace. <ul style="list-style-type: none"> Implement the physical examinations and regular health examinations for employees. </td> <td></td> </tr> <tr> <td>Freedom of association</td> <td>The "Employee Codes" specify the establishment of an "Employee Welfare Committee" for the employees' rights on the social activities.</td> <td> <ul style="list-style-type: none"> The Employee Welfare Committee conducts irregular social networking activities and encourages employees to join. </td> </tr> <tr> <td>Labor-management negotiation</td> <td>Regularly hold the labor-management meetings</td> <td> <ul style="list-style-type: none"> Establish the communication channel by email. Conduct the employee opinion surveys. </td> </tr> </table> <p>2. Mitigation measures and education of the human rights Through commitment, the Company ensures the safe working environment of employees and suppliers, respects the dignity of personnel, promotes the environmental protection in operations and abides by ethics. The Company takes the following actions:</p> <table border="1"> <tr> <td>Mitigation measures</td> <td>Contents and Procedures</td> </tr> <tr> <td>Human Rights Due Diligence</td> <td>Based on the industry characteristics and strategy of operation development, the Company regularly conducts the risk assessments on human rights issues, incorporates the external expectations, communicates with stakeholders, and identifies the important human rights issues and high-risk groups. In addition, the Company establishes the risk due diligence processes and promotes the mitigation measures as well as the management goals.</td> </tr> <tr> <td>Training program</td> <td>Education Practices</td> </tr> </table>		(AED) of cardiac shock in the workplace. <ul style="list-style-type: none"> Implement the physical examinations and regular health examinations for employees. 		Freedom of association	The "Employee Codes" specify the establishment of an "Employee Welfare Committee" for the employees' rights on the social activities.	<ul style="list-style-type: none"> The Employee Welfare Committee conducts irregular social networking activities and encourages employees to join. 	Labor-management negotiation	Regularly hold the labor-management meetings	<ul style="list-style-type: none"> Establish the communication channel by email. Conduct the employee opinion surveys. 	Mitigation measures	Contents and Procedures	Human Rights Due Diligence	Based on the industry characteristics and strategy of operation development, the Company regularly conducts the risk assessments on human rights issues, incorporates the external expectations, communicates with stakeholders, and identifies the important human rights issues and high-risk groups. In addition, the Company establishes the risk due diligence processes and promotes the mitigation measures as well as the management goals.	Training program	Education Practices	
	(AED) of cardiac shock in the workplace. <ul style="list-style-type: none"> Implement the physical examinations and regular health examinations for employees. 																	
Freedom of association	The "Employee Codes" specify the establishment of an "Employee Welfare Committee" for the employees' rights on the social activities.	<ul style="list-style-type: none"> The Employee Welfare Committee conducts irregular social networking activities and encourages employees to join. 																
Labor-management negotiation	Regularly hold the labor-management meetings	<ul style="list-style-type: none"> Establish the communication channel by email. Conduct the employee opinion surveys. 																
Mitigation measures	Contents and Procedures																	
Human Rights Due Diligence	Based on the industry characteristics and strategy of operation development, the Company regularly conducts the risk assessments on human rights issues, incorporates the external expectations, communicates with stakeholders, and identifies the important human rights issues and high-risk groups. In addition, the Company establishes the risk due diligence processes and promotes the mitigation measures as well as the management goals.																	
Training program	Education Practices																	

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms				
	Yes	No					
		<p>Summary of Explanations</p> <table border="1"> <tr> <td>Human Protection</td> <td> <ul style="list-style-type: none"> The Company provides relevant regulatory and announcements during freshman training, including the prohibition of forced labor, anti-discrimination, anti-harassment, working time management, and the protection of humanity treatment. Provide the sexual harassment prevention courses Implement the bullying prevention in the workplace Provide a complete series of occupational safety training, such as fire fighting, emergency response, first-aid personnel education, general safety and health, factory safety, and so on. </td> </tr> <tr> <td>Legal employment</td> <td> <p>The child labor is strictly prohibited, and the hired employees need to provide the proof of identity with the company for inspection.</p> </td> </tr> </table>	Human Protection	<ul style="list-style-type: none"> The Company provides relevant regulatory and announcements during freshman training, including the prohibition of forced labor, anti-discrimination, anti-harassment, working time management, and the protection of humanity treatment. Provide the sexual harassment prevention courses Implement the bullying prevention in the workplace Provide a complete series of occupational safety training, such as fire fighting, emergency response, first-aid personnel education, general safety and health, factory safety, and so on. 	Legal employment	<p>The child labor is strictly prohibited, and the hired employees need to provide the proof of identity with the company for inspection.</p>	
Human Protection	<ul style="list-style-type: none"> The Company provides relevant regulatory and announcements during freshman training, including the prohibition of forced labor, anti-discrimination, anti-harassment, working time management, and the protection of humanity treatment. Provide the sexual harassment prevention courses Implement the bullying prevention in the workplace Provide a complete series of occupational safety training, such as fire fighting, emergency response, first-aid personnel education, general safety and health, factory safety, and so on. 						
Legal employment	<p>The child labor is strictly prohibited, and the hired employees need to provide the proof of identity with the company for inspection.</p>						
B. Whether the Company have formulated and implemented reasonable employee benefits measures (including salary, leave and other benefits, etc.), and appropriately reflect the operating performance or results on the compensation of employees?	V	<ol style="list-style-type: none"> The Company and its subsidiaries have established "Salary Management Measures" to implement the reasonable and fair salary as well as the welfares for employees to improve the professional skills, such as the allowance of foreign languages (ToEIC, JLPT), professional certificates, and so on. Formulate the "Management Procedures of Performance and Appraisal". In the beginning of each year, the Company formulates the Key Performance Indicators (KPIs) of the entire company and departments, and the Daily Performance Indicators of the employee (DPI). In the end of the year, the evaluation would be carried out. If the goal is achieved, the proportion of remuneration will be calculated with a reasonable performance bonus. The implementation of performance management with an open appraisal system can effectively motivate employees to achieve their goals and is linked to the issuance of performance bonuses. There are no differences in gender or age. The Company hopes that, through performance management operations, the overall operating goals and department's goals connect to the work goals of individual employee, as the reference for the evaluation and feedback of employees' annual work 	None				

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
		<p>performance, as well as the training and development for follow-up staff.</p> <p>3. In the Company Policy, it clearly provides that if the Company earns profit in the current year, 1% to 10% of which shall be allocated as the compensation for employees of the Company and its subsidiaries.</p>	
C.Has the Company provided employees with a safe and healthy working environment in addition to regularly providing education to the employees regarding safety and health?	V	<p>1. The Company constantly strives to improve working environments to prevent disasters from happening in the workplace and guarantee the safety of all employees (including partners). The Company established a labor safety and health committee to discuss safety and health plans (including education and training, work environment improvement measures, hazard prevention management, audits, contractor management and health promotion, etc.), providing a safe working environment for employees.</p> <p>2. The items provided by the Company to employees regarding occupational safety and health are listed below:</p> <ol style="list-style-type: none"> (1) Conduct the annual employee health examinations in accordance with relevant laws. (2) Set up yearly educational trainings regarding safety and health. (3) Perform semi-annual inspections on working environments. (4) Set up diverse channels for employees to communicate their opinions and complaints. (5) Establish “Procedures for Preventing and Managing Sexual Harassment”, set up channels for filing claims, maintain order in the working environment. (6) Take out accident and health insurance for employees. (7) Establish procedures and precautions in response to disasters and emergencies, hold semi-annual fire safety lectures and drills, hold regular meetings on safety maintenance. <p>In 2022, there were four occupational disaster incidents and five staffs engaged in, accounting for 2.51% of the total number of employees. The Company has currently posted warning signs and slogans on hazardous equipment and chemicals. When employees enter the dust or noise workplaces, they are required to wear the protective equipment in accordance with regulations. In the daily meetings on mornings or weekly department meetings, the heads of department</p>	None

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
		highly promote the operational safety procedures and equipment operation safety matters. In addition, the occupational safety personnel and quality assurance auditors irregularly check the implementation of relevant safety regulations and make records.	
D.Has the Company established occupational competence training programs for the employees?	V	<p>To improve each employee's technical and management skills necessary for the performance of various duties on the job and tap into employees' potential to succeed in every challenge, the Company provides various educational resources, tightly integrating the corporate vision, department goals and the development of employee talents. Through the development of education-type organizations, the Company has accomplished its goals for all members of the organization to continue studying.</p> <p>1. Education and Training on General Education and Competency: According to government law, courses to be taken by all employees for well-rounded educational training on occupational safety and health, emergency response, quality systems and information systems shall be set up to teach employees the basic knowledge, skills and abilities they should have.</p> <p>2. Education and Training on Management and Competency: Training employees to have the knowledge, skills, abilities and personality required to be competent in handling management work. This includes basic supervisor training, junior supervisor training, senior supervisor training, training within industry, strategy development, communication skills and internal lecturer training.</p> <p>3. Professional Competence Training: Training employees to efficiently reach occupational goals and have specified professional abilities, including OJT (On Job Training), participation in projects, development of professional experts and external professional training.</p>	None
E. Regarding topics like the customer health and safety, the customer privacy, the marketing and labeling of products and services, does the company comply with relevant regulations and international standards, and formulate relevant policies and complaint procedures to protect the rights of consumers or customers?	V	<p>1. The Company's cathode material products' specifications, properties and precautions for used are listed in the Certificate of Analysis (COA) and Material Safety Data Sheet (MSDS) for clients to understand the safe operating methods of the products.</p> <p>2. The Company has established a professional quality assurance and inspection center that is focused on the marketing and labeling of products and services. The Company complies with all related laws and international standards in addition to each country's environmental laws and regulations related to the management of harmful substances. The Company has also completed REACH registration, providing</p>	None

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEx-Listed Firms
	Yes	No	
F. Whether the Company have formulated a supplier management policy which requires suppliers to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and how their implementation is?		<p>customers with a friendly choice for materials.</p> <p>3. The Company has already established relevant procedures to protect the rights and privileges of the stakeholders.</p> <p>4. The Company values the opinions of its stakeholders and has set up a communications window on its website to ensure sound channels for handling complaints.</p> <p>5. The Company values the opinions of its clients and regularly performs consumer satisfaction surveys in addition to active visits to existing customers by personnel in each region of operation. The Company asks relevant departments to provide plans for improvement of items receiving unsatisfactory feedback in addition to giving timely feedback in response to clients' recommendations to maintain the healthy long-term business relationship between the client and the Company.</p>	
	V	<p>1. Before establishing relations with suppliers, the Company must always evaluate records regarding whether the supplier has harmed the environment or society in the past. If a supplier is found to have a record of significant negative impact, the Company requires said supplier to explain the measures taken to make improves and the related results as a major factor in the selection of the supplier.</p> <p>2. In addition to implementation of itself sustainable development, the Company acknowledges that the sustainable development of the Company extends throughout the entire supply chain and this responsibility exists at all levels of the supply chain. The Company continues to improve the management system of the supply chain and implements the corporate society responsibility evaluation system of suppliers at every level to expand the evaluation criteria to include economic, social and environmental factors. It is hoped that through the continuous improvement of supply management, the performance of the supplier will improve and implement the sustainable development of corporate together.</p> <p>3. Establish sustainable supply chain management principles, including suppliers operating their businesses in an ethical and honest manner, making efforts to uphold employee rights, providing a safe and healthy work environment, and encouraging suppliers to be environmentally responsible and avoid the use of harmful substances. We aim to work with our suppliers to jointly promote the balance of economic, social, and environmental ecosystems and sustainable development.</p> <p>4. Our company conducts regular evaluations of suppliers every year, with evaluation items divided into three categories: economic, social,</p>	None

Evaluation Status	Operational Status		Reasoning Behind the Differences in Code of Practice Between This Firm and Other TWSE/TPEX-Listed Firms
	Yes	No	
		<p>The economic aspect includes current status such as ISO 9001, IATF 16949, delivery schedules, and cooperation. The environmental aspect examines measures such as ISO 14001, emergency response, and the introduction of harmful substances. The social aspect focuses on the degree of compliance with ISO 45001, fire safety, labor rights, child labor, and sustainability reports. In the 2022 evaluation, suppliers did not have any significant or potential negative impacts in the economic, environmental, and social dimensions. We will continue to evaluate suppliers annually based on their economic, social, and environmental performance, and take necessary rewards or punishment measures based on the evaluation results.</p>	
5. Whether the Company referred to the reporting standards or guidelines which are accepted internationally for compiling reports which disclosed the non-financial information of the Company, such as the sustainability report. Whether the previous report obtained the assurance or verification statement of a verification unit from the third party	V	<p>Our Sustainability report was prepared according to the core options of GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative (GRI), and was verified by a third party (BSI) in compliance with the AA1000 assurance standard, issuing an independent verification statement.</p>	None
6. According to the stipulations of the "Sustainable Development Best Practice Principles", its operations and differences with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" shall be described: We operate the Company in compliance with its own customized "Sustainable Development Best Practice Principles" and there are no major differences. The Company and its subsidiaries implemented internal control systems and related supervision regulations on the basis of the spirit of the Sustainable Development Best Practice Principles.		<p>According to the stipulations of the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", if the Company has established its own "Sustainable Development Best Practice Principles", its operations and differences with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" shall be described:</p>	
7. Other Information Important to Helping Understand the Status and Operations of implementation status of sustainable development: In order to ensure the implementation of the sustainable strategy, the Company established a Sustainability Committee which is subordinate to the Board of Directors to integrate the organizational resources and improve its efficiency. The Sustainability Committee is the highest-level internal sustainable development organization, where the chairperson is the chairman and three independent directors serve as the committee members. The Sustainability Committee has an a secretariat office; it deals with miscellaneous affairs for the committee, including the operation, project arrangement, and data collection. It is committed to creating a corporate governance system and implementing sustainable development according to the "Corporate Governance Best Practice Principles for Companies" and " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies ". Moreover, The Committee compiles a "Sustainability Report" every year to disclose the sustainable strategy and implementation of the Company. Please refer to the "Corporate Social Responsibility Zone" on our official website.(URL http://www.aicees.com/zh/csr/download-csr-report/).		<p>Other Information Important to Helping Understand the Status and Operations of implementation status of sustainable development:</p>	

(7) Circumstances of the company fulfilling ethical corporate management and the differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons thereof.

Contents of evaluation	Operational Status		Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	
<p>1. Enactment of Policies and Measures of Ethical Corporate Management Best Practice Principles</p> <p>A. Did the company develop ethical corporate management policies approved by the board of directors and clearly state its policies and practices of ethical corporate management in the regulations and external documents? Are the Board of Directors and the senior management implementing the commitment to business policies?</p>	V	<p>1. Ethical Corporate Management is the basis of the corporate culture of the Company. To strengthen the employees' moral and professional capabilities, the Company has established the "Rules Governing Ethical Corporate Management Best Practice Principles" and the "Rules Governing Codes of Ethical Conduct". The compliance of which is a responsibility that shall be followed by all the directors, managers and employees of the Company.</p> <p>2. The Company's discloses its "Principles on Integrity, Transparency and Responsibility" on its website, expressing the commitment of the managers at all levels to implement Ethical Corporate Management Best Practice Principles.</p>	None
<p>B. Did the company establish the assessment system for the risks of unethical behaviors and regularly analyze and assess the business activities with higher risks of unethical behaviors within its business scope? Furthermore, did the company establish prevention programs against unethical behaviors, which at least covered the prevention measures for the behaviors in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p>	V	<p>The company has signed integrity agreement with the employees and established "Code of Conduct for Employees", which clearly stated that employees may not receive any gifts, special treatment or other improper rights and interests directly or indirectly and the establishment of principles and systems can surely to prevent the potential occurrence of unethical behaviors and reduce the risks. The company has established "Regulations Governing Ethical Corporate Management Best Practice Principles", which clearly stipulated the preventive measures for the business activities with higher risks of unethical behaviors. The company also established "Regulations Governing Complaints on Illegal, Unethical or Dishonest Behaviors" to encourage internal and external personnel to report unethical or improper behaviors to implement ethical corporate management and ensure the legal rights and interests of the whistleblower and the respective party.</p>	None
<p>C. Has the Company clearly established and implemented operating procedures, code of conduct, penalties for violation and complaint system in the prevention programs against unethical behaviors as well as reviewed and revised the aforementioned programs regularly?</p>	V	<p>In the "Management of Ethical Corporate Management Best Practice Principles" and "Management of Codes of Ethical Conduct", the Company has expressly stated behavior guidelines and terms on conflict of interest, confidentiality of client information, gift-giving during business, fair trade and competition, and it advocates this concept through educational dissemination to make sure the directors, managers and employees all understand and follow it. Any behaviors that violate the Company's morals</p>	None

Contents of evaluation	Operational Status		Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	
			and ethics, no matter what position the violator holds, shall be received punishment according to the guidelines stipulated in the "Employee Work Regulations" and the "Rules Governing Employee Rewards and Penalties". Employees are also provided with channels to file complaints regarding unfair or unreasonable treatment to be handled by relevant departments.
2. Fully Implementing the Ethical Corporate Management Best Practice Principles A. Has the Company evaluated the ethical corporate management records of business counterparts and expressly written ethical business clauses into the terms of the contracts signed with said business counterparts?	V		The Company engages in commercial activities with fairness and transparency, and it has clearly established that employees have the responsibility of protecting the Company's intellectual property. To avoid the disclosure of information not to be disclosed, engagement with any unethical vendors and clients should be avoided. Any irregularities shall be reported immediately and all contracts contain clauses regarding business ethics.
B. Has the company established units exclusive for the promotion of ethical corporate management, which are affiliated under board of directors and will report regularly (at least once a year) to board of directors about the programs, supervision and execution situations for the ethical corporate management policies and the prevention against unethical behaviors ?	V		The Company has established a corporate governance team under the Sustainability Committee that is responsible for the implementation and supervision of policy on Ethical Corporate Management Best Practice Principles and the establishment of preventative measures. Report regularly to the Board of Directors on the implementation of integrity operation every year; assist the Board of Directors and management to check and evaluate whether the established preventions of integrity operation are effective.
C. Has the Company set up and implemented policies to prevent conflicts of interests and provided appropriate channels for employees to express their opinions if needed?	V		The Company's legal affairs department reported the 2022 status of implementation and corresponding results of Ethical Corporate Management Best Practice Principles to the Board of Directors on January 12th, 2023. 1. The Company has clearly written policies on the prevention of conflicts of interests in the "Rules Governing Ethical Corporate Management Best Practice Principles", "Rules Governing Codes of Ethical Conduct", employment contracts and "Employee Work Regulations", providing employees compete guidelines on conduct. 2. The Company's internal system for submitting proposals and external mailbox for reporting complaints offer sound channels for filing claims and expressing opinions.
D. Has the Company established effective accounting systems and internal control systems for implementing Ethical Corporate Management and has its internal audit unit developed relevant audit programs according to the assessment results for the risks of unethical behaviors as well	V		The Company has already established systems for accounting and internal control to guarantee stable processes for financial reporting and the effectiveness of internal control. The internal audit department creates audit proposals based on the results of risk evaluation, regularly performs inspections and inspects projects on a need-to-need basis. The department

Contents of evaluation	Operational Status		Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	
as reviewed compliance to prevention against unethical behaviors or entrusted accountants to conduct the review ?			
E. Does the Company regularly hold internal and external educational trainings regarding ethical corporate management?	V	<p>1.The Company's legal affairs and intellectual property rights department regularly holds educational training on ethical corporate management to guarantee that all employees understand the responsibilities involved in protecting the Company's intellectual property, avoid the disclosure of information not to be disclosed and avoid engagement with any unethical vendors and clients, maintaining the Company's philosophy on ethical corporate management. And when the freshman check-in, the Company would explain the relevant regulations and require the employees to sign an employment contract. The Company would hold irregular internal meetings with any forms to announce and promote. When newcomers check-in, the Company holds the internal education related to the integrity operation topics to highlight its importance (the courses including integrity operation, regulation compliance, intellectual property rights, prevention of insider trading, and so on).</p> <p>2.In 2022, the education hours on the prevention of insider trading and integrity operation was more than 120 hours.</p>	None
3. Operating Status of the Company's Reporting System A. Has the Company established a concrete reporting and rewards system and provided convenient channels for reporting in addition to assigning appropriate personnel dedicated to handling the matters reported?	V	<p>The Company has set up concrete handling procedures, channels for reporting and a rewards system in the "Rules Governing Handling Procedures for Reported Cases of Illegal, Immoral and Unethical Behaviors". The Company has also set up the "Praise/Complaint Mailbox (speak-up@alechem.com)" on its website, providing people in and outside of the Company a means of reporting any irregularities. The legal affairs and independent audit departments are responsible for carrying out investigations and taking appropriate legal action. There are established appeal mechanisms for persons reported and hearings are held when needed in the pursuit of justice.</p>	None
B. Has the Company established standard operating procedures for the investigation on complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms?	V	<p>The Company has established standards and procedures for investigation and confidentiality mechanisms in the "Rules Governing Handling Procedures for Reported Cases of Illegal, Immoral and Unethical Behaviors".</p>	None

Contents of evaluation	Operational Status		Status on discrepancy and reasons in relation to the best practices governing ethical corporate management of TWSE/TPEX-listed companies
	Yes	No	
C. Has the Company adopted measures to safeguard the personnel who filed the report from receiving any unfair or inappropriate treatment?	V	The Company handles reported cases with confidentiality, protecting the confidentiality of the identity of the person who filed the report. If the person who files the report is an employee of the Company, the Company guarantees that said employee will not receive unfair or inappropriate treatment.	None
4. Improving Information Disclosure Has the Company disclosed the details of its Ethical Corporate Management Best Practice Principles and information regarding its effectiveness on the Company's website in addition to MOPS?	V	In addition to disclosing the details of its Ethical Corporate Management Best Practice Principles on the Company's website and MOPS, the Company has also disclosed information related to the effectiveness of the Ethical Corporate Management Best Practice Principles in its annual report and Sustainability report.	None
5. According to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", if the Company has established its own Ethical Corporate Management Best Practice Principles, the details of its operations and differences shall be listed below: None			
6. Other Information Important to Helping Understand the Status and Operations of Ethical Corporate Management:			
<ul style="list-style-type: none"> ❖ Compliance in Moral and Ethical Management Ethical Corporate Management is the basis of the corporate culture of the Company. To strengthen the employees' moral and professional capabilities, the Company has established the "Rules Governing Ethical Corporate Management Best Practice Principles" and the "Rules Governing Codes of Ethical Conduct". The compliance of which is a responsibility that shall be followed by all the directors, managers and employees of the Company. ❖ Principles of Integrity, Transparency and Responsibility in Operations <ul style="list-style-type: none"> • The offering and accepting of bribes are prohibited. • The offering of illegal funding for political parties is prohibited. • The offering of unjustifiable charitable donations and sponsorship is prohibited. • The offering and accepting of irrational gifts, special treatment and other forms of profiteering are prohibited. • The direct or indirect offering, commitment, request and acceptance of any form of profiteering and the performing of other behaviors considered to be unethical, illegal or in violation of fiduciary duty are prohibited. • The intention to gain profits or the gaining profits from using the company's assets, information or taking advantage of business is prohibited. ❖ Management and Penalties for Acts Performed in Business Operations: The Company's "Employee Work Regulations" clearly state that employees are prohibited from the direct or indirect acceptance of gifts, special treatment and any other forms of profiteering. Through the establishment of these principles and systems, the Company has provided complete behavioral guidelines for the employees. Any behaviors that violate the Company's morals and ethics, no matter what position the violator holds, shall be received punishment according to the guidelines stipulated in the "Employee Work Regulations" and the "Rules Governing Employee Rewards and Penalties". In addition to internally requiring all employees to comply with the moral and ethical norms, the Company also externally requires suppliers, contractors and other entities the Company has a contractual relationship with to comply with the terms written in the contracts regarding ethical behavior. Both parties are prohibited from engaging in bribery, sales commission, brokerage, and the giving and receiving of inappropriate gifts and services. The Company's managers shall lead by example and be models for the establishment of norms for ethical behavior. 			

- (8) If the Company has established Corporate Governance Codes and related guidelines, its method of inquiry shall be listed below:

The Company has established the “Articles of Incorporation”, “Regulations Governing Shareholders’ Meeting”, “Rules of Procedure for Board of Directors Meetings”, “Procedures for Election of Directors”, “Regulations of Acquisition or Disposal of Assets”, “Regulations for the Loaning of funds”, “Regulations Governing Endorsement & Guarantee Operations”, “Remuneration Committee Charter”, “Audit Committee Charter”, “Corporate Governance Best Practice Principles”, “Rules Governing Ethical Corporate Management Best Practice Principles”, “Sustainable Development Best Practice Principles”, “Procedures for Handling Material Inside Information”, “Risk Management Procedures”, and “Rules Governing Codes of Ethical Conduct” and posted them in the Investor Relation’s section of the Company’s website at <http://www.aleees.com>, according to the Company’s philosophy on operating corporate governance and the related norms on implementing corporate governance.

- (9) Other Important Information to Helping Understand the Status and Operations of Corporate Governance:

The links to “Corporate Social Responsibility” and “Exclusive Zone for Investors” were established on the company’s website (<http://www.aleees.com>). Sustainability Report is updated every year to disclose the promotion outcomes for Ethical Corporate Management Best Practice Principles.

- (10) The Status of Execution of the Internal Control System

- i. Declaration of Internal Control: Please refer to page 140 of this annual report.
- ii. Report by the CPAs on the Review of the Internal Control System: None

- (11) In the most recent year and up to the date of the annual report, where the company and its internal personnel were punished in accordance with the law, or the company has punished its internal personnel for violating the provisions for the internal control system, if the results of penalty could make a significant impact on shareholders' equity or the price of securities, the content of the penalty, major faults and the circumstances of improvement shall be listed here: None

- (12) Major Resolutions of the Shareholders’ Meeting and the Board of Directors in the most recent year up until the date this report was published

- i. Major Resolutions of the Shareholders’ Meeting in 2022

Meeting Date	Major Resolutions	Implementation
June 30 th , 2022 (Regular Shareholders’ Meeting)	1. The Company's 2021 (Year 110) annual business report and financial statements proposal.	Resolution passed
	2. The Company's 2021 (Year 110) loss compensation proposal.	Resolution passed
	3. The Company's proposal to conduct private placement of common stock.	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	4. The proposal to amend the Company's "Articles of Incorporation".	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	5. The proposal to amend the Company's "Operating Procedures for Acquiring or Disposing of Assets".	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	6. The proposal to amend the Company's "Operating Procedures for Lending Funds to Others" and submit for discussion.	Resolution passed and execution completed as resolved in the Shareholders’ Meeting
	7. The proposal to supplement the election of one independent director of the Company.	Elected list: Independent Director Jhieh-Da Yan

Meeting Date	Major Resolutions	Implementation
	8. The proposal to lift the restriction on competition for independent directors of the Company.	Resolution passed and execution completed as resolved in the Shareholders' Meeting

ii. Details of major resolutions adopted by the Board of Directors in the most recent year up until the date this report was published:

Meeting Date	Major Resolutions
2022/01/14	The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.
2022/02/25	<ol style="list-style-type: none"> 1. The company drew up to apply for a capital loan from its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. 2. The subsidiary Advanced Lithium Electrochemistry Co., Ltd. proposed to provide an endorsement guarantee for the Company. 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.
2022/03/25	<ol style="list-style-type: none"> 1. Review of the 2021 Business Report and Financial Statements. 2. In 2021, the annual general meeting approved that the private placement of ordinary shares will no longer be handled. 3. Proposal for the raising of private equity. 4. Proposal to convene the 2022 Regular Shareholders' Meeting. 5. Proposal on the list of candidates for independent directors nominated by the shareholders during 2022 regular shareholders' meeting of the company.
2022/04/13	<ol style="list-style-type: none"> 1. Proposal for the Company to participate in the cash capital increase and issuance of new shares of its subsidiary Advanced Lithium Electrochemistry Co., Ltd. 2. Grandson company Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. proposed to apply for funds lending from the subsidiary of the Company, Advanced Lithium Electrochemistry (HK) Co., Limited. 3. The Company intends to provide an endorsement guarantee for its subsidiary, Advanced Lithium Electrochemistry Co., Ltd.
2022/05/06	Proposal to revise the 2022 Convening of the Regular Shareholders' Meeting.
2022/06/30	<ol style="list-style-type: none"> 1. Appointment of one member of the third nomination committee of the Company 2. Appointment of the new accounting and finance officer of the Company and approval of their remuneration
2022/08/26	<ol style="list-style-type: none"> 1. Approval of the consolidated financial report for the first half of the fiscal year 2022 2. Discussion of the matter whether the significant overdue receivables (including other receivables) recorded in the financial statements of the Company's subsidiary, Taiwan Lekai Electric Energy Technology Co., Ltd., which have not been collected for more than three months beyond the normal credit period, constitute loans of funds. 3. Application for early repayment of the funds lent to Taiwan Lekai Electric Energy Technology Co., Ltd., a subsidiary of the Company 4. Drafting of the asset acquisition and disposal procedure for Aleees Texas, LLC, a subsidiary of the Company 5. Temporary suspension of the drafting of the funds lending and endorsement guarantee procedures for Aleees Texas, LLC, a subsidiary of the Company 6. The company proposes to replace the stock transfer agent.
2022/11/10	<ol style="list-style-type: none"> 1. The company plans to develop the audit plan for the company and its subsidiaries in 2023. 2. Aleees AU Pty Ltd, a subsidiary, plans to sell equipment to Advanced Lithium Electrochemistry Co., Ltd.
2022/12/23	<ol style="list-style-type: none"> 1. The company plans to repay the loan provided to its subsidiary, Advanced Lithium Electrochemistry Co., Ltd., ahead of schedule. 2. The company plans to apply for a loan to its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. 3. The company currently has no plans to develop the operating procedures for lending funds to others and endorsing guarantees for Aleees UK Ltd. and Aleees EU SARL, both subsidiaries.
2023/01/12	The Company's operating plan and budget for 2023, including its subsidiaries and affiliates.

Meeting Date	Major Resolutions
2023/03/10	<ol style="list-style-type: none"> 1. The Company's 2022 annual report and financial statements. 2. The Company intends to carry out a private placement of ordinary shares. 3. The resolution passed at the 2022 shareholders' meeting to discontinue the private placement of ordinary shares. 4. The Company intends to carry out a cash increase in capital and issue new shares in 2023. 5. The engagement of an accounting firm to audit the Company's 2023 financial statements and to evaluate the independence of the accountant. 6. Pre-approval of the accountant, their firm, and related enterprises to provide non-assurance services to the Company. 7. The internal control system statement for the Company and its subsidiaries and affiliates for the year 2022. 8. The proposed revision of certain provisions of the Company's Articles of Incorporation. 9. Comprehensive re-election of the Company's board of directors. 10. The Company intends to provide endorsement guarantees for its subsidiary, Taiwan Lekai Electric Energy Technology Co., Ltd. 11. Advanced Lithium Electrochemistry Co., Ltd., a subsidiary of the Company, intends to provide endorsement guarantees for the Company. 12. The greenhouse gas inventory and verification schedule plan for Advanced Lithium Electrochemistry Co., Ltd.
2023/05/01	<ol style="list-style-type: none"> 1. The company will accept the list of candidates for directors and independent directors nominated by shareholders with the right to nominate under the Company Act at the 2023 Annual General Meeting. 2. The case to lift the restriction on new directors from competing with the company. 3. The proposed amendment to the reasons for convening the 2023 Annual General Meeting. 4. The proposed operation plan for the acquisition and disposal of assets of subsidiary Aleees UK Ltd.

(13) In the most recent year and as of the printing date of this Annual Report, different opinions posed by the directors and supervisors` to the major resolutions passed in the Board of Directors, as backed with written records or declarations in writing: None.

(14) In the most recent year and as of the printing date of this Annual Report, facts regarding the resignation or dismissal of individuals involved in the writing of the financial report (including but not limited to the chairman, CEO(GM), principal accountant, financial head, principal internal auditor, Corporate governance executive and research & development head):

Summary of resignations and dismissals of relevant people in the company

As of May 10, 2023

Title	Name	Appointment Date	Dismissal Date	Reason for Dismissal
Accountin&Financial Officer	Mei-Fang Huang	2018/05/10	2022/06/30	post adjustment

Note: The related people of the company mean Chairman 、General Manager 、principal accounting officer,principal financial officer 、chief internal auditor 、corporate governance officerand research and development officer and so on.

4. Information on the Certified Public Accountant (CPA) fees

Unit: NT\$ thousand

Names of CPA firm	Name of CPA	Duration covered in the audit	Audit fee	Non-audit fee	Total	Remarks
PwC Taiwan	Wei-Hao Wu Yu-Kuan Lin	Jan 1, 2022 ~ Dec 31, 2022	5,010	1,060	6,070	Non-audit fees refer to fees other than audit fees, including cash capital increase and decrease to offset losses review, tax certification, and transfer pricing reports, etc.

- (1) When the Company changes accounting firms and the audit fee in the year of change is lower than the audit fee in the previous year prior to the change, the total amount in audit fees for the two years in question and the reasons for the discrepancy should be disclosed: N/A
- (2) When the audit fee decreases by 10% or more in comparison to the preceding year, the decreased amount, ratio of decrease and reasoning should be disclosed: N/A.

5. Information on the Change in the CPAs

(1) Information on the Former CPAs

Date of change	Since 2023 first quarter		
Cause and explanation of change	In 2023, due to the internal office rotation of PricewaterhouseCoopers Taiwan in accordance with the law, Since 2023 first quarter Certified Public Accountants Wei-Hao Wu and Yu-Kuan Lin were replaced by Certified Public Accountants Wei-Hao Wu and Yan-Na Li.		
Explanation about whether the change resulted from voluntary termination or rejection of appointment or reappointment by the appointer or the CPAs	Parties concerned		
	Facts	By the CPAs	By the Appointer
	Voluntary termination		
	Rejection of appointment or reappointment		
Other issues (except for unqualified issues) in the audit reports within the last two years	N/A		
Differences with the company	Yes		Accounting principles and practices
			Disclosure of financial statements
			Scope or steps of audit
			Others
	No	V	
	Explanation		
Other facts of disclosure (Facts to be disclosed under Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

(2) About the succeeding CPAs

Name of CPA House	PwC Taiwan
Names of CPAs	CPA Wei-Hao Wu / CPA Yan-Na Li
Date of retaining	Since 2023 first quarter
Consultation results and opinions on accounting procedures or principles with respect to specified transactions and the company's financial reports that the CPA might have issued prior to the appointment	N/A
Succeeding CPA's written opinion of disagreement toward the former CPA	N/A

- (3) The opinions provided by the former CPAs according to Items 1 and 2-3, Subparagraph 6, Article 10 Regulations Governing Information to be Published in Annual Reports of Public Companies: N/A

6. The Company's Chairman, CEO(GM), the manager in charge of financial affairs or accounting affairs having served with the verifying Certified Public Accountant House or its related companies over the past year

None

7. Transfer of shares, pledge or change in equity by the directors, supervisors, managers and major shareholders holding over 10% of the aggregate total in the recent fiscal year and as of the printing date of this Annual Report

(1) Status of change in shares held by directors, supervisors, managers and main shareholders holding over 10% of the aggregate total

Unit: shares

Title	Name	2022		As of May 10,2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman cum CEO	Sheng-Shih Chang	—	—	—	—
Director	Jaime Che	—	—	—	—
Director	Chi-Kei Ching	—	—	—	—
Independent Director(Note1)	Wei-Min Shen	—	—	—	—
Independent Director	Hsuan Wang	—	—	—	—
Independent Director	Yie-Yun Chang	—	—	—	—
Independent Director	Chian-Hsiu Lee	—	—	—	—
Independent Director (Note2)	Jhih-Da Yan	—	—	—	—
Chief, Finance & Accounting Dept. (Note3)	Mei-Fang Huang	—	—	—	—
	Siang-Cyuan Zeng	—	—	—	—
Corporate Governance Officer	Yi-Jing Lee	—	—	—	—
Shareholder with over 10% ownership	FDG Kinetic Limited's custodian account with KGI BANK	—	—	—	—

Note1: The resignation of that independent director was effective since April 15, 2022.

Note 2: The independent director was newly appointed on June 30, 2022.

Note 3: On June 30, 2022, the Board of Directors approved the appointment of Manager Siang-Cyuan Zeng as the new financial and accounting director of the Company and relieved Manager Mei-Fang Huang of her position as financial and accounting director.

(2) Information on the relationship between counterparties with regards to share transfer: None.

(3) Information on the relationship between counterparties with regards to pledged shares: None.

8. Information on the top-10 shareholders of the Company being related parties, spouses, or relatives within the second degree of kinship among themselves

April 17, 2023; Unit: shares

Name (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Names and Relations of Top 10 Shareholders who have Spousal Relationships or are within the Second Degree of Kinship of each other (Note 3)		Remarks
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Title (Or Name)	Relation	

April 17, 2023; Unit: shares

Name (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding in the Name of Others		Names and Relations of Top 10 Shareholders who have Spousal Relationships or are within the Second Degree of Kinship of each other (Note 3)		Remarks	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Title (Or Name)	Relation		
FDG Kinetic Limited's custodian account with KGI BANK	9,283,146	13.26	N/A	N/A	—	—	None	None		
Jie-Rong Ciou	1,232,413	1.76	—	—	—	—	None	None		
Citibank (Taiwan) Commercial Bank is entrusted to keep the assets of the Norwegian Central Bank.	915,000	1.31	N/A	N/A	—	—	None	None		
HSBC Bank acts as custodian for Goldman Sachs International Investment Fund.	834,458	1.19	N/A	N/A	—	—	None	None		
RONG FENG INDUSTRIAL CO., LTD.	Legal Person	673,932	0.96	N/A	N/A	—	—	None	None	
	Representative: Tian-Rong Huang	—	—	—	—	—	—	None	None	
Ching-Yi Tseng	612,018	0.87	—	—	—	—	None	None		
WILL TREND CORPORATION	Legal Person	598,634	0.86	N/A	N/A	-	-	None	None	
	Representative: Miao-Ying Shen	—	—	—	—	—	—	None	None	
Jui-Che Tsai	581,492	0.83	—	—	—	—	None	None		
Ching-Fu Tseng	540,401	0.77	—	—	—	—	None	None		
San-Tsai Tsai	510,000	0.73	-	-	-	-	None	None		

Note 1: The top-10 shareholders shall be fully listed and if the shareholder is a corporate shareholder, the names of the corporate shareholder and representative shall be separately listed.

Note 2: Calculation of shareholdings ratio refers to the shareholdings ratio held in the name of the shareholder, spouse, underage children, or using the name of others.

Note 3: The listing above of shareholders disclosed shall include corporations and individuals, as well as their relationships according to the Regulations Governing the Preparation of Financial Reports by Issuers.

9. Company, company directors, supervisors, managers and businesses controlled by the Company directly or indirectly pertaining to the same re-investment business supporting share volume, and the consolidated shareholdings rate combined and calculated

March 31, 2023; Unit: shares

Name of Related Companies (Note 1)	Investment by the Company		Investment by directors, supervisors, managers and the directly or indirectly controlled company		Comprehensive investment	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate
Advanced Lithium Electrochemistry Co., Ltd.	198,800,000	100.00%	—	—	198,800,000	100.00%
Advance Lithium Electrochemistry (HK) Co., Ltd	19,330,000	100.00%	—	—	19,330,000	100.00%
Advance Lithium Electrochemistry (Shanghai) Co., Ltd	(Note2)	100.00%	—	—	(Note2)	100.00%
Aleees Eco Ark Co., Ltd. (Note 3)	52,800,000	100.00%	—	—	52,800,000	100.00%

Aleees US, Corp. (Note 4)	20,900,000	100.00%	—	—	20,900,000	100.00%
Aleees AU Pty. Ltd. (Note 5)	1,630,000	100.00%	—	—	1,630,000	100.00%
Aleees Texas, LLC (Note 6)	500,000	100.00%	—	—	500,000	100.00%
Aleees EU SARL(Note 7)	100,000	100.00%	—	—	100,000	100.00%
Aleees UK, Ltd. (Note 8)	200,000	100.00%	—	—	200,000	100.00%

Note 1: The related company adopts the equity method for long-term investments.

Note 2: Refers to limited liability companies and has no shareholdings.

Note 3: This company has been dissolved by resolution in the twentieth meeting of the seventh session of the Board of Directors, and is currently undergoing liquidation.

Note 4: The company registered and acquired 100% ownership of Advanced Lithium Electrochemistry (US), LLC on April 13, 2021. The board of directors approved the name change to Advanced Lithium Electrochemistry (US), Corp. on July 6, 2021. The company was renamed again to Aleees US, Corp. on April 15, 2022.

Note 5: The company registered and acquired 100% ownership of Aleees AU Pty. Ltd. on September 7, 2021. The company was renamed to Aleees AU Pty. Ltd. on May 20, 2022.

Note 6 : The company registered and acquired 100% ownership of Aleees Texas, LLC on March 11, 2022.

Note 7: The company registered and acquired 100% ownership of Aleees EU SARL on April 8, 2022.

Note 8: The company registered and acquired 100% ownership of Aleees UK, Ltd. on August 31,2022.

IV. Capital Raising Status

1. Capital and Shares

(1) Source of Capital

i. Process of Capital Formation

Unit: shares; NT\$

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid by property other than cash	Other
Jul 2011	NT\$10	200,000,000	2,000,000,000	103,081,251	1,030,812,510	Execute share swap (Note)	—	—
Jun 2012	NT\$10			113,081,251	1,130,812,510	Capital Increase in cash of NT\$100,000,000	—	—
Jul 2012	NT\$10			112,953,654	1,129,536,540	Cancellation of treasury stock of NT\$1,275,970	—	—
Jun 2013	NT\$10			127,953,654	1,279,536,540	Capital Increase in cash of NT\$150,000,000	—	—
Dec 2013	NT\$10			142,073,654	1,420,736,540	Capital Increase in cash of NT\$141,200,000	—	—
Feb 2015	NT\$10			164,573,654	1,645,736,540	Capital Increase in cash of NT\$225,000,000	—	—
Aug 2016	NT\$10	300,000,000	3,000,000,000	210,573,654	2,105,736,540	Issue and private placement of new shares of NT\$460,000,000	—	—
Jul 2019	NT\$10	300,000,000	3,000,000,000	241,573,654	2,415,736,540	Capital Increase in cash of NT\$310,000,000	—	—
May 2020	NT\$10	300,000,000	3,000,000,000	130,019,664	1,300,196,640	capital reduction plan to offset company losses of NT\$ 1,115,539,900	—	—
Jul 2020	NT\$10	300,000,000	3,000,000,000	160,019,664	1,600,196,640	Capital Increase in cash of NT\$300,000,000	—	—
May 2021	NT\$10	300,000,000	3,000,000,000	92,099,689	920,996,890	capital reduction plan to offset company losses of NT\$ 679,199,750	—	—
Nov 2021	NT\$10	300,000,000	3,000,000,000	60,000,000	600,000,000	capital reduction plan to offset company losses of NT\$ 320,996,890	—	—
May 2022	NT\$10	300,000,000	3,000,000,000	70,000,000	700,000,000	Capital Increase in cash of NT\$600,000,000	—	—

Note: The Company has applied for listing in Taiwan and the face value of each share is NTD10. Upon the resolution passed by the Board of Directors on Jun 27th, 2011, the face value of the Company capital stock has changed from USD 0.10 to NTD 10 according to the laws of the Cayman Islands. Based on 10,882,247 new shares with the face value of NTD10 per share, the Company has exchanged them with 34,360,417 issued common stock shares with the face value of USD 0.10 from shareholders listed in the Registry of Shareholders. The Company has also transferred NTD 921,990,040 from its capital stock premium account into its capital stock, paying the difference of the subscribed shares of 92,199,004 shares with the face value of NTD 10 per share (hereafter referred to as “shares paid-in capital stock”), to be used in the issuance and distribution to all Company shareholders. After this issuance and transferring in of shares paid-in capital stock, the Company has issued a total of 103,081,251 NTD-denominated shares with the face value of NTD 10 per share. The amount of issued capital is NTD 1,030,812,510.

ii. Types of shares issued

May 10, 2023 ; Unit: shares

Type of share	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common Shares	70,000,000	230,000,000	300,000,000	(1) TPEX primary listed stocks (2) Privately placed 9,283,146 shares not listed (note)

Note: The number of shares outstanding is 60,716,854 shares. The remaining 9,283,146 shares, are held by private placement investors. According to Article 43-8 of the Securities & Exchange Act, unless in the situations otherwise specified by laws, the shares issued to private placement investors are not freely transferrable within three years after issue. We intend to apply to the competent authorities for the public trading of these shares after this three-year period according to the related laws and regulations.

iii. Relevant information on shelf registration: N/A

(2) Structure of Shareholders

April 17, 2023 ; Unit: shares

Structure of Shareholders	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Mainland Chinese and the organizations invested in by Mainland Chinese	Total
Quantity							
Number of People	–	–	171	38,835	20	–	39,026
Shares held	–	–	2,237,803	56,256,771	11,505,426	–	70,000,000
Shareholding rate	–	–	3.20	80.37	16.43	–	100.00

Note: Companies with a primary listing on TPEX are required to disclose the shareholding rate of Mainland Chinese investors; Mainland Chinese Investors: refers to the nationals, corporations, groups and other organizations or other companies invested in located in a third territory stipulated under Article 3 of the Measures Governing Investment Permits for the People of the Mainland Area.

(3) Status of Stock Dispersion

i. Common shares:

Face value of NT\$ 10 per share ; April 17, 2023 ; Unit: shares

Shareholding grading	Number of shareholders	Number of shares held	Shareholding rate %
1 to 999	29,291	2,445,995	3.49
1,000 to 5,000	7,953	15,184,463	21.69
5,001 to 10,000	918	6,833,425	9.76
10,001 to 15,000	278	3,471,142	4.96
15,001 to 20,000	179	3,235,179	4.62
20,001 to 30,000	160	4,021,744	5.75
30,001 to 40,000	64	2,226,013	3.18
40,001 to 50,000	56	2,523,520	3.61
50,001 to 100,000	69	4,788,960	6.84
100,001 to 200,000	31	3,999,549	5.71
200,001 to 400,000	14	4,188,910	5.98
400,001 to 600,000	7	3,530,133	5.04
600,001 to 800,000	2	1,285,950	1.84
800,001 to 1,000,000	2	1,749,458	2.50
Over 1,000,001	2	10,515,559	15.03
Total	39,026	70,000,000	100.00

ii. Preferred Shares: The Company has not issued preferred shares

(4) List of main shareholders: The names, number of shares held and shareholding ratio for shareholders holding more than 5% of total issued shares of the Company or ranking as one of the top-10 shareholders are listed clearly below:

April 17, 2023; Unit: shares

Names of Main Shareholders	Number of shares held	Shareholding rate %
FDG Kinetic Limited's custodian account with KGI BANK	9,283,146	13.26
Chien-Jung Chiu	1,232,413	1.76
Citibank (Taiwan) Commercial Bank is entrusted to keep the assets of the Norwegian Central Bank.	915,000	1.31

April 17, 2023; Unit: shares

Names of Main Shareholders	Number of shares held	Shareholding rate %
HSBC Bank acts as custodian for Goldman Sachs International Investment Fund.	834,458	1.19
RONG FENG INDUSTRIAL CO., LTD.	673,932	0.96
Ching-Yi Tseng	612,018	0.87
WILL TREND CORPORATION	598,634	0.86
Jui-Che Tsai	581,492	0.83
Ching-Fu Tseng	540,401	0.77
San-Tsai Tsai	510,000	0.73

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

Unit: NTD

Item		Year	2021	2022	As of May 10,2023
Market price per share (Note 1)	Highest		102	102	75.90
	Lowest		8.85	46.4	63.00
	Average		33.11	73.07	71.02
Net Value per share	Before distribution		8.28	10.20	8.81
	After distribution		8.28	Not yet distributed	—
Earnings Per Share	Weighted average shares (thousands of shares)		60,000	70,000	70,000
	Original earnings per share (Note 2)		(9.31)	(6.0)	(1.37)
	Retroactively adjust earnings per share (Note 2)		(9.31)	(6.0)	(1.37)
Dividends per share	Cash dividends		None	(Note7)	—
	Stock grants	From retained earnings	None	—	—
		From capital reserve	None	—	—
	Retained Dividends (Note 3)		None		—
ROI Analysis	PE ratio (Note 4)		—	(Note 7)	—
	Dividend-Price ratio (Note 5)		—	(Note 7)	—
	Cash dividend yield (Note 6)		None	(Note 7)	—

Note 1: The highest and the lowest market prices during the year, and the mean price calculated based on trading value and trading volume of the individual year.

Note 2: The earnings per share before and after adjustment provided if retrospective adjustment is required due to the issue of stock grants.

Note 3: If the terms of issue of equity securities state that the current year's dividends that have not yet been distributed must accumulate until the annual distribution of earnings per share, the figures for the current year's dividends that have not yet been distributed should be disclosed separately.

Note 4: PE ratio = Average closing price per share in the current year/earnings per share.

Note 5: Dividend-Price ratio = Average closing price per share in the current year/cash dividend per share.

Note 6: Cash dividend yield = Cash dividend per share/ Average closing price per share in the current year.

Note 7: We reported post-tax losses in 2022 and hence the board has decided not to distribute dividends. This is still to be ratified by the 2022 General Shareholders' Meeting.

- (6) The Company's share dividend policy and status of implementation

- i. Share dividend policy as defined in the Company's Articles of Incorporation

If the Company reports profit in any given year, 1-10% of said profits shall be given to the Company's employees and no more than 1% shall be given to the Directors as a bonus. However, when the Company has accumulated losses, funds to compensate for the losses shall be retained in advance. Employee bonuses must take the forms of either stocks or cash; the receivers of the bonuses must include subordinates who fit the criteria set by the Board of Directors or authorized personnel. The distribution of employee bonuses must be passed through resolution in a meeting of the Board of Directors in which at least two-thirds of the directors are present and more than half of those presents vote yes; the results shall be reported to the Shareholders' Meeting. The Board of Directors shall adhere to the methods listed below to propose guidelines for the distribution of dividends and said guidelines have to pass through ordinary resolution in the Shareholders' Meeting.

- (i) Pay taxes
- (ii) Compensate for previous losses
- (iii) Deposit 10% as a statutory surplus reserve. This does not apply if the statutory surplus reserve has reached the company's total capital.
- (iv) When necessary, set aside or reverse special reserves.

The Board of Directors shall make proposals for the allocation of the remaining profit (based on the amount after items one to four above have been deducted, and with the initial non-allocated profit added) and distribute the profit based on resolution in the Shareholders' Meeting.

Any remaining profits may be allocated as a dividend. The company is in the initial stages of industry development, and the corporate life cycle is in a stage of positive growth. To respond to plans in the future for the expansion of operations, and considering the dividend balance and shareholders' rights, the dividend shall be allocated to shareholders in the form of cash or newly issued stocks (meaning that shareholders shall apply such sums to paying in full the unissued shares for allotment and distribution, crediting the shares as paid in full and can be distributed amongst them in the proportion aforesaid) in a combination of both cash and stocks, or in the form of a bonus. The actual issuance ratio authorized by the Board of Directors is in accordance with the Company Act and other public company regulations. Finance, business and management factors are considered before making the allocation. However, a dividend allocation shall not be less than 10% of the remaining profit, and the cash dividend portion of the allocation shall not be less than 10% of the total dividend amount.

- ii. Proposed distribution of share dividends in the current year: None.
- (7) The impact of the issuance of bonus shares proposed in the current Shareholders' Meeting on the Company's business performance and earnings per share (EPS): None.
- (8) Bonuses and Compensation to Employees, Directors and Supervisors
 - i. The percentage or range of employee bonuses and compensation for directors and supervisors are stated in the Company Articles of Incorporation: Please refer to Subparagraph (6)-i above on the explanation of the policy of share dividends.
 - ii. The accounting process used in the event that the basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation in the current period has discrepancy with the actual amount being

disbursed: N/A

iii. Information on any approval by the Board of Directors of the distribution of compensation:

(i) The case for distributing earnings for 2021 was proposed to not be carried out by the Company's Board of Directors.

(ii) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors: N/A

(iii) The amount of any employee compensation distributed in the form of stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: N/A

iv. The actual distribution of employee, director, and supervisor compensation in the previous fiscal year: The Company did not distribute any employee, director or supervisor compensation in 2020. The Board has decided not to distribute employee bonuses for 2021. The compensation expected to be paid to the directors is NTD 5.12 million.

(9) Information on the Company's stocks being repurchased by the Company: No repurchasing of Company shares occurred in the most recent year up until the printing date of this annual report.

2. Status of Company debt (including overseas Company debt) arrangements

None

3. Issuance of preferred shares

None

4. Issuance of overseas deposit receipt certificates (DRC)

None

5. Issuance of employee stock option certificates

None

6. Restriction upon employees in rights over new shares

None

7. Status of Merger

None

8. Inward transfer of other firms' new shares

None

9. Implementation of Capital Utilization Plans

(1) The information regarding implementation of the plans for the use of funds collected through capital increase through the private placement of marketable securities in 2019 is as follows:

i. Contents of the Plan

(i) Date and file number of approval granted by the competent authorities in charge of the subject enterprise: Jin-Guan-Cheng-Fa-Zi 1080321116 dated July 5, 2019.

(ii) Total funds required for the Project: NT\$372 million.

(iii) Source of capital: Private placement to issue 31,000,000 new shares at NT\$10 par value,

and issue them at NT\$12 per share, to raise a total of NT\$372 million.

(iv) Contents of the Plan and schedule to use the fund:

Unit: NT\$ Thousand

Contents of the Plan	Scheduled Date of Completion	Total funds required	Scheduled disbursement of the funds				
			2019		2020		
			Q3	Q4	Q1	Q2	Q3
Replenish operational capital	2020 Q3	257,000	1,300	65,000	100,000	38,000	52,700
Repay bank loan	2019 Q4	115,000	-	115,000	-	-	-
Total		372,000	1,300	180,000	100,000	38,000	52,700

ii. Implementation Status

Units: NT\$ Thousand

Contents of the Plan	Facts of implementation			Progress ahead of or behind schedule, the reasons and the improvements of plan
Replenish operational capital	Amount disbursed	Anticipated	257,000	Due to the conservative estimate made during the fundraising, the implementation progress was slightly ahead of the original plan and completed in the second quarter of 2020.
		Actual	257,000	
	Progress of implementation (%)	Anticipated	100.00	
		Actual	100.00	
Repay bank loan	Amount disbursed	Anticipated	115,000	As per the original plan, it was completed in the fourth quarter of 2019.
		Actual	115,000	
	Progress of implementation (%)	Anticipated	100.00%	
		Actual	100.00%	
Total	Amount disbursed	Anticipated	372,000	
		Actual	372,000	
	Progress of implementation (%)	Anticipated	100.00%	
		Actual	100.00%	

iii. The discrepancy between the anticipated benefits and the actual achievement

(i) The 2019 capital increase by cash project of the Company was completed on Aug 15th, 2019, with a total amount NTD 372,000,000 collected. Enrichment to the working capitals and repayment for bank was completed. Hence, there is no major differences between the expected benefits and the achieved actual benefits.

(ii) The analysis for achieved benefits is shown as follows:

Units: NT\$ Thousand

Item/Year		2018 (Before fundraising)	2019 (After fundraising)	2020 (After fundraising)
Financial information	Current assets	673,626	610,253	434,803
	Current liabilities	558,037	419,053	236,986
	Total liabilities	609,573	506,099	370,655
	Operating Revenues	150,695	388,079	142,707
	Interest expense	3,896	7,285	5,509
	Net loss before tax	(1,109,810)	(467,771)	(679,200)
	EPS	(5.26)	(2.09)	-
	EPS (Earnings per Share) after reduction	-	(3.89)	(4.73)

Item/Year		2018 (Before fundraising)	2019 (After fundraising)	2020 (After fundraising)
	of capital			
Financial Structure	Debt to asset ratio	28.96	26.88	26.17
	Long-term funds to property, plant and equipment ratio	368.70	299.73	245.66
Solvency	Current ratio	120.71	145.63	183.47
	Quick ratio	92.18	111.76	146.64

After applying the raised funds to enrich working capital and repay bank borrowings, the company can reduce its borrowing dependency from financial institutions and improve its financial structure. From the perspective of solvency, the company's current ratio and quick ratio were increased from 120.71% and 92.18% to 183.47% and 146.64%, respectively, after fundraising and execution. In addition, financial structure, solvency and operating losses have all improved significantly. Hence, the expected benefits should appear reasonably.

(2) The information regarding implementation of the plans for the use of funds collected through capital increase through the private placement of marketable securities in 2020 is as follows:

i. Contents of the Plan

- (i) Date and file number of approval granted by the competent authorities in charge of the subject enterprise: Jin-Guan-Cheng-Fa-Zi 1090346031 dated June 15, 2020.
- (ii) Total funds required for the Project: NT\$348 million.
- (iii) Source of capital: Private placement to issue 30,000,000 new shares at NT\$10 par value, and issue them at NT\$11.6 per share, to raise a total of NT\$348 million.
- (iv) Contents of the Plan and schedule to use the fund:

Unit: NT\$ Thousand

Contents of the Plan	Scheduled Date of Completion	Total funds required	Scheduled disbursement of the funds			
			2020		2021	
			Q3	Q4	Q1	Q2
Repay bank loan	2020 Q4	114,000	-	114,000	-	-
Replenish operational capital	2021 Q2	234,000	37,760	89,300	76,150	30,790
Total		348,000	37,760	203,300	76,150	30,790

ii. Implementation Status

Units: NT\$ Thousand

Contents of the Plan	Facts of implementation		Q4 2020	Progress ahead of or behind schedule, the reasons and the improvements of plan
Repay bank loan	Amount disbursed	Anticipated	114,000	It was completed in the third quarter of 2020. The actual progress of returning payment is slightly ahead of the original plan based on the fund allocation of funds.
		Actual	114,000	
	Progress of implementation (%)	Anticipated	100.00	
		Actual	100.00	
Replenish operational capital	Amount disbursed	Anticipated	234,000	Follow the original plan and implemented in the second quarter of 2021.
		Actual	234,000	
	Progress of implementation (%)	Anticipated	100.00	
		Actual	100.00	
Total	Amount disbursed	Anticipated	348,000	
		Actual	348,000	
	Progress of implementation (%)	Anticipated	100.00	
		Actual	100.00	

As shown in the table above, the Company's cash capital increase in 2020 was used to enhance working capital and repay bank loans, and was executed according to the original plan.

iii. The discrepancy between the anticipated benefits and the actual achievement

(i) The 2020 capital increase by cash project of the Company was completed on Aug 4th, 2020, with a total amount NTD 348,000,000 collected. Enrichment to the working capitals and repayment for bank borrowings were completed according to the original schedules. There are no circumstances that delayed progress.

Hence, there is no major differences between the expected benefits and the achieved actual benefits.

(ii) The analysis for achieved benefits is shown as follows:

Units: NT\$ Thousand

Item/Year		2019 (Before fundraising)	2020 (After fundraising)	2021 (After fundraising)
Financial information	Current assets	610,253	434,803	480,674
	Current liabilities	419,053	236,986	394,539
	Total liabilities	506,099	370,655	598,329
	Operating Revenues	388,079	142,707	312,868
	Interest expense	7,285	5,509	9,352
	Net loss before tax	(467,771)	(679,200)	(558,686)
	EPS	(3.89)	(4.73)	(9.31)
Financial Structure	Debt to asset ratio	26.88	26.17	54.64
	Long-term funds to property, plant and equipment ratio	299.73	245.66	144.73
Solvency	Current ratio	145.63	183.47	121.83
	Quick ratio	111.76	146.64	81.92

After applying the raised funds to enrich working capital and repay bank borrowings, the company can reduce its borrowing dependency from financial institutions and improve its financial structure. From the perspective of solvency, the company's current ratio and quick ratio were increased from 145.63% and 111.76% to 183.47% and 146.64%, respectively, after fundraising and execution. In addition, financial structure, solvency and operating losses have all improved significantly. Hence, the expected benefits should appear reasonably. Until the end of 2021, the current ratio and quick ratio fell to 121.83% and 81.92%, respectively. The reason is that the repeated impact of the global pandemic, and the operating income has not yet reached the economic scale, so the company still shows operating losses and increases in financing and borrowing.

(3) The implementation of the capital utilization plan for the Company's cash capital increase case in 2021 is as follows

i. Contents of the Plan

(i) Date and file number of approval granted by the competent authorities in charge of the subject enterprise: Jin-Guan-Cheng-Fa-Zi 1110333724 dated March 8, 2022.

(ii) Total funds required for the Project: NT\$600 million.

(iii) Source of capital: Cash capital increase and new shares are issued to issue 10,000,000 new shares at NT\$10 par value, and issue them at NT\$60 per share, to raise a total of NT\$600 million.

(iv) Contents of the Plan and schedule to use the fund:

Unit: NT\$ Thousand

Contents of the Plan	Scheduled Date of Completion	Total funds required	Scheduled disbursement of the funds			
			2022			2023
			Q2	Q3	Q4	Q1
Repay bank loan	2022 Q2	230,000	230,000	-	-	-
Replenish operational capital	2023 Q1	370,000	30,000	110,500	112,500	117,000
Total		600,000	260,000	110,500	112,500	117,000

ii. Implementation Status

Units: NT\$ Thousand

Contents of the Plan	Facts of implementation			Progress ahead of or behind schedule, the reasons and the improvements of plan
Repay bank loan	Amount disbursed	Anticipated	230,000	Has been fully implemented in the second quarter of 2022 according to the original plan.
		Actual	230,000	
	Progress of implementation(%)	Anticipated	100.00%	
		Actual	100.00%	
Replenish operational capital	Amount disbursed	Anticipated	370,000	It was completed in the fourth quarter of 2022, and the actual progress was slightly ahead of the original plan, taking into account capital scheduling and early use.
		Actual	370,000	
	Progress of implementation(%)	Anticipated	100.00%	
		Actual	100.00%	
Total	Amount disbursed	Anticipated	600,000	
		Actual	600,000	
	Progress of implementation(%)	Anticipated	100.00%	
		Actual	100.00%	

As shown in the table above, our company's cash capital increase in 2021 was used to enrich operating funds and repay bank loans, and has been executed according to the original plan.

iii. The discrepancy between the anticipated benefits and the actual achievement :

- (i) The cash capital increase plan for 2021 was completed on May 18, 2022, with the full amount of fundraising of NT\$600 million, which was originally planned to enrich operating funds and repay bank loans. The overall funding execution progress is 100%, so there should be no significant differences between the expected and actual benefits achieved.
- (ii) The analysis of the achievement of benefits is as follows:

Units: NT\$ Thousand

Item		Year	2021 (Before fundraising)	2022 Q2 (After fundraising)
Financial information	Current assets		480,674	882,721
	Current liabilities		394,539	441,879
	Total liabilities		598,329	564,023
	Operating Revenues		312,868	223,361
	Interest expense		9,352	6,995
	Net loss before tax		(558,686)	(187,166)
	EPS		(9.31)	(2.98)
Financial Structure	Debt to asset ratio		54.64	37.92
	Long-term funds to property, plant and equipment ratio		144.73	215.81
Solvency	Current ratio		121.83	199.77
	Quick ratio		81.92	148.24

The company has completed the plan of using the raised funds to increase working capital and repay bank loans, as originally planned. After examining the relevant ratios of

the company's financial structure and debt repayment ability before and after the fund-raising, the company's debt-to-equity ratio decreased from 54.64% in 2021 to 37.92%, the ratio of long-term funds to property, plants and equipment increased from 144.73% to 215.81%, the current ratio increased from 121.83% to 199.77%, and the quick ratio increased from 81.92% to 148.24%, all of which have improved compared to before the fund-raising. Overall, the company's cash increase has obtained long-term and stable funds from the capital market, which has moderately improved the ability to repay debts. Therefore, the benefits of this fund-raising plan are reasonable.

V. Operational Highlights

1. Business Activities

(1) Scopes of business

i. Main contents of operating business

The Company is an investment holding Company established on November 16, 2007 in the Cayman Islands. According to its business development strategy, the subsidiaries, Aleees (Taiwan) primarily engaged in the production, R&D and sales and marketing of cathode materials for Lithium battery, while Aleees SH acts as a sales and marketing point for the Mainland China market. Starting from 2022, the company will expand its business model to focus on patent technology licensing and transfer, which is a light asset business model, to increase new momentum for stable growth of the company's operations.

ii. Main products and business proportion

Unit: NT \$ thousand;%

Main products	2020		2021		2022	
Cathode materials for LFP battery	142,707	100.00	312,868	100.00	602,581	85.17
Others(Note)	—	—	—	—	104,943	14.83
Total	142,707	100.00	312,868	100.00	707,524	100.00

Source: Annual consolidated financial reports of the Company signed and checked by certified accountants.

Note: Other items include revenue from technology services, consulting services, etc.

iii. Existing products (services) :

(i) Cathode materials for LFP battery

Since its establishment, Aleees (Taiwan) has been committed to the R&D, production and sales and marketing of cathode materials for LFP battery, and has chosen to use the olivine-structured cathode materials that provide high level of safety as its development direction. It is mainly due to the olivine-structure materials has stable structure and strong intermolecular bonding, therefore, it can provide high level of safety and relatively long cycle life. Among current commercialized lithium battery materials, LFP is featured with the highest level of safety, its cycle use reaches more than 2,000 times, as well as low environmental pollution, and its sources of raw materials are abundant. Therefore, it is considered to be the next generation lithium battery as it is an ideal cathode material that can be applied in the fields like electric vehicles, wind-solar power storage system and alternative to lead-acid battery.

Product Item	Application
Cathode materials for LFP battery	<ul style="list-style-type: none"> •Electric vehicles •Wind-solar power storage system and smart grid •Emergency Power supply system •12 V automobile starter •48V micro hybrid power batteries •Batteries for 4G and 5G bases •Special application for military use and space exploration

(ii) Technical service revenue

A. Licensing fees

The company licenses its patented technology for phosphate-based cathode materials to customers and charges them for the right to use intellectual property at the time of

licensing.

B. Royalties

After the licensed customer begins production until 2041, the company collects a certain percentage of the amount based on the production/sales volume of the licensed customer each year.

iv. New products (services) development projects

Cathode materials for lithium battery

(i) Improvement and optimization of existing products

A. The use of more advanced powder design concepts and powder post-processing processes to increase production capacity and production yield, reduce production costs, and enhance products competitiveness in the global market for continually expanding market shares of products.

B. Actively introducing a new generation of manufacturing process and equipment to manufacture cathode materials for lithium battery with higher purity, lower impurities and better processing performance by expanding customer base with high-end product application needs.

(ii) Continue to develop high voltage cathode materials for lithium battery.

Due to the continuous improvement of the energy density of lithium-ion batteries, the Company has been devoted to the development of high-voltage cathode materials such as lithium iron manganese phosphate, lithium vanadium fluorophosphates, and lithium nickel fluorophosphates. Lithium manganese iron phosphate can be used with ternary material, lithium vanadium fluoride phosphate can be used with special electrolyte systems, and lithium nickel fluoride phosphate can be used with solid electrolytes for use in electric vehicles, unique batteries with high energy density and high safety requirements. In the market, some products are developed in cooperation with major overseas battery manufacturers to adjust the material properties according to customer test results. We also focus on clear directions in market application and joint development with customers. These strategies can accelerate development and launching of new products, and provide electric vehicles and energy storage to provide the market the best choice of materials with high quality.

(iii) Developing the Ternary Cathode Material

The ternary cathode material market is gradually shifting towards the high-nickel direction. Combining our rich experience in material development, our company has invested in the development of high-nickel ternary cathode materials with higher energy density, such as lithium-nickel-cobalt-manganese, nickel-cobalt-manganese-aluminum, lithium-nickel-manganese, etc. Some products have been sent overseas for testing. We are committed to commercializing our R&D products, hoping to expand our leading position in the lithium battery material market and enhance our market competitiveness and profitability.

(2) Industry Overview

i. Current Situation and Development of Industry

Secondary batteries (accumulator battery) refer to batteries that can be recharged and discharged repeatedly (equivalent to reusable). Although the lithium batteries are the latest one to be commercialized, they account for 40% of the secondary battery market due to their high energy density and no memory effect, while the rest 60% of the market that has not yet been captured by lithium batteries is occupied by lead-acid battery. (Such as starter batteries, electric bicycles, uninterruptible power systems (UPS), and so on.) However, the lithium batteries will gradually replace the lead-acid batteries because of environmental protection and zero carbon emission requirements. Two main material technical roadmaps of lithium batteries are lithium iron phosphate and ternary lithium. Lithium iron phosphate batteries have a longer life, are cheaper and safer, but have a lower energy density. This kind of battery is mostly used for energy storage devices, affordable electric vehicles (more cost-effective), electric buses and so on.; In contrast, ternary lithium batteries have higher energy density and a strong battery life, but they have a poor stability and higher cost. The battery is mostly used in 3C digital products and the higher-end electric vehicles. The market competition between lithium iron phosphate batteries and ternary batteries is continuing. At the same time, the industries are constantly pursuing the technological improvements to meet the high cost-effective market demand for the high energy density, long lifetime, high safety and low cost.

The development of sustainable energy is seen as an important trend of environmental protection in global. Currently, over 130 countries have adopted (or announced) the goal of net zero emissions by 2050, and the development of green power has become a global consensus. As countries continuously facilitate the development of renewable energy and increase the proportion of green energy, the construction of energy storage systems in the later stage shall follow. The reason making energy storage important is its stable power supply. Because the renewable energy is an "intermittent energy source", which cannot be generated at any time, and the power output is unstable. And when the irreplaceable proportion of renewable energy is close to 30%, the burden on the arrangement and stability of the power grid becomes greater, and it is easy to cause the large-scale power outages, and even the economic losses. Therefore, the energy storage system is able to smooth the green power output, improve the utilization rate of renewable energy, and maximize the effectiveness of each electric power. These are the key reasons for the development of energy storage.

Along with the zero-carbon, the renewable energy has become an irreversible trend, but it is still highly instable. In addition, the smart power distribution model is also the future energy trend, so the "energy storage industry" will be an important role in the entire green energy economy. Energy storage equipment is widely used in the power systems, and spans from the power generation terminal, transmission, distribution, to the client terminal, including residential, industrial, commercial enterprises and so on. Because the entire power system is involved, the main driving force lies in the support from the government policies. In addition to government policies, customer demand is also expected to increase. With the power outages caused by extreme weather such as storms, wildfires, and heavy rains in recent years, the residents in California, Hokkaido, Japan, and other areas have installed the energy storage systems independently in homes in order to obtain the stable power supply. Driven by the promise of net zero emission, the green power at the enterprise end has increased, and the

demand for the energy storage has also increased. BNEF predicted that energy storage systems for residential, commercial and industrial use will become more common, and the energy storage devices in house and corporate will account for 25% of the world's energy storage devices in the next ten years. Currently, Germany and Japan are the market pioneers, and the markets of Australia and California in the United States are also quite large.

In the wave of green energy transformation, Bloomberg Energy Finance estimates that by 2030, the global investment in stationary energy storage equipment will exceed \$262 billion, with the main markets concentrated in the United States, China, and EU countries. The top five countries in installed capacity will account for 85% of the global total. The United States is expected to continue to hold the throne as the world's largest market until 2025. Overall, the global energy storage industry is expected to enter a period of high-speed growth in the context of carbon neutrality and green energy.

Energy storage batteries do not require high energy density, but are more concerned with battery cost, cycle performance, and lifecycle cost. Lithium iron phosphate batteries have low production costs and high cycle times, making them a preferred option for the energy storage market. While ternary lithium batteries have safety concerns due to frequent explosion incidents, lithium iron batteries have become the first choice for the energy storage market. BNEF believes that rapidly developing battery technology is driving the energy storage market, which is currently dominated by lithium-ion batteries. At least until 2030, LFP will be the preferred choice for lithium-ion batteries in stationary energy storage systems.

According to TrendForce research, the vehicle market has seen some orders and demand deferred to 2023 due to chip shortages. It is estimated that the global car sales in 2023 will be approximately 83.9 million units, with a year-on-year growth of 3.7%, reaching about 91 million units in 2025. Benefiting from the rapid penetration rate of electric vehicles, there is a huge business opportunity for automotive electronic related components. The related components of electric vehicles will become the main incremental market in the next decade and enjoy a high growth rate. Future driving forces include countries' carbon reduction targets, bans on sales regulations, and subsidies for car purchases.

TrendForce believes that as the core component with the highest cost in electric vehicles, reducing the cost of power batteries will be an important strategy for companies' future competition. Companies will pay more attention to reducing battery material costs and ensuring supply chain security, two major issues related to future competitiveness. Under this trend, TrendForce expects that the cost-effectiveness advantage of lithium iron phosphate batteries will become more prominent, and with the continuous progress of technology, they may become the mainstream in the end-market within 2-3 years. The global installation ratio of lithium iron phosphate batteries and ternary batteries will also change from 3:7 to 6:4 in 2024.

In the future, the energy storage and electric vehicle industries will be the two main application markets for lithium batteries, and the lithium iron phosphate market will steadily grow in the foreseeable future.

ii. Industry relevance of upstream, midstream and downstream companies

Upstream	Midstream	Downstream Applications
Cathode material of lithium iron Anode materials Electrolytes Separator membranes Other parts	•Battery(cells) manufacturing industry •Battery module management	•Power battery application →Electric vehicles →48V microV hybrid power •Energy storage battery applications →Energy storage equipment →Smart grid •Replace lead acid battery →12V Car start battery →Emergency power supply system →Batteries for 4G and 5G bases

iii. Various product development trends

(i) Lithium iron phosphate batteries are applied in the energy storage battery market

Under the trend of energy conservation and carbon reduction, the countries have successively launched supporting policies to promote the energy storage and electricity consumption environment; The global installation capacity of renewable energy continuously increases, so the solar and wind energy markets have grown significantly. Because of the instability of renewable energy power, the energy storage equipment can supply the power in stable, extending energy storage business opportunities such as homes, industries, and electric vehicles. Also, with the increasing demand for 5G, big data, and cloud computing, the data center market keeps growing, resulting in the increasing demand for energy storage. Currently, over 97% of the world's energy storage solutions are "pumped energy storage", which uses water pumps to deliver water to reservoirs, and sometimes drains water to drive turbines to generate electricity. However, there are geographical restrictions on energy storage in reservoirs. In case of water shortage in the dry season, there is nothing to do. In contrast, the battery energy storage is more flexible in use. The battery can be placed anywhere without being affected by the weather, and the power supply response is extremely fast, so that the battery assists the power grid for any emergency.

Energy storage is about to go through a ten-year sprint. According to the latest forecast of Bloomberg Energy Finance (BNEF), the global energy storage installations are expected to reach 358GW/1,028 GWh by the end of 2023. The United States and China will be the two main markets, accounting for more than half of the global energy storage installations in 2030. According to the BNEF data, India, Australia, Germany, the United Kingdom and Japan are also important energy storage markets. Whatsoever the incentive policies, the ambitious climate goals and increasing demand for stable power grids, these reasons have promoted the vigorous development of energy storage systems. BNEF considers that the energy storage market is driven by the rapid development of battery technology. Currently, the lithium-ion batteries is the majority, and in the market of fixed energy storage systems, Until 2030, it's believed that LFP is the first choice for lithium-ion batteries.

(ii) The application of lithium iron phosphate batteries in the energy storage battery market

Because of the continuous improvement of automobile fuel consumption standards and the adoption of strict standards by the European Union, automakers started to add the Idle Stop & Start System (ISS) into the vehicles. This system allows the engine to automatically turn off and initiate when at idle speed, thereby reducing the carbon dioxide emissions and fuel consumption. The idle start-stop system was originally powered by the lead-acid batteries. Because the recycling process of lead-acid battery more easily generates the pollution, it will gradually be replaced by the lithium iron phosphate batteries driven by the environmental protection regulations in the countries.

- (iii) The application of lithium iron phosphate materials in the idle-stop vehicle market. The lithium iron phosphate material returns to the mainstream automotive lithium battery market.

The trend of green energy drives the rapid development of electric vehicles. Impacted by the rising prices of raw materials in batteries, the global new energy vehicle brands raise the prices of electric vehicles one after another. Reducing the cost on power batteries will be a key factor of competition for companies in the future. TrendForce thinks that the power batteries are the most expensive but essential components in electric vehicles, so reducing the cost on power batteries will be an important strategy of competition for companies in the future. Because of its cost-effective advantages, the lithium iron phosphate batteries, with the continuous progress of technology, are estimated to account for more than 60% of the installment in the global power battery market by 2024.

Since Tesla became the spotlight of the world, the ternary lithium batteries have taken as a major role in the electric vehicle batteries. With its ability of powerful instantaneous output, the ternary lithium batteries become Tesla's first choice. Instead, the lithium iron phosphate battery (LFP Battery) is regarded as a lower-performance alternative. With the improvement of battery technology and Tesla's shift to LFP battery, the lithium iron phosphate battery suddenly becomes the priority option.

Although a huge gap exists, the expansion scale and expansion speed of the lithium iron phosphate materials will exceed those of ternary materials, based on the production capacity planning of the global new energy battery cathode material industry in the past two years.

iv. Competitive Landscape

At present, there are many well-known manufacturers around the world are developing cathode materials for LFP battery: In addition to the Company, other manufacturers like Shenzhen Dynanonic, Süd-Chemie, , Umicore, Sumitomo Osaka Cement, Pulead Technology, Hunan Shanshan and Shenzhen BTR, etc are active in the market.

The Company uses the sol-gel method to manufacture LFP, its advantage is the synthesis and sintering of phosphate-iron eutectic are carried out first, and then the iron phosphate eutectic and the lithium salt are sintered to obtain a LFP high end product with stable structures and high purity. The application for patent protection of this special manufacturing process has been submitted at home and abroad.

At present, the mass-produced products are better than those produced by the competitors in the industry regarding capacity of electricity, sustainability, and product quality stability. The company actively introduces products with various levels of performance to meet the needs of various customers. We also cooperate with major battery manufacturers to adjust the material properties according to test results offered by customers. To customers buying the batteries, the products that adopts our company's lithium iron phosphate battery cathode materials have high capacity and good quality stability. The battery capacity and product quality stability are relatively high, which can create more benefits for customers.

The company is committed to developing more cost-effective products for customers, and we make more sophisticated improvements in the manufacturing process to produce high-quality products to keep up with the development of new energy vehicles (including hybrid vehicles) and energy storage battery market. In addition, the company is also committed to the development of extending battery life and improving the energy density of battery materials, so as to enhance the competitiveness of the company's products in the global market.

(3) Technology and R&D Overview

i. Technology level and R&D status of Operating Business

Since its establishment in 2005, Aleees (Taiwan), a subsidiary of the Company, has been committed to the development of olivine-structure materials, the key materials for power lithium-ion battery. The development supplemented by the strategy of improving the energy density capacity and cycle life of the product as the main technology roadmap, provides a core technology with competitive advantages in promoting the promotion of electric vehicles and power storage businesses. At present, Aleees (Taiwan) has with its own patented nano-metal oxide co-crystallized lithium iron phosphate, and in response to the needs of different customers, Customized production.

In view of the fact that the battery is still an important part of the current development in the electric car industry, and its high cost is an important consideration as the cathode material accounted for the highest proportion in the overall material cost of battery, as well as being the most significant part in affecting battery performances. In order to resolve the overly high pricing issue which affects the marketization of electric car, the Company has successfully introduced a new manufacturing process, and developed a new generation of long-acting and power-type cathode materials for LFP battery, which hopes to gradually reduce the cost of battery for each use. In addition, the Company continues to invest in the development of high-voltage olivine-structured cathode materials, as high-voltage cathode materials will make the battery's energy density even higher, making the electric vehicle's endurance farther, these two points will effectively promote the relevant new energy industry.

ii. Researchers and their academic qualifications/experience

Year		2020	2021	2022
R & D Personnel		25	21	21
Average years of service		4.38	5.12	5.90
Academic Distribution	Doctorate Degree Holder	12.00%	14.29%	14.29%
	Master's Degree Holder	84.00%	85.71%	85.71%
	Bachelor's Degree Holder and College Graduate	4.00%	—	—

iii. R&D expenses invested in the most recent year and as of the publication of annual report

Unit: NT\$ thousand

Year	2022	As of March 31,2023
R&D expenses	75,720	14,952
Net Operating Revenue	707,524	271,366
Percentage of Net Operating Revenue	10.70%	5.51%

iv. Technology (product) development accomplishments

Business Segment	Period	Results of Product R&D	
Cathode Material Business	2006-2008	LFP-NCO materials.	
	2010-2011	Completed the development of battery module for electric buses.	
	2010-2011	Completed the development of BMS for LFP battery.	
	2011		Completed the development of long-lasting type materials.
			Completed the development of long-lasting type anode materials for LFP
			Completed the development of the manufacturing process for Fe ₇ (PO ₄) ₆ eutectic precursor.
	2011-2012	Completed the development of the manufacturing process for reinforcement in sintering of the new generation of carbon cladding material.	
	2012		Completed the development of new generation water-based adhesive-specific products.
			Completed the development of new generation low temperature-based performance products.
			Completed the development phase of new generation powder granulation process laboratory.
	2013		Completed the mass production testing of new generation of water-based adhesive-specific product's production line.
			Completed the mass production testing of new generation low temperature-based performance product's production line.
	2014		Completed the development of new generation high power LFP cathode materials.
			Completed the development of new generation high purity long-lasting type LFP cathode materials.
	2015		Completed the pilot production of new generation powder granulation process production line.
			Completed the pilot production of new generation high power type LFP cathode materials production line.
	2016		Completed the sample presentation of new generation high power type LFP cathode materials for customers.
			Completed the five-year project plan for high-capacity layer-structured cathode materials in cooperation with the Taiwan University of Science and Technology team.
	2017		Completed the mass production testing stage of the new generation of high-power type LFP cathode materials production line.
			Completed the sample presentation of car starter specific high-power type LFP cathode materials for customers.
		Completed the development phase of NCM cathode material laboratory.	
2018		Completed the development phase of NCM811 cathode material laboratory.	
		Completed the development phase of NCM cathode material surface modification technology laboratory.	
		Completed the development phase of NCM cathode material precursor	

Business Segment	Period	Results of Product R&D
		manufacturing technology laboratory.
		Completed the first phase of the establishment of technology commissioned research project by the R&D Centre on Advanced Battery Materials in cooperation with the Industrial Technology Research Institute (a total of three phrases)
	2019	Completed the test phase for mass production line of new-generation energy-type cathode material, lithium iron phosphate.
		New-generation high-power cathode material, lithium iron phosphate, has officially entered the mass production phase.
		Small samples of cathode material, NCM811, were sent to customers.
		Small samples of high-voltage materials, lithium vanadium fluorophosphate and lithium cobalt phosphate, were sent to customers.
		Completed the second phase of technology commissioned research with the Advanced Battery Materials R & D Center in cooperation with Industrial Technology Research Institute (a total of three phases)
	2020	To complete the development of high voltage Lithium iron phosphate in the laboratory
		To send samples of Lithium vanadium material in kilograms to the client
		To complete high voltage Lithium iron phosphate for 5V and above in the laboratory
		To complete the development of high power file Lithium iron phosphate in the laboratory
		To send samples of new high power file Lithium iron phosphate in small amount to the client
		To complete the development of the latest high power file Lithium iron phosphate for the low-speed mobile gadgets in the laboratory
		To complete development of NCA Lithium iron phosphate in the laboratory
		To complete development of NCA Lithium iron phosphate in the laboratory
		To conduct development of LNMO Lithium iron phosphate in the laboratory
		To send samples of LNMO Lithium iron phosphate containing high amount of manganese in kilograms to clients
		To have the new energy Lithium iron phosphate put in mass production
		To carry out the third phase of the commissioned research project for innovative battery materials of research and development center which collaborates with Industrial Technology Research Institute
		2021
	Completed the delivery for the kilogram sample of lithium vanadium fluorophosphate cathode material to the customers	
	Completed the trial production stage of a new generation of the advanced high-power lithium iron phosphate cathode material.	
	Carry out the trial production and the sample delivery to customer for a new generation of advanced high-power lithium iron phosphate cathode material.	
	Completed the trial production of a new generation of the lithium iron phosphate cathode material for the slow-speed electric vehicles in the field of walking.	
	Carry out the sample delivery of a new generation of the lithium iron phosphate cathode material for the slow-speed electric vehicles in the field of walking.	
	Carry out the laboratory development stage of a new generation of precursor cathode materials for lithium iron phosphate	
	Carry out the sample delivery to customers and test stage of the high nickel	

Business Segment	Period	Results of Product R&D
		ternary (NCA87) cathode material.
		Carry out the sample delivery to customers and test stage of the high nickel ternary (NCM811) cathode material.
		Carry out the sample delivery to customers and test stage of the high nickel ternary (NCMA83) cathode material.
		Completed the laboratory development stage of the spinel structure of lithium nickel manganese oxygen (LNMO) cathode materials.
		The energy-type lithium iron phosphate cathode material has obtained the customer's certification and has achieved to ship in tons.
		Completed the full battery verification of LMFP cathode material with high manganese content
		Completed the third phase of the technical commissioned research plan with ITRI for the establishment of the Research and Development Center of the Advanced Battery Material.
	2022	Completed the laboratory development stage of the new generation of fluorophosphate vanadium lithium cathode materials, and sent kilogram-level samples to customers.
		Completed the first phase of the collaborative research and development project with National Taiwan University and National Taiwan University of Science and Technology - High-capacity and high-safety all-solid-state lithium metal batteries for green energy.
		Conducted trial production of samples for the new advanced high-power type lithium iron phosphate cathode material production line and sent them to customers.
		Conducted trial production of samples for the new generation of lithium iron phosphate cathode materials for electric vehicles and sent them to customers.
		Conducted trial production of the new generation of energy-type lithium iron phosphate cathode materials production line, and passed the certification of Japanese energy storage customers.
		Sent sample quantities of high-manganese content LMFP cathode materials to customers.
		Promoted the sample sending of new customers for energy-type lithium iron phosphate cathode materials.
		Conducted laboratory development stages for high-nickel ternary (NCM88) cathode materials.
		Conducted laboratory development stages for high-nickel ternary (NCMA88) cathode materials.

(4) Short and long term business development plans

i. Short term business development strategies and plans

- (i) Provide a comprehensive solution: The Company provides recommended use of products to customers, and provides suggestions on the combination of other key materials, as well as information on equipment purchase, use, and environmental control.
- (ii) Product line integrity: In order to meet the needs of different customers, the Company will gradually develop different types of products for customers with different processes in order to reduce the costs of introducing products of customers. The long cycle life cathode materials developed specifically for electric modes of transport applications are used to accelerate market applications.
- (iii) Provide better Pre-sale & After sale technical services: The subsidiary in China, Aleees SH, has a full-fledged FAE team that able to assist customers effectively and quickly in solving problems in use, and rapid introductions of products and provide more added value.

ii. Long term business development strategies and plans

- (i) Continue to invest in the R&D of key technologies and patents to strengthen the competitiveness in the industry
- (ii) Optimize product and customer portfolios so as to increase the percentages of high unit price products and sales customers.
- (iii) Conduct industry-university collaboration plans with professional research units and academic institutions at home and abroad, and conduct research on the directions like material synthesis and material application science, etc. through collaboration, and cultivate talents needed by enterprises during the collaboration process to enhance long-term competitiveness of enterprises.
- (iv) Implement corporate governance, strengthen risk control, and sustainable management of the Company, creating a win-win-win situation for customers, employees and shareholders
- (v) Transformation into a lithium intellectual property supplier, conducting LFP patent and technology licensing, authorizing customers to establish automated production factories for lithium battery materials with a scale of more than 100,000 tons in Europe, America, and Asia.

2. Market and Sales Overview

(1) Market Analysis

i. Sales regions of main products

Our company's product sales are mainly in Asia and Europe. In 2020, due to the impact of the COVID-19 pandemic, many countries, including China, various European countries, the United States, and Japan, implemented measures such as travel restrictions and border closures, resulting in frozen economic activities and movement demands, as well as disrupted logistics for automotive components, leading to suspension of vehicle assembly in automobile factories. As a result, the consolidated revenue for 2020 dropped significantly. However, since 2021, with the slowdown of the COVID-19 pandemic and the resumption of testing and production by some customers, the consolidated revenue for 2021 increased by about 119.24% compared to that of 2020. Furthermore, our company has transformed into a lithium intellectual property supplier by licensing LFP patents and technology, and has signed a technology license agreement with the first customer and recognized the intellectual property licensing revenue in 2022. As a result, the consolidated revenue for 2022 increased by about 126.14% compared to that of 2021.

Unit: NT\$ thousand; %

Region	2020		2021		2022	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Asia	140,671	98.57	237,879	76.03	536,537	75.84
Europe	1,452	1.02	73,554	23.51	166,717	23.56
Others	584	0.41	1,435	0.46	4,270	0.60
Total	142,707	100.00	312,868	100.00	707,524	100.00

ii. Market Share

Due to the impact of the COVID-19 pandemic in 2020, many countries, including China, various European countries, the United States, and Japan, implemented measures such as restrictions on going out and border closures. This not only froze economic activity and travel

demand but also caused interruptions in the supply logistics of automobile components, resulting in the suspension of car assembly lines and a significant decrease in revenue in 2020. However, since 2021, with the easing of the COVID-19 pandemic and the resumption of testing and production by some customers, as well as the signing of patent technology licensing agreements with European battery manufacturers starting in 2022, the company has gradually achieved stable revenue growth by collecting royalties through technology licensing.

iii. The future supply and demand situation and growth of the market

In December 2015, the countries committed in the Paris Agreement to achieve the goal of "carbon neutrality in global" from 2050 to 2100. Carbon neutrality is that the amount of the carbon emissions eliminated from the environment exceeds the emitting amount. It is usually achieved the relatively "zero emission" through replacing the fossil fuels by the low-carbon energy sources, affording trees, energy conservation and emission reduction. So far, more than 50 countries have declared to reach carbon neutrality by the middle of 21 century, and more than 100 countries have mentioned in their policies. 2050 is the target year for most countries.

From a global perspective, power lithium batteries account for the majority of lithium battery production, reaching 70.8%, followed by consumer lithium batteries with a market share of 22.2%, and energy storage batteries with the smallest market share at 7%. With the proposal of "carbon peak" strategies by countries worldwide, companies are deploying power and energy storage battery production lines, and the vigorous development of new energy vehicles and energy storage markets is expected to further increase the market share of power and energy storage lithium batteries. According to Research and Markets research data, the market is expected to reach nearly \$92 billion by 2026 with a GACR growth rate of 14.6%.

BNEF believes that rapidly developing battery technology is driving the energy storage market, and currently, lithium-ion batteries are the main type of battery used. Additionally, in stationary energy storage systems, LFP will be the preferred choice for lithium-ion batteries until at least 2030. TrendForce believes that as power batteries are the highest cost component of electric vehicles, reducing power battery costs will be an important strategy for companies in the future. With its cost-effectiveness advantage, LFP batteries are expected to exceed 60% of the global power battery market installation rate by 2024, as technology continues to advance.

Please refer to the explanation in V. Operational Highlights.

iv. Competitive Niches

(i) Possess a professional management team

The Company has extensive technical collaboration and exchanges with academia to enhance the R&D technology of battery materials. The management team has many years of relevant industry experience and is keenly responsive to the market, and meticulous and quick in decision-making, as well as continue to attract outstanding talents to join the business and R&D. The team is properly mastered the key technologies of the products, and capable to develop new products by themselves, hence they can fully grasp the changes in the overall market, maintain a good competitive advantage, and maintain its leadership position.

(ii) Excellent manufacturing process and R&D technology

The Company's products have the characteristics of small battery cell volume and weight, good applicability; high product consistency, can effectively improve battery reliability; high price-performance ratio, can increase customer profits and other advantages, customers are satisfied with the product performance, and safeguard customers from becoming the victims of immature products.

(iii) Complete patent portfolio

The Company has put a strong emphasis on the development of intellectual property rights and patents, committed to its management and maintenance, and builds a complete patent protection umbrella.

(iv) Encourage innovation and implement quality management

The Company encourages employees to actively engage in innovative development. Employees can engage in activities which can exceed customer needs, reduce production costs, improve existing technologies, create advanced technologies, encourage basic research, improve various administrative processes, improve efficiency, reduce costs, etc. Positive rewards are given according to the internal "Innovative Proposal Incentive Regulations" of the Company. In addition, the Company's production quality has passed ISO9001, ISO14001, TS16949 and OHSAS18001 certifications, and it has led the industry by introducing 6 standard deviation as the basis for the Company's continuous innovation and improvement to ensure the consistency of products, services and Company management. In addition, the Company plans to continuously introduce quality-related certifications in the future for further quality assurance of the products.

v. Development outlook - favorable and unfavorable factors and countermeasures

(i) Favorable factors

A. In line with the green energy industry policy orientation of governments

Driven by rising environmental awareness and the common goal of reducing carbon emission, various countries have placed the development of energy storage battery and power battery to the strategic national development level, and the intensity of funding and policy support are very strong. The LFP battery and the NCM cathode materials will become the mainstream of power battery and energy storage battery as the LFP battery features high-level safety, high power capacity, and relatively high cycle life and relatively environmentally friendly, while the NCM cathode materials feature high energy density. Governments have committed to promoting of new energy vehicles, and propose strategic plans to promote the development of the electric vehicle industry, and will focus more on LFP battery and NCM.

B. Lithium battery is widely used

In the past, the global lithium battery application market has been mainly focused on mobile phones and notebook computers, and it is suitable to be used for lithium-cobalt and ternary lithium battery with high energy density. Recently, LFP and NCM are the revolutionary new materials for lithium battery. Their superior characteristics have

aroused extensive researches and rapid development, and have greatly expanded the application fields of lithium battery, expanding to new realms of electric bicycles, hybrid vehicles, electric vehicles and energy storage battery.

C. Lithium battery material technology has high patent barriers to avoid excessive competition

The primary obstacle to the entry of lithium battery materials is the patent barriers. Many companies that entered this field early have completed their patent deployment, resulting in the high possibility of patent litigation for latecomers. Hence, there is not many people who have ventured into its production.

(ii) Unfavorable factors

A. Concentration source of raw materials risk: At present, the mining of lithium is concentrated in a few regions worldwide and the main sources of supply still rely on foreign imports.

Countermeasures:

In order to eliminate the concentration source of raw materials risk, in addition to maintaining close relationship with manufacturers, more than two suppliers are established for each main material to meet the needs of emergencies.

B. Disorderly competition among Mainland players: Due to the good development prospects of the industry, hence, there are more than 200 suppliers of cathode materials for battery in Mainland China. However, most of them have no mass production capacity, the material capacity is low and the product quality is unstable, but they frequently attempted to enter the market with low price strategy, which creates pressure on the market for price reduction.

Countermeasures:

In order to overcome the low price competition in the market, the Company not only accelerates the development of new products and improves product quality to widen its gap with competitors. At the same time, it attracts new customers by establishing brand awareness and actively providing other additional services to enhance customer satisfaction in all aspects.

In addition, the Company has the following competitive advantages over the lithium battery cathode material manufacturers in Mainland China:

a. Stable process capability, leading to market leadership

The stability of cathode materials for lithium battery is usually the key that affects the battery products of downstream battery manufacturers. As there are many different manufacturing processes for cathode materials of battery, and the types, quantity and timing of chemical compounds to be added will all affect the cathode materials being produced. Therefore, the biggest issue for lithium battery cathode materials manufacturers is how to produce the products with consistent quality. Although the Company faces competition from Chinese manufacturers like other industries, however, the Company has a stable process capability, and the quality of the products produced is highly consistent. The company is well recognized by customers. With the patent

deployment owned, the company may develop new customers in Europe, America, Japan and South Korea.

In addition, the supply chain of automotive industry requires terminal automotive manufacturer certification. Once the company has become the main supplier for battery manufacturers, they will not easily change the supplier due to high conversion costs. Furthermore, the Company has reached a leading position with brand awareness in the market of cathode materials for LFP batteries, as well as having absolute competitive advantages despite facing competition from Chinese competitors.

- b. Acquire patent licensing, helps customers to obtain overseas orders outside of Mainland China

There are many customers of battery cell manufacturers in Mainland China are located outside of Mainland China. In view of the layout of patent licensing globally, they definitely will face patent issue as long as they are exported to the main markets (including countries such as Europe, America, Japan, Korea, etc.). Moreover, all international manufacturers put an emphasis on intellectual property rights when purchasing battery cells. Therefore, the use of the products of Aleees (Cayman) that have been granted global patent licensing can significantly eliminate patent concerns during the production and marketing processes of end products.

- c. The US-China trade war and Covid-19 pandemic have prompted global industries to relocate their production sites or supply chains.

The US-China trade war reflects the fact that production bases of some industrial have been excessively concentrated in mainland China. Due to the "de-sinicization" trend and the Covid-19 pandemic in 2020, people realize how vulnerable the industry could be with over reliance on mainland China in terms of supply chain, so the production line or supply chain have been transferred and withdrawn from China, which has become a new trend. The lithium iron phosphate battery cathode material manufacturers outside of mainland China have also obtained business opportunities.

The Company has the aforementioned three characteristics, making the company take on the leading position in the layout of global markets outside China comparing to horizontal competitors in mainland China.

In sum, although the Company faces competition from its peers in Mainland China, with company's stable manufacturing capacity, patented products, and considering the fact that its diversified downstream industries can dilute the risk of centralizing production sites in Mainland China, the Company will have the opportunity to lead its peers in Mainland China in the future. The company will continue to develop new products and maintain its leading position in the market.

- C. Competitors may capitalize on patent litigation as a means of commercial obstruction.

Countermeasures:

- a. The Company has abundant experience in working with lawyers in Mainland China, America, and Europe, and these firms are highly specialized in intellectual property rights and have extensive experience in handling transnational cases. Hence when any

dispute arises in any country, the Company is able to promptly resolve the dispute with the assistance of the well-prepared law firms.

- b. The Company and LiFePO₄+C Licensing AG completed the patent license signing on July 4, 2011, and acquired 85 patents including the earliest patents developed by Professor Goodenough, carbon cladding patents and NTT patents, etc., which completely solving the patent concerns of the major battery manufacturers in Europe, America, Japan and Korea. It helps the Company to accelerate in exploring business opportunities in markets outside mainland China. It can also help the customers of the battery factory in the Mainland to develop overseas market.

In addition to obtaining the aforementioned patent authorization, the company has always valued the importance of independent research and development since its establishment and had a complete patent layout in the field of cathode materials.

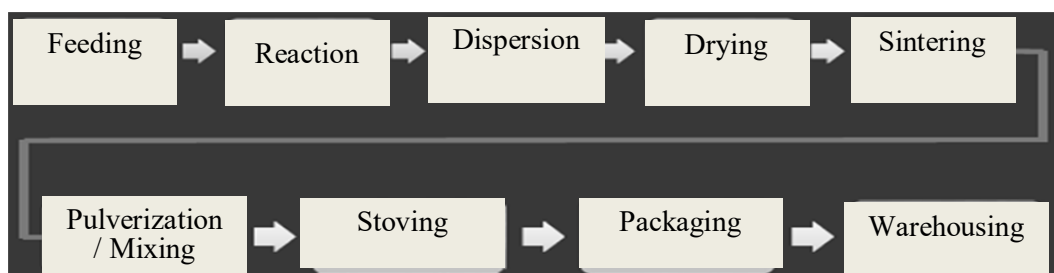
(2) Important use and production process of main products

i. Important use of main products

Main products	Purposes
Cathode materials for LFP battery	The cathode material determines the battery capacity characteristic, and choosing the right cathode material not only increases the power capacity of the battery, but also greatly improves the safety at the same time. In the green era which promotes energy conservation and emission reduction, the demand for electric vehicles is rising, and the demand for large-scale energy storage equipment is expanding. There are not many choices available for the battery which have high level of safety and high capacity, thus the use of LFP as the cathode materials for lithium battery fortuitously meet the needs of this emerging market.

ii. Production process of the main products

Cathode materials for LFP battery



(3) Supply situation of main raw materials:

Cathode materials for LFP battery

Main raw materials	Suppliers	Supply situation
Lithium compounds	Albemarle 、 FMC	Normal
Phosphoric acid	Zimi , San Fu	Normal
Iron-based compound	Höganäs , Well-Being Enterprise	Normal

(4) List of main customers for inbound/outbound sales

- i. Details of suppliers accounted for more than 10% of total purchase in any of the last two years, and explanation of increase/decrease. However, due to the contractual agreement, some of the supplier name may not be disclosed, and it is represented by alphabetical symbols.

Item	2021			2022			As of March 31, 2023					
	Name	Amount	Net annual share of purchases (%)	Relationship with the issuer	Name	Amount	Net annual share of purchases (%)	Relationship with the issuer	Name	Amount	Net annual share of purchases (%)	Relationship with the issuer
1	Company G	76,982	33.93%	None	Company R	195,760	32.58%	None	Company L	91,466	30.55%	None
2	Company S	46,591	20.53%	None	Company G	98,392	16.37%	None	Company B	61,761	20.63%	None
3	Albemarle	29,161	12.85%	None	Company E	90,523	15.07%	None	Company M	54,774	13.25%	None
	Others	74,169	32.69%	—	Others	216,206	35.98%	—	Others	91,372	35.57%	—
	Net purchase	226,903	100.00%		Net purchase	600,881	100.00%		Net purchase	299,373	100.00%	

Unit: NT\$ thousand

Explanation of increase/decrease:

In 2022, due to the easing of the COVID-19 epidemic and the continued increase in the price of raw materials such as lithium salts, which were in high demand in the market, the situation of supplier changes in 2022 varied depending on factors such as order status, product quotes, and product demand adjustments. This is still reasonable.

- ii. Details of customers accounted for more than 10% of total sales in any of the last two years, and explanation of increase/decrease. However, due to the contractual agreement, some of the customer name may not be disclosed, and it is represented by alphabetical symbols.

Item	2021			2022			As of March 31, 2023					
	Name	Amount	Net annual share of purchases (%)	Relationship with the issuer	Name	Amount	Net annual share of purchases (%)	Relationship with the issuer	Name	Amount	Net annual share of purchases (%)	Relationship with the issuer
1	Company H	86,195	27.55%	None	Company K	194,212	27.45%	None	Company I	91,290	33.64%	None
2	Company L	75,256	24.05%	None	Company L	142,964	20.21%	None	Company L	63,791	23.51%	None
3	Company F	66,631	21.30%	None	Company H	104,475	14.77%	None	Company S	41,015	15.11%	None
4	—	—	—	—	Company F1	97,408	13.77%	None	Company K	40,507	14.93%	None
	Others	84,786	27.10%	—	Others	168,465	23.80%	—	Others	34,763	12.81%	—

Unit: NT\$ thousand

Net sales	312,868	100.00%	Net sales	707,524	100.00%	Net sales	271,366	100.00%
-----------	---------	---------	-----------	---------	---------	-----------	---------	---------

Explanation of increase/decrease:

In 2022, due to the easing of the COVID-19 epidemic and the resumption of testing and mass production by some customers, the overall operational performance in 2022 improved compared to 2021. Overall, the situation of customer changes is still reasonable.

iii. Production value in the last two years

Unit: NT\$ thousand

Main products	Production value	2021			2022		
		Capacity	Output	Output value	Capacity	Output	Output value
Cathode materials for LFP battery	Kg	2,460,000	1,274,181	271,456	2,460,000	1,200,817	600,268

iv. Sales value in the last two years

Unit: NT\$ thousand

Main products	Year Sales value	2021				2022			
		Domestic		Foreign		Domestic		Foreign	
		Output	Output value	Output	Output value	Output	Output value	Output	Output value
Cathode materials for LFP battery	Kg	560	197	1,253,010	312,671	13,080	7,739	1,071,829	594,842
Others	EA; Vehicle; Granule; Type	—	—	—	—	—	—	—	104,943
Total		560	197	1,253,010	312,671	13,080	7,739	1,071,829	699,785

Note: Including revenue from patent licensing and technical services

3. Update of employees in the last two years and up to the publication of the annual report

Unit: Number of people

Year		2021	2022	As of April 30, 2023
Number of employee	Manager	3	3	3
	Manager (R&D)	—	—	—
	R & D Personnel	21	21	23
	General staff	104	130	143
	Total	128	154	169
Average age		36.83	36.94	36.96
Average length of service		5.35	4.72	4.51
Education level distribution percentage	Ph. D.	5.47%	4.55%	4.14%
	Master	32.03%	25.97%	24.85%
	University / College	42.19%	46.75%	47.34%
	High School	17.19%	20.13%	21.30%
	Below high school	3.12%	2.60%	2.37%

4. Disbursements for environmental protection

- (1) Total amount of losses and penalties due to environmental pollution in recent years and up to the publication of the annual report: None
- (2) Countermeasures and possible expenditures in the future
 - i. At present, there has been no occurrence of environmental pollution which has affected the operation and competitive position of the Company. The Company also actively handles various environmental issues and complies with the laws and regulations to improve the work, so there will be no major impact on the Company's operation, competitive position and capital expenditure.
 - ii. The Company continues to improve various environmental pollution preventive equipment, and investing in environmental protection can enhance environmental benefits of the Company. The Company is committed to environmental protection to enhance its corporate image and product competitiveness. The major capital expenditure for environmental protection in recent years and ongoing capital expenditure are as follows

Serial number	Company	Types of Equipment Invested	Investment Amount (NTD)	Possible Benefits
1	Aleees (Taiwan)	Off-gas treatment equipment and maintenance (Including dust collector and scrubbing tower maintenance, and estimated to set up new scrubbing tower)	5.60 million	Reduction of particulate matter pollution and PM2.5 dust emissions
2	Aleees (Taiwan)	Waste water treatment equipment and maintenance (including all the consumables of the sewage plant and the personnel cost for maintaining the sewage plant)	3.58 million	Maintain the normal operation of the sewage plant to comply with the Environmental Protection Law

5. Labor Relations

- (1) Listed below are the various aspects of employee welfare initiatives, continuing education, training, retirement system and their implementation status, as well as labor agreements, and the maintenance measures of various employees' rights and interests:
 - i. Employee welfare initiatives

- (i) Insurance: In addition to statutory labor and health insurance, the Company has group insurance (life insurance, accident insurance, cancer insurance and hospitalization insurance) for employees or dependents at their own expense.
 - (ii) Health and safety: The company arranges an employee health check once a year at public expenses, and actively assists in follow-up treatment or observation regarding the test results to ensure the health of employees. To help employees release stress and stretch their muscles, visually-impaired masseurs were hired to provide services to the factory every week. Seminars such as stress management and stress relief meditation are held regularly to promote physical and mental health of employees.
In order to strengthen employees' awareness of fire prevention and disaster prevention and avoid accidents caused by temporary fires or other disasters, a self-defense firefighting team is established and fire drills are regularly conducted.
 - (iii) Travelling: The Company Employees Welfare Committee will occasionally organize employee travel in order to build rapport among employees and relieve work pressure.
 - (iv) Birthday / wedding / funeral: Each unit will organize birthday celebration activities every month. The Employee Welfare Committee will also provide birthday vouchers, subsidies, compensation money and condolences for wedding, funeral and accidental injuries for employees who have served for more than three months.
 - (v) Maternity subsidy: In view of the impact of Taiwan's low birth rate, the Employee Welfare Committee of the Group provides NTD 3,000 of subsidy for one child to the employees who have served for more than three months or their spouse.
 - (vi) Other subsidies: In addition to the abovementioned subsidies, the Employee Welfare Committee of the Group also provides gift vouchers during the Dragon Boat Festival and Mid-Autumn Festival each year to the employees who have served for more than three months. Besides, there are also subsidies for dinner parties for employees.
- ii. Continuing education and training status
In order to improve the quality and work skills of employees, and to enhance the efficiency and quality of work, the Company organizes various employee education and training according to the contents of the annual education and training plan, which is mainly divided into management competency, core competency, and professional competency training in order to nurture outstanding talents, and thereby enhancing operational performance and achieving the goal of sustainable operations. An internal part-time lecturer system is established in the Company to achieve the purposes of experience transfer and sharing.
 - iii. Retirement system and its implementation status
The affiliated companies of the Company that belonged to the Republic of China should all adopt a definite allocation system in accordance with the "Labor Pension Act". Their pensions are paid by the company's subsidiaries on a monthly basis . The company and subsidiaries pay 6% of the employee's monthly salary as a pension which is stored in a personal account for labor pensions.
The employee shall voluntarily allocate the pensions, which is within 6% of monthly salary. Those fulfilling with the retiring qualification shall propose to the company and get the approval of the supervisor responsible, then conduct the retirement procedure. The employee

has two ways to receive the retirement pension, one is monthly release and another is receiving in one time.

Subsidiaries outside the Republic of China will be allocated in accordance with relevant local laws and regulations.

- iv. Labor agreements and maintenance status of various employees' rights and interests
- The company has safeguarded the legitimate rights and interests of labor in accordance with relevant labor regulations in the main place of operation. The Company has convened regular labor meetings, and adopted a two-way coordination approach on the labor issues in order to create a harmonious labor relations. In addition, the Company has a well-established document management system, which clearly defined employee rights and obligations and welfare plans in various management measures, and through regular meeting of labor union, the Employee Welfare Committee will adjust the welfare contents in a timely manner according to the reasonable requests of employees to ensure the employees' rights and interests could be maximized.

- (2) Explanation for any loss sustained by the Company as a result of labor disputes in recent years (including labor inspection results violating Labor Standards Act, the date of punishment; the date of disposition, No. for the disposition, articles of the regulations in violation, the content of the regulations in violations and the content of the disposition shall be listed) up to the publication of the annual report, and disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate contingency measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect

The Company's labor relations are harmonious, and the Company has always respected the opinions of colleagues. Employees can always reflect their opinions through meeting, labor opinion mailbox, e-mail or E-Portal. As the labor-management communication channels are smooth and unimpeded, hence, there is no major labor disputes have occurred so far.

6. Informatic Security Management

- (1) Specify the information security risk management structure, information security policies, specific management plans, and resources invested in information security management, and so on.

The company referenced the COSO structure, measured the elements, such as the controlled environment, risk assessment, controlled activities, information, communication and supervision, established a business management system for enterprise and included the function of risk management and internal supervision in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies". The risk management system for information security is stated hereafter:

- i. The information security management structure

The information department of the Company is in charge of the information security and related matters. In addition, the Department formulates, regarding the relevant regulation and operation requirement of the company, the internal controlled circulation of electric computing system, information system and information security management for the entire employees to follow.

- ii. Policies of Information Security

In order to ensure the sustainable operation of company sales, the Company strengthens the information security management; prevent the company information, system, equipment

and internet from being invaded or from being saved by the unauthority; ensure the confidentiality, integrity and utility.

iii. Management Solution for Information Security

In line with the information security policies, the Company evaluates the negative impact on corporate operation by the relevant information security risk, and takes the corresponding management solutions as following.

The evaluated risk of information security and plan for the management solution for information security:

No.	Items	Specific management solutions
1	Computer room management	Transfer information system services to cloud machine room (cloud machine room complies with ISO 27001)
2	Establish network firewall	Connection rules of the firewall. Any special connection requirement is opened after the additional approval.
3	Manage and control emails	Mail settings automatically scan and filter the threats. Block the risky attachment files, phishing emails, spam emails, malicious links before the users receive emails.
4	Set up Antivirus software	Use the anti-virus softwares and automatically update the virus code to reduce the chance of virus infection.
5	Control the security of files and equipment	Important files from the departments of the company are stored on the server altogether.

The management executives of the Company implement the internal control and supervise the risk management in accordance with its business scope and operation management mechanism.

iv. The management and inspection of the information security policies

The company has listed inspection and control procedures for information security as annual audit project. The audit unit should audit at least once a year. Also, the company should conduct self-inspection procedures in accordance with the internal control system each year, and summarize the implementation performance for internal control to the committee and the board and they will review, confirm and issue a statement of internal control system based on the results of the assessment.

v. Allocation of Resources to Cybersecurity Management

Conduct regular information security meetings annually to review and assess the implementation status. ISO 27001 implementation and certification are planned for the year 2023. Subscribe to firewall security protection and update system versions.

Subscribe to antivirus software and update the main system.

Implement information security controls for terminal devices, including software and hardware asset inventory.

Control network environment access based on operational requirements and security levels, effectively segregating network environment access control.

Schedule regular data preservation backups, including electronic files, documents, emails, core systems, etc.

- (2) In the most recent year and as of the date of publication of the annual report, if it is impossible to reasonably estimate the losses, possible effects and countermeasures suffered from major information security incidents, the Company shall state the facts that cannot be reasonably estimated.

The Company did not encounter the major information security incidents until 2022 and as of the date of publication of the annual report.

7. Important contracts

Item	Nature of Contracts	Party	Contract Duration	Key Contents	Restrictive Clauses
1	Patent License Contract	Aleees(TW) Hydro-Quebec	The contract has been terminated.	Authorized Aleees (Taiwan) to manufacture and produce anode materials for battery products	Confidentiality obligations
2	Patent Sublicense Contract	Aleees(KY) LiFePO4+C Licensing AG	The contract has been terminated.	Authorized the Company and its related companies to manufacture and produce cathode materials for battery products.	Confidentiality obligations
3	Supplemental Agreement to the Patent Sublicense Contract	Aleees(KY) LiFePO4+C Licensing AG	The contract has been terminated.	Under the circumstances where relevant conditions of the agreement are fulfilled, the Company and its related companies may file a lawsuit against infringing parties in its own name.	Confidentiality obligations
4	Patent Sublicense Contract Second Supplemental Agreement	Aleees(KY) LiFePO4+C Licensing AG	The contract has been terminated.	The plant construction schedule is extended.	Confidentiality obligations
5	Patent Sublicense Contract	Aleees(KY), Aleees(TW) LiFePO4+C Licensing AG	The contract has been terminated.	Authorized Aleees(TW) to manufacture and produce the battery products with cathode materials.	Confidentiality obligations
6	Patent License Contract Third Supplemental Agreement	Aleees(KY), Aleees(TW) LiFePO4+C Licensing AG	The contract has been terminated.	Clearly stated that if Aleees(TW) has fulfilled its factory construction obligations, Aleees's factory construction obligations shall be deemed to be fulfilled.	Confidentiality obligations
7	Patent Sublicense Contract Fourth Supplemental Agreement	Aleees(KY) LiFePO4+C Licensing AG	The contract has been terminated.	Change the content of the factory construction	Confidentiality obligations
8	Patent Sublicense Contract First Supplemental Agreement	Aleees(TW) LiFePO4+C Licensing AG	The contract has been terminated.	Change the content of the factory construction (Regarding the paragraph 5 of supplemental agreement)	Confidentiality obligations
9	Supply Contract	Aleees(TW) Air Products Co. Ltd.	2011.11.01 to 2018.10.31	Long term supply of gas required in the manufacturing process to Aleees (Taiwan).	1. Confidentiality obligations 2. Minimum monthly usage 3. Not permitted to purchase from other manufacturers or self-production for the contractual volume
10	Memorandum of Agreement	Aleees(TW) Air Products	2018.07.01 to 2019.10.31 (Signed on August 23,	(1) Price Adjustment (2) The following amendments	None

Item	Nature of Contracts	Party	Contract Duration	Key Contents	Restrictive Clauses
		Co. Ltd.	2018.)	are made to the aforementioned contract of item 9 extended the effective date of the contract to 2023.10.31	
11	Medium-term bank loan contract secured with equipment	Aleees(TW) Sunny Bank	2020.08.24 to 2027.08.24 (Signed on 2020/08/07)	Borrowed NTD 80 million using Lextar Electronics (Taiwan) land and factory building as collateral.	Typical terms and conditions of bank loans
12	Long-term bank loan contract secured with equipment	Aleees(TW) Sunny Bank	2020.08.24 to 2035.08.24 (Signed on 2020/08/07)	Borrowed NTD 70 million using Lextar Electronics (Taiwan) land and factory building as collateral.	Typical terms and conditions of bank loans
13	Medium-term bank loan contract secured with equipment	Aleees(TW) Sunny Bank	2021.12.28 to 2028.12.28 (Signed on 2021/12/13)	Borrowed NTD 45 million using Lextar Electronics (Taiwan) land and factory building as collateral.	Typical terms and conditions of bank loans
14	Short-term bank loan contract secured with equipment	Aleees(TW) Sunny Bank	2023.03.10 to 2024.03.10 (Signed on 2023/03/13)	Borrowed NTD 380 million using Lextar Electronics (Taiwan) land and factory building as collateral.	Typical terms and conditions of bank loans
15	Memorandum	Aleees(TW) NORTHERN TERRITORY OF AUSTRALIA AVENIRA LIMITED	From September 21, 2022 to the deadline specified in the memorandum.	Licensed Lextar Electronics (Taiwan) patented technology AVENIRA to set up a factory, manufacture, produce and sell positive electrode materials in the Northern Territory of Australia.	1. Confidentiality obligations 2. Will sign an official licensing agreement during the valid period
16	Patent and Technology Service Licensing Agreement	Aleees(TW) FREYR BATTERY	From October 10, 2022 to the termination date specified in the agreement.	Licensed Lextar Electronics (Taiwan) patented technology FREYR to set up a factory, manufacture, produce and sell positive electrode materials.	Confidentiality obligations
17	Patent and Technology License Agreement	Aleees(TW) ICL SPECIALTY PRODUCTS INC.	From February 27, 2023 to the termination date specified in the agreement.	Licensed Lextar Electronics (Taiwan) patented technology to ICL to set up a factory, manufacture, produce and sell positive electrode materials.	Confidentiality obligations of the Patent and Technology Licensing Agreement

VI. Financial Status

1. Condensed balance sheet and statements of comprehensive income for the past five years

(1) Condensed balance sheet and consolidated income statement

i. Condensed Balance Sheet – International Financial Reporting Standards (IFRS)

Unit: NT\$ Thousand

Item	Year	Financial information for the past five years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		673,626	610,253	434,803	480,674	680,951	827,045
Financial assets measured at fair value through profit or loss - non-current		749,725	584,913	—	—	—	—
Financial assets measured at fair value through other comprehensive income - non-current		103,742	90,127	87,739	—	—	—
Non-current financial assets at amortised cost		—	—	—	20,000	20,021	20,021
Investment using the equity method		28,646	1,395	—	—	—	—
Property, plant and equipment		419,573	488,354	479,952	484,017	499,675	496,933
Right-of-use assets		—	3,359	6,107	1,249	4,505	2,503
Intangible assets		108,914	83,618	58,214	32,346	7,342	1,533
Other assets		20,785	20,785	349,251	76,792	87,537	85,627
Total assets		2,105,011	1,882,804	1,416,066	1,095,078	1,300,031	1,433,662
Current liabilities	Before distribution	558,037	419,053	236,986	394,539	470,716	706,526
	After distribution	558,037	419,053	236,986	394,539	Yet to be istributed	—
Non-Current liabilities		51,536	87,046	133,669	203,790	115,326	110,202
Total liabilities	Before distribution	609,573	506,099	370,655	598,329	586,042	816,728
	After distribution	609,573	506,099	370,655	598,329	Yet to be istributed	—
Equity attributable to the owner of the parent Company		1,495,434	1,376,705	1,045,396	496,749	713,989	616,934
Capital stock		2,105,737	2,415,737	1,600,197	600,000	700,000	700,000
Capital reserves		1,526,762	72,486	123,521	123,521	515,044	515,044
Retained earnings	Before distribution	(2,148,790)	(1,115,540)	(679,200)	(250,893)	(525,471)	(621,615)
	After distribution	(2,148,790)	(1,115,540)	(679,200)	(250,893)	Yet to be istributed	—
Other Equity		11,725	4,022	878	24,121	24,416	23,505
Non-controlling Interest		4	—	15	—	—	—
Total equity	Before distribution	1,495,438	1,376,705	1,045,411	496,749	713,989	616,934
	After distribution	1,495,438	1,376,705	1,045,411	496,749	Yet to be istributed	—

ii. Condensed Consolidated Income Statement – International Financial Reporting Standards (IFRS)

Unit: NT\$ Thousand

Item	Year	Financial information for the past five years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Operating Revenues		150,695	388,079	142,707	312,868	707,524	271,366
Gross Operating Profit (Loss)		(188,265)	(27,692)	(149,191)	(72,390)	18,149	43,983
Operating loss		(622,213)	(279,216)	(377,283)	(272,384)	(379,716)	(67,265)
Non-Operating revenues and expenditures		(487,597)	(188,555)	(301,917)	(286,302)	(18,383)	(1,492)
Net loss before tax		(1,109,810)	(467,771)	(679,200)	(558,686)	(398,099)	(68,757)
Net loss for the current period		(1,107,505)	(467,771)	(679,200)	(558,686)	(398,099)	(96,144)
Other comprehensive income for the current period (net)		(447,914)	(7,703)	(3,144)	10,039	295	(911)
Total comprehensive income for the current period		(1,555,419)	(475,474)	(682,344)	(548,647)	(397,804)	(97,055)
Net profit (loss) attributable to the parent Company		(1,107,499)	(467,771)	(679,200)	(558,686)	(398,099)	(96,144)
Net profit (loss) attributable to the non-controlling interest		(6)	—	—	—	—	—
Total comprehensive income attributable to the owner of the parent Company		(1,555,413)	(475,474)	(682,344)	(548,647)	(397,804)	(97,055)
Total comprehensive income attributable to the non-controlling interest		(6)	—	—	—	—	—
Loss per share		(5.26)	(3.89)	(12.62)	(9.31)	(6.00)	(1.37)

Note: The financial information has been verified by an accountant.

(2) The names of appointed CPA and their audit opinions for the past five years

Year	CPA	Name of accounting firm	Audit opinion
2018	Yu-Kuan Lin, Dian-Yi Li	PwC Taiwan	Unqualified opinion
2019	Yu-Kuan Lin, Dian-Yi Li	PwC Taiwan	Unqualified opinion
2020	Yu-Kuan Lin, WEI-HAO Wu	PwC Taiwan	Unqualified opinion
2021	WEI-HAO Wu, Yu-Kuan Lin	PwC Taiwan	Unqualified opinion
2022	WEI-HAO Wu, Yu-Kuan Lin	PwC Taiwan	Unqualified opinion

2. Financial Analyses for the Past Five Years

Analysis Item (Note 1)		Financial Analyses for the Past Five Years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Financial Structure	Debt to asset ratio (%)	28.96	26.88	26.17	54.64	45.08	56.97
	Long-term funds to property, plant and equipment ratio (%)	368.70	299.73	245.67	144.73	165.97	146.32
Solvency	Current ratio (%)	120.71	145.63	183.47	121.83	144.66	117.06
	Quick ratio (%)	92.18	111.76	146.64	81.92	81.28	53.76
	Times interest earned ratio	(283.86)	(63.21)	(122.29)	(58.74)	(34.04)	(19.87)
Operation capacity	Accounts receivable turnover ratio (times)	0.83	2.12	0.86	2.30	4.28	5.78
	Average collection days	439.75	172.16	424.41	158.70	85.28	63.14
	Inventory turnover ratio (times)	0.60	1.92	1.85	4.30	3.04	2.40
	Accounts payable turnover ratio (times)	2.95	16.11	8.11	17.73	15.02	13.75
	Days'sales in inventory	608.33	190.10	197.29	84.88	120.06	152.08
	Property, plant and equipment turnover ratio (times)	0.29	0.85	0.29	0.65	1.44	2.18
	Total assets turnover ratio (times)	0.06	0.19	0.09	0.25	0.59	0.79
Profitability	Return on total assets (%)	(40.70)	(23.09)	(40.84)	(43.75)	(32.29)	(6.79)
	Return on equity (%)	(48.93)	(32.57)	(56.08)	(72.46)	(65.76)	(14.45)
	Pre-tax net profit to paid-in capital ratio (%)	(52.70)	(19.36)	(42.44)	(93.11)	(56.87)	(39.29)
	Net profit margin (%)	(734.93)	(120.53)	(475.94)	(178.57)	(56.27)	(35.43)
	Earnings per share (NT)	(5.26)	(3.89)	(12.62)	(9.31)	(6.00)	(1.37)
Cash Flow	Cash flow ratio (%)	—	—	—	—	—	—
	Cash flow adequacy ratio (%)	49.16	85.86	51.14	—	—	—
	Cash flow reinvestment ratio (%)	—	—	—	—	—	—
Leverage	Degree of operating leverage	(0.11)	(0.48)	(0.04)	(0.33)	(0.48)	(1.26)
	Degree of financial leverage	0.99	0.97	0.99	0.97	0.97	0.95

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase / decrease is less than 20%)

1. Solvency:

(1) Debt ratio: During the current period, the pre-tax loss decreased compared to the previous period, resulting in an increase in the interest coverage ratio.

2. Operation capacity:

(1) Accounts receivable turnover ratio (times) and Average collection days: The main reason is due to the increase in revenue during the current period, resulting in a decrease in the accounts receivable turnover ratio and an increase in the average collection days.

(2) Inventory turnover ratio (times) and Days'sales in inventory: During the current period, due to a significant increase in demand in the raw material market, the ending inventory increased significantly, resulting in a decrease in the inventory turnover ratio and an increase in the average days of inventory sold compared to the previous period.

(3) Property, plant and equipment turnover ratio (times) and Total assets turnover ratio (times): Due to the increase in revenue during the current period, the turnover ratio of fixed assets, buildings, and equipment (times) and total asset turnover ratio (times) increased.

3. Profitability: As a result of the decrease in the current period's loss, the profitability-related ratios increased.

4. Cash Flow: As the company remained in a loss position during 2021 and 2022, with operating activities still resulting in net cash outflows, the ratios were not calculated.

5. Leverage: This is mainly due to the increase in operating expenses in the current period compared to the previous period.

Note 1: The calculation formulas of the analysis item are as follows:

1. Financial structure

(1) Debt ratio= total debt/total asset.

(2) Long-term fund to property, plant and equipment ratio = (Total Equity + Non-Current Liabilities)/ Net property, plant and equipment

2. Solvency

(1)Current ratio= current asset/current liabilities.

(2)Quick ratio= (current asset - inventory- prepaid expenses)/current liabilities.

(3)Times interest earned ratio= Earnings before taxes and interest/ interest expenses.

3. Operation capacity

(1) Receivables (including accounts receivable and notes receivable generated from operating activities) turnover ratio= net sales/average receivables (including accounts receivable and notes receivable generated from operating activities) balance.

(2) Average collection days= 365/receivables turnover ratio.

(3) Inventory turnover ratio= Cost of goods sold/ average inventory.

(4) Payables (including accounts payable and notes payable generated from operating activities) turnover ratio= Cost of goods sold/average payables (including accounts payable and notes payable generated from operating activities) balance.

(5) Days' sales in inventory= 365/inventory turnover ratio.

(6) Property, plant and equipment turnover ratio= Net Sales/average net property, plant and equipment.

(7) Total asset turnover ratio= Net Sales/ average total asset.

4. Profitability

(1) Return on assets= [Profit or loss after tax + interest expense x (1-effective tax rate)]/average total assets.

(2) Return on equity= Profit or loss after tax/ average total equity.

(3) Net profit margin=Profit or loss after tax/ Net sales.

(4) Earnings per share= (The equity attributable to the owner of the parent Company - preferred stock dividend)/weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio= Net cash flow provided by operating activities/ current liabilities

(2) Cash flow adequacy ratio= Net cash flow provided by operating activities in the past five years/five years sum of (capital expenditures + inventory additions +cash dividend)

(3) Cash flow reinvestment ratio= (Net cash flow provided by operating activities- cash dividends)/(gross property, plant and equipment + long term investment + other non-current assets + working capital)

6. Leverage:

(1) Degree of operating leverage= (net sales- variable operating cost and expenses)/operating income

(2) Degree of financial leverage= operating income / (operating income- interest expenses)

3. Audit Report issued by the Audit Committee Members for the Financial Reports for the most recent year(s)

Please refer to the page 141 of the annual report.

4. Financial statements for the most recent year

Please refer to the page 142-210 of the annual report.

5. A parent Company only financial statements for the most recent year, certified by a CPA

Not applicable.

6. If the Company or its affiliates have experienced financial difficulties in the recent two years and up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation

None.

VII.A Review and Analysis of the Company's Financial Position and Financial Performance, and a Listing of Risks

1. Financial Position

Unit: NT\$ thousand; %

Item	Year	2021	2022	Change in Increase/Decrease	
				Amount	Amount
Current assets		480,674	680,951	200,277	41.67
Non-current financial assets at amortised cost		20,000	20,021	21	0.11
Property, plant and equipment		484,017	499,675	15,658	3.24
Right-of-use assets		1,249	4,505	3,256	260.69
Intangible assets		32,346	7,342	(25,004)	(77.30)
Deferred tax assets		13,465	13,465	—	—
Other non-current assets		63,327	74,072	10,745	16.97
Total assets		1,095,078	1,300,031	204,953	18.72
Current liabilities		394,539	470,716	76,177	19.31
Long-term loan		203,790	113,190	(90,600)	(44.46)
Non-current lease liabilities		—	2,136	2,136	—
Total liabilities		598,329	586,042	(12,287)	(2.05)
Capital stock		600,000	700,000	100,000	16.67
Capital reserves		123,521	515,044	391,523	316.97
Loss absorbing capacity		(250,893)	(525,471)	(274,578)	109.44
Other equity		24,121	24,416	295	(78.17)
Shareholders' equity (attributable to shareholders of the parent Company)		496,749	713,989	217,240	43.73
Non-controlling Interest		—	—	—	—
Total Equity		496,749	713,989	217,240	43.73
<p>The following are the major changes amounted to NT\$10 million and the ratio of change rate is more than 20%: Explanation on the major changes:</p> <ol style="list-style-type: none"> 1. Current assets: Mainly due to the increase in demand for orders and the resulting increase in revenue, leading to an increase in inventory. 2. Intangible assets: It was mainly due to the increase in the Amortization Expenses, made Intangible assets for the decrease in the current period. 3. Long-term loan: Mainly due to the early repayment of bank loans in this period. 4. Capital reserves: Mainly due to the premium on the cash increase issued in this period. 5. Loss absorbing capacity: Mainly due to still being in a loss position in this period, resulting in an increase in accumulated losses. 6. Shareholders' equity (attributable to shareholders of the parent Company): Mainly due to the cash increase conducted in this period. 					

2. Financial Performance

(1) Operating results analysis table

Unit: NT\$ thousand; %

Item \ Year	2021	2022	Change in Increase/Decrease	
			Amount	Amount
Operating Revenues	312,868	707,524	394,656	126.14
Gross profit	(72,390)	18,149	90,539	(125.07)
Net loss	(272,384)	(379,716)	(107,332)	39.40
Non-Operating revenues and expenditures	(286,302)	(18,383)	267,919	(93.58)
Net loss before tax	(558,686)	(398,099)	160,587	(28.74)
Net loss for the current period	(558,686)	(398,099)	160,587	(28.74)
Net loss for the current period (attributable to the shareholders of the parent Company)	(558,686)	(398,099)	160,587	(28.74)
Explanation on the major changes:				
1. Operating Revenues: The main reason for the increase in revenue this period compared to the same period last year is due to the rising raw material prices and increase in selling prices, as well as recognition of technology licensing income.				
2. Gross profit: The recognition of technology licensing income led to the generation of operating gross profit this period.				
3. Net loss: The significant increase in operating expenses this period compared to the same period last year is the main reason for the net loss.				
4. Non-Operating revenues and expenditures: This period there was no reclassification of convertible bonds to long-term receivables or the recognition of the related valuation losses, unlike the previous period.				
5. Net loss before tax and Net loss for the current period: The increase in the provision for expected credit losses recorded in the same period last year is the main reason for the difference in net loss.				

(2) The expected sales amount and its basis

Starting from the fourth quarter of 2021, as the COVID-19 pandemic slowed down and customers gradually resumed testing, and with an increase in demand, coupled with the signing of a patent technology licensing agreement with an overseas battery manufacturer in 2022, and the recognition of technology licensing income, the company's revenue in 2022 increased by 126.14% compared to the same period last year, and revenue gradually stabilized and grew.

(3) The Company's future financial performance and the plan for any possible impact

The company has more than ten years of experience in the production of lithium-ion battery cathode materials in the phosphate system, and has a complete phosphate-based lithium-ion battery cathode material manufacturing technology and patent that does not rely on foreign precursors. However, the company's past self-produced and self-sold operating model is no longer sufficient to meet the global demand for the company's products. Therefore, since 2022, the company has been expanding its lithium intellectual property technology licensing and transfer business, dividing technology licensing targets into two categories: professional chemical companies and battery manufacturing customers. Through technology transfer and technical support, professional chemical technology licensing customers can supply to the company's lithium battery customers after completing plant construction, while battery manufacturing technology licensing customers can produce and sell on their own after completing plant construction. The company will focus on

R&D for global customers, complete mass production verification, continue to develop IP, and help the company shift to a light asset operation, enhancing the company's operational efficiency.

3. Cash Flow

(1) Cash flow analysis for the recent year

Unit: NT\$ thousand

Item \ Year	2021	2022	Change in Increase/Decrease	
			Amount	Ratio of change
Operating activities	(236,979)	(336,780)	(99,801)	42.11
Investment activities	(81,755)	(108,304)	(26,549)	32.47
Financing activities	218,520	464,935	246,415	112.77
Analysis of changes:				
1. Cash flow from operating activities: The increase in net cash outflow from operating activities is mainly due to the significant increase in market demand for raw materials, resulting in an increase in operating cash outflow.				
2. Cash flow from investing activities: The increase in net cash outflow from investing activities is mainly due to an increase in payments for the acquisition of property, plant and equipment.				
3. Cash flow from financing activities: The increase in net cash inflow from financing activities is mainly due to the cash received from the issuance of new shares during the current period.				

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

(3) Cash flow analysis and liquidity improvement plan for the next year (2023)

Unit: NT\$ thousand

Beginning cash balance (1)	Net cash flow from annual operating activities(2)	Annual cash outflow (3)	Residual cash (Cash shortage) (1)+(2)-(3)	Cash shortage contingency plan	
				Investment plan	Financing plan
235,395	(220,931)	263,264	(248,800)	—	624,000
1. Analysis of changes in cash flow changes over the next year:					
(1) Net cash outflow from operating activities: It is mainly due to the decrease in expected working capital required for the next year.					
(2) Net cash outflow from investment activities: It is mainly due to the increase in the purchase amount of fixed assets expected in 2023.					
(3) Net cash outflow from financing activities: It is mainly due to the repayment of short-term and long-term borrowings.					
2. Cash shortage contingency plan and liquidity analysis: In response to future operational needs, financing or financing borrowings will be used as a remedy to support cash shortfalls.					

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

In the most recent year, the main capital expenditures of the Company came from the procurement cost incurred by the addition or replacement of equipment used for the business development. The Company has sufficient funds to support this expenditure, so there was no significant impact on the Company's financial business.

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

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

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

Shareholders' Meeting.

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

Unit: NT\$ thousand; %

Re-Investment Business	Share Holding Ratio	2022 Investment Return	Main Reasons for Profit or Loss	Improvement Plan
Advanced Lithium Electrochemistry Co., Ltd.	100.00	(298,705)	In 2022, the recognition of intellectual property licensing income and the increase in selling price due to the rise in material costs led to revenue growth, a decrease in gross profit, and a decrease in losses.	The company will continue to strive to optimize its product and customer portfolio, actively expand into the energy storage battery market and electric vehicle battery market, and shift towards a model of collecting royalty fees for technology licensing to lay a solid foundation for the company's future development and enhance its operational stability and growth.
Advanced Lithium Electrochemistry (HK) Co., Limited	100.00	(6,921)	The re-investment loss in Advanced Lithium Electrochemistry (Shanghai) Co., Ltd., was recognized.	
Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.	100.00	(9,641)	The significant decrease in revenue in mainland China in 2022 resulted in an increase in losses.	
Aleees US, Corp.	100.00	(24,200)	Losses were recognized for the investment conversion of Aleees US, Corp., Aleees AU Pty Ltd., Aleees Texas, LLC, Aleees EU SARL, and Aleees UK, Ltd.	
Aleees AU Pty Ltd.	100.00	(12,309)	Established in September 2021, the subsidiary has not generated revenue and is showing losses.	
Aleees Texas, LLC	100.00	(9,085)	Established in March 2022, the subsidiary has not generated revenue and is showing losses.	
Aleees EU SARL	100.00	(2,139)	Established in April 2022, the subsidiary has not generated revenue and is showing losses.	
Aleees UK, Ltd.	100.00	—	Established in August 2022, the subsidiary has not yet commenced substantial operations.	
Aleees Eco Ark Co., Ltd.	100.00	(11,350)	Dissolution and liquidation procedures were carried out in this volume.	The Board of Directors agreed to conduct dissolution and liquidation proceedings at the end of December 2018, and the application for dissolution was approved by the Ministry of Economic Affairs in February 2019.

(3) Investment plans for the coming year:

Based on the business development or product development, the Company plans to set up the equipment and processes, expand the laboratories and so on to expand the product line in the future, so that the company will have a solid foundation in responding to business adjustments and expanding new product lines to meet customer capacity needs.

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

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

Unit: NT\$ thousand;%

Item	2021		2022	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Interest revenue	375	0.12	1,173	0.17
Interest expenses	9,352	2.99	11,360	1.61
Profit (Loss) on exchange	963	0.31	8,401	1.19

i. Interest rate

The interest expenses of the Company and the subsidiary are mainly from long-term bank borrowings. The short-term and long-term bank borrowings are used for short-term operating turnover and purchase of machinery equipment and plant modifications. The interest expenses for 2021 and 2022 were NT\$9.35million and NT\$11.36million respectively, which accounted for 2.99% and 1.61% and 1.21% of the annual net revenue respectively.

Contingency measures

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

ii. Exchange rate

The Company's manufacturing operations are based in Taiwan, and the transaction of raw material procurement is denominated in USD, while the customers are mainly for the export market, the transaction currency is mostly denominated in US dollars and RMB.

Therefore, fluctuations in exchange rates for the US dollar and RMB is the risks that must be faced by the Company's operating activities. The loss on exchange of the Company in 2021 and 2022 were NT\$0.96million and NT\$8.40million respectively, which accounted for 0.31% and 1.19% of net revenue of the current fiscal year, respectively. The overall profit (loss) on exchange does not constitute a risk to the profitability, therefore, it has not caused any major impact to the Company.

The company had to face the exchange rate risks associated to the continuous growth of future revenue and continuous business improvement. In addition, the Cayman Holdings listed in Taiwan may need to distribute dividends in NTD to domestic investors or to raise capital in NTD domestically and then require to exchange them into USD for use, etc., where there will be an exchange rate risk between USD, RMB and the NTD. Possible contingency measures may be adopted by the Finance Department of the Company are as follows:

Contingency measures

- (i) The foreign currency exchange risk adopts the principle of natural offset. As the Company's main sales revenue and raw material procurement will eventually be offset in USD-denominated settlement, therefore, it will continue to offset the natural hedging effect generated by the accounts receivable/payable to reduce the foreign currency exchange needs. Forward exchange contracts and debts denominated in foreign currencies, etc. are used as required at appropriate time to reduce the impact of changes in foreign exchange on the profit and loss of the Company.
- (ii) The finance unit shall closely monitor information on the changes in exchange rate, and maintain close liaison with the principal bankers in order to understand thoroughly the exchange rate trends at all time, as well as provide the full picture of changes in exchange rate trend to the relevant managers, and timely adjustment can be made immediately.
- (iii) When giving out quotations, business department has considered the impact of exchange rate fluctuations on the sales price and adjusted the quoted prices of the products in consideration of changes in exchange rate to appropriately reflect fluctuations in exchange rates and to ensure the profit of the company's products.
- (iv) The Company has established the “Acquisition or Disposal of Assets Procedures” to regulate the operations engaging in transactions, risk management, supervision and auditing of derivatives to reduce the transaction risk arising from operating exchange rate-related derivatives.

iii. Inflation

The past profit and loss of the Company has not been significantly affected by inflation. If the cost is increased due to inflation, it will also be correspondingly reflected in the selling price of the product. Also, the manufactured products of the Company and sales region of its terminal products end products will be distributed worldwide in the future. By controlling the global political and economic changes, the fluctuations in the market prices of raw materials and end products, maintaining a good interaction with suppliers and customers, and promptly adjusting the procurement and sales strategies, cost structure and trading conditions, the impacts of inflation or deflation can be effectively responded, so it would not pose significant impact on the Company.

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

The Company has established the “Acquisition and Disposal of Assets Procedures”, “Operational Procedures for Endorsements and Guarantees” and “Operational Procedures for Lending Capital to Others”, etc. as the basis for the Company and its subsidiaries to engage in relevant operations. As of the publication date of the annual report, the Company and its subsidiaries have not engaged in any high-risk, highly leveraged investments and high-risk derivatives trading. Based on sound principles and pragmatic management philosophy, the Company and its subsidiaries have not considered the business of engaging in high-risk, highly leveraged investments and high-risk derivatives trading in the future. In addition, because the company and the reinvested subsidiary or sub-subsidiary have the capital needs in operation, it

comes to situations that the subsidiary's funds are lent, and the situation that the Company endorses and guarantees the subsidiary, and so on. However, the lending of capital and endorsements / guarantees are conducted according to the matters listed in the “Operational Procedures for Lending Capital to Others” and “Operational Procedures for Endorsements and Guarantees”. In the future, the Company will comply with the “Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies” promulgated by the competent authorities in Taiwan and the internal control operation rules and regulations of the Company for handling relevant matters.

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

The Company will continue to strive toward the goals of extending battery life and enhancing energy density based on its research results of cathode materials accumulated over the years, thereby, developing new products and actively expanding R&D and sales of battery. The R&D expense of the Company in 2021 was NT\$ 75.72 million, which accounted for 10.70% of the net operating revenue, indicating that the Company continues to focus on R&D resources, refined R&D and mass production technology to maintain its position in the industry and advantages. The future R&D directions are listed as follow, the Company is expected to invest approximately NT\$73.29 million in response to the future R&D plans and gain market advantage:

- i. The use of advanced powder design and powder post-processing techniques to increase production yields and reduce production costs.
 - ii. Actively introduce a new generation of manufacturing process technology and equipment to produce cathode materials for lithium battery with higher purity, lower impurities and better processing performance to meet the customer needs for high-end product applications.
 - iii. Continue to develop cathode materials for high-energy density battery, such as invest in the development of cathode materials like LMFP, LiVPO₄F, and LiNiPO₄.
 - iv. Actively cooperate with domestic and foreign research units to develop joint development plans. In addition to various collaborations with the lithium laboratories in Taiwan universities, Aleees also collaborates with Industrial Technology Research Institute in a three-phase long-term technical cooperation project. Currently, the project has reached the third phase.
- (4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad in recent year and up to the publication of the annual report, and contingency measures to be taken

The main sales market of the Company is distributed and expanded in Europe, America, Japan and South Korea in the field of energy storage and electric vehicle(including hybrid and power vehicle). Therefore, the Company is relatively sensitive to international policies regarding the promotion on green energy and low-carbon vehicles.

The development of sustainable energy is seen as an important trend of environmental protection in global. Currently, over 130 countries have adopted (or announced) the goal of net zero emissions by 2050, and the development of green power has become a global consensus. As countries continuously facilitate the development of renewable energy and increase the proportion of green energy, the construction of energy storage systems in the later stage shall follow. Therefore, the energy storage system is able to smooth the green power output, improve the utilization rate of renewable energy, and maximize the effectiveness of each electric power. These

are the key reasons for the development of energy storage. Energy storage equipment is widely used in the power systems, and spans from the power generation terminal, transmission, distribution, to the client terminal, including residential, industrial, commercial enterprises and so on. Because the entire power system is involved, the main driving force lies in the support from the government policies. In addition to government policies, customer demand is also expected to increase. It is expected that the United States will continue to be the world's largest market until 2025. The extension of the tax benefits of the Investment Tax Credit (ITC) drives the construction plan of many solar photovoltaic and energy storage systems. Overall, the global output value of the energy storage industry enters to a rapid growth period under the topics of carbon neutral and green energy.

The global electric vehicle market develops rapidly. From 2011 to 2012, the Chinese government began to encourage the development of the electric vehicle market through subsidy policies. During 2016 to 2017, other major industrial countries in the world also joined one after another and began to discuss policies to restrict the sale of fuel vehicles. During 2018 and 2019, the European countries such as the United Kingdom and France announced that electric vehicles must reach a certain market ratio in the whole car market. Otherwise, they must ban the sales of fuel vehicles, and further set a cap on the carbon emissions amount of fuel vehicles. Once the cap is exceeded, the car manufacturers will face an extremely high fine. More than 20 countries around the world have proposed for automobile electrification or the bans on fuel vehicles, the target schedule of which is between 2025 and 2050. The European countries act progressively the most. Many countries have long-term pushed the car manufacturers on the sale of electric vehicles by policies (such as the European's emission target on carbon dioxide), or subsidies to buyers of electric vehicles (such as China's subsidies and local incentives), or use the tax system or related measures to stimulate buyers (such as federal tax incentives in the United States and state incentives), so that the automakers engage heavily in the global electric vehicle market, resulting in the increasing demand for electric vehicles.

The Company continuously improves the battery performance in the future, and has proactively adjusted the operating strategy and policies since 2019. Therefore, the important policies and the changes in domestic and foreign regulation shall not have a significant impact on the Company's finance and business.

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

Compared with traditional lead-acid energy storage batteries, the lithium-ion batteries have some advantages such as low pollution and long cycle life. Lithium-ion batteries are increasingly used for the energy storage of new batteries and gradually replace the lead-acid batteries, increasing in the energy storage market. Moreover, the requirement of energy storage batteries is mainly on battery cost, cycle performance, and life cycle costs other than the energy density. Lithium iron phosphate batteries have lower production costs and higher cycle times, while ternary lithium batteries have safety concerns due to frequent explosions. Therefore, lithium-ion battery is the first choice in the energy storage market. BNEF considers that the energy storage market is driven by the rapid development of battery technology. Currently, the lithium-ion battery is the

majority, and in the market of fixed energy storage systems, the market ratio of lithium iron phosphate (LFP) batteries, in the first time, exceeded that of nickel-manganese-cobalt (NMC) batteries in 2021. Until 2030, it's believed that LFP is the first choice for lithium-ion batteries.

TrendForce thinks that the power batteries are the most expensive but essential components in electric vehicles, so reducing the cost on power batteries will be an important strategy of competition for companies in the future. Because of its cost-effective advantages, the lithium iron phosphate batteries, with the continuous progress of technology, are estimated to account for more than 60% of the installment in the global power battery market by 2024. TrendForce said that based on market performance in China, the world's largest electric vehicle market, the power battery market reversed in 2021. The lithium iron phosphate batteries officially surpassed the ternary batteries with 52% of installments. In the 2022 Q1, the proportion of installment keeps rising to 58%, whose growth rate far surpassed that of ternary batteries. In the global electric vehicle market, however, the market share for ternary batteries was more than 60% in 2021, which was still far superior to that of lithium iron phosphate batteries. This contributes to the increase in the penetration rate of the new energy vehicle market in Europe and the United States. The latter has a market share of 36%. Since the second half of 2021, core battery raw materials such as lithium, cobalt and nickel have risen significantly. In addition, as a result of the Russian-Ukrainian war, the Ebola outbreak, and other uncertain factors, the growth rate between the supply and demand of the battery industry will be different in the short term, and companies will focus more on reducing battery costs and ensuring supply chain security in the future. The two major factors related to future competitiveness are related to future competitiveness. The costs-effective advantages of lithium iron phosphate batteries are expected to become more prominent under this trend, and they may become a mainstream part of the terminal market over the next two to three years. By 2024, the global installed capacity ratio of lithium iron phosphate batteries to ternary batteries will change from 3:7 to 6:4.

In the past three to four years, the rise and implementation of the electric vehicle concept has made the supply chain of automotive electronics and lithium batteries become one of the most popular industries. To establish and strengthen their position in the market, the international companies have been expanding their production capacity, joint ventures and mergers and acquisitions. The electric vehicle industry will undoubtedly become the largest market for lithium batteries in the next decade. With the use of lithium iron phosphate batteries on a large scale by the leading electronic vehicle companies, and with several traditional car manufacturers indicating that they will use lithium iron phosphate batteries in their entry-level models, the electronic vehicle market begins to focus on these kinds of batteries. Driven by market demand, OEM factories understand the lithium iron phosphate (LiFePO₄)'s advantage in cost-price, so they have taken the initiative to develop and design vehicles equipped with lithium iron phosphate (LiFePO₄) batteries, leading to a resonance in the industry chain.

Regarding the R&D directions for the materials, the company assisted customers to enhance the price-performance ratio of their products, develop long-lasting battery technologies with high energy density and high security, and promote the development of energy storage applications and electric vehicles (including hybrid power vehicles). With the maturity and expansion of the industry supply chain, the industry practices formed will help extend the cycle life of LFP battery

and lower the impact of new technologies. Also, the Company has invested considerable R&D resources and combined with external academia resources to carry out R&D of various new lithium battery materials, hoping to maintain its leadership position in the field of new battery materials to ensure the sustainable operation of enterprises. The Company keeps following the technology changes and information security risks of related industry; continuously collects the industrial intelligence for market trends; timely adjusts the research and development directions, and keeps paying attention to the potential impact of information security risks on the company's operations; regularly evaluates and adjusts the information security policies in order to effectively control and reduce the information security risks. Therefore, developments in science and technology(including the information security risk) as well as industrial change should not have a significant impact on the financial operations of the Company.

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

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

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

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

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

The Company officially signed a patent sublicense contract with LiFePO₄+C Licensing AG on July 4, 2011. The contract originally required the Company to set up a plant for the production of cathode materials for LFP battery in Quebec, Canada, and accomplish the scale of 1,000 tons of annual output within three years of the contract.

However, the Company considered that the demand in the European and American markets were not as good as expected, and it has completed the supplemental contract of the patent sublicense contract with LiFePO₄+C Licensing AG on August 26, 2013. The two parties agreed that the timeframe for plant construction and operating period may be extended for 12 months. In the event that the Company fails to complete the factory establishment according to the contract,

LiFePO₄ +C Licensing AG is entitled to claim extension fee of US\$300,000 from the Company and to terminate the patent sublicense contract.

The Company considered the development potential of electric vehicles and energy storage systems in Europe, the United States and Canada, and it has completed the supplemental contract of the patent sublicense contract with LiFePO₄+C Licensing AG on November 19, 2014, stipulating that the Company may choose to establish powder factory, battery factory, battery module factory or electric bus system integration plant.

As of the date of printing of the annual report, the requirement to establish a cathode material plant, a cell plant, a Pack plant (battery module plant), or an electric bus system integration plant in the province of Quebec, Canada by July 4, 2015, was adjusted to be negotiated by both parties during the contract period to meet the actual market demand.

The company has negotiated with LiFePO₄+C Licensing AG to terminate the aforementioned patent re-licensing agreement on September 21, 2021, however, LiFePO₄+C Licensing AG still has reservations, and therefore, related legal matters are still in progress. °

Contingency measures

The company will continue to negotiate the related legal matters and, in accordance with prudence, continue to allocate and amortize related expenses in accordance with IFRSs to fulfill its contractual obligations and control financial risks.

In the current global market, the demand for lithium iron phosphate materials is for a production capacity of over 1,000 tons per year, which should not be a burden or disadvantage compared to the past practice of building a plant with a capacity of 1,000 tons per year.

- (9) Risks associated with any consolidation of sales or purchasing operations in recent year and up to the publication of the annual report, and contingency measures being or to be taken
- i. Risk of concentration for purchase
The main raw materials used in the production of the cathode materials for LFP battery are lithium compounds and phosphoric acid, which are not highly specific. The market supply sources are not oligopolistic or monopolized by a single manufacturer. As the Company continues to increase the number of certified suppliers, there should be no risk of concentration.
 - ii. Risk of concentration for sales
The top 10 customers by product sales amount of the Company 及子公司 accounted for 97.43% and 96.82% of the net sales in 2021 and 2022 respectively, of which customer with the largest sales proportion was 27.55% and 27.45% respectively. The main reason for the concentration is the cathode materials for LFP battery developed by the Company is mainly used in energy storage battery, hybrid electric vehicles and electric buses. Due to the aforementioned product applications of the battery materials, the certification is relatively time-consuming based on safety and stability considerations. Therefore, the sales of the Company are concentrated in some customers mainly due to industry characteristics, long time is required for product certification and maintain a good business relationship with the battery manufacturers.
- (10) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor; or shareholder holding greater than 10 percent share in the Company has been

transferred or has otherwise changed hands in recent year and up to the publication of the annual report, and contingency measures being or to be taken

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

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

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

- (12) Any litigation or non-litigation shall clearly state

- i. Lawsuits, non-litigation disputes, or administrative disputes that have been judged or are currently pending as of the end of the most recent fiscal year and the date of printing of the annual report, and whose results may have a significant impact on shareholders' equity or securities prices, should disclose the disputed facts, the amount of the subject matter, the date of the lawsuit, the main parties involved in the dispute, and the current status of the proceedings.

Aleees Eco Ark (Taiwan), a subsidiary of the Company, received the 2016 First Instance for Major Common Litigation No. 147 on July 18, 2016 and an additional indictment on April 6, 2017 (referred hereafter as First Instance for Major Common Litigation No. 147) from Taiwan Hsinchu District Court, and the 2018 First Instance for Major Common Litigation No. 216 on October 31, 2018 (referred hereafter as First Instance for Major Common Litigation No. 216) from Taiwan Hsinchu District Court. According to the above-mentioned First Instance for Major Common Litigation No. 147 and No. 216, the plaintiff HsinChu Transportation Co., Ltd. requested Aleees Eco Ark (Taiwan) to pay \$34,946 and \$51,030, respectively as the driving services fee, with interest of 5% per annum is calculated to the date of payback. For the First Instance for Major Common Litigation No. 147, Taiwan HsinChu District Court judged that the defendant Aleees Eco Ark (Taiwan) should pay the plaintiff HsinChu Transportation Co., Ltd. on September 11, 2018. The Company has evaluated that the incurred driving services fee is not entirely attributable to Aleees Eco Ark (Taiwan), as it also involved the land use issue for battery charging/swapping stations, hence the judgment of the first instance is obviously wrong due to wrong identifying usage. The Company has filed an appeal with the Civil Court of Taiwan High Court (Case No.: Taiwan High Court 2018 Major Appeal No. 805), referred hereafter as "Major Appeal No. 805". On June 27, 2019, the company received the verdict of rejecting the appeal and assessed that there were still errors when identifying usage and there

existed uninvestigated evidence during the second trial. Hence, Aleees (Taiwan) appealed for the third trial on July 16, 2019. As of the publication date of the annual report, although it is not possible to judge its possible outcome, the Company has estimated the amount of possible loss after a prudent assessment, and it has been credited. For the First Instance for Major Common Litigation No.216 which was originally scheduled for oral arguments on January 24, 2019, however, the issue of this case is same as the Appeal Case No. 805, which the incurred driving services fee is not entirely attributable to Aleees Eco Ark (Taiwan), the Court decided to stop the proceedings on January 22, 2019 in order to prevent judgment discrepancy, hence, it is unable to estimate the effect on the Company as of the publication date of the annual report.

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

The second-tier subsidiary of the Company, Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. received the verdict from the China International Economic and Trade Arbitration Committee on November 9, 2020. It was ruled that Jiangxi Hengdong New Energy Co., Ltd. must pay about 3,735 thousand Yuan (RMB) to its second-tier subsidiaries. On November 20, 2020, it applied to the Intermediate People's Court of Nanchang City, Jiangxi Province for compulsory execution in order to claim the company's rights and interests. Because the previous compulsory procedures were unsuccessful, the compulsory procedures were closed on May 27, 2021. The company submitted the Case to the Intermediate People's Court of Nanchang City, Jiangxi Province on July 29, 2021 and applied for bankruptcy to protect the rights and interests of the Company.

The company and Wulong Electric Vehicle (Group) Co., Ltd. (hereinafter referred to as Wulong Electric Vehicle Company) established a long-term cooperative relationship in 2016, and the two parties completed mutual investment for the joint venture project. The company issued a request to Wulong Electric Vehicle Company for early settlement of convertible corporate bonds in August 2020, but it has not yet been repaid; in September 2020, in order to claim the rights and interests of the company and shareholders, the Company issued a request

to Wulong Electric Vehicle Company through its subsidiary Wulong Power Investment Co., Ltd. (hereinafter referred to as Wulong Power Investment), and applied for false sanctions of the 9,283 thousand private equity shares of the Company (after the completion of the capital reduction in the second half of 2021), which was indirectly held by the above-mentioned car company. The Taiwan High Court ruled in 2020 Tai-kang-Zi No. 1451 that after the company provides a guarantee of 50 million yuan, Wulong Power Investment shall not transfer, establish mortgage rights, or conduct any other disposals to all or part of the company's private common stock. The Company has paid the guarantee, and in December 2020, it has received an execution order from the Taipei District Court of Taiwan (Beiyuan Zhong 2020 Si Zhi Quan Mu Zi No. 644). Subsequently, the company requested the court to limit FDG Kinetic Limited on exercising the shareholders' rights with 9,283,000 shares of the Company's private common stock (after the completion of the capital reduction in the second half of 2021). The company provided a guarantee of NTD 9,380 thousand to the Taoyuan District Court of Taiwan and received an enforcement order from the court in April 2021 (the 2021 R.O.C Si Zi Juan No. 78)

In order to protect the interests of the company's shareholders, the company has already filed an arbitration request (110 Zhong Sheng Ping Zi No. 008) with the Chinese Arbitration Association against Wuling Power Investment regarding the return of private placement shares, and has also filed a lawsuit (112 Business Dispute Zi No. 6) against Wuling Electric Vehicle and Wuling Power Investment for the return of private placement shares and damages with the Intellectual Property and Commercial Court. As of the date of the annual report, the impact on the company cannot be estimated.

- ii. For the directors, supervisors, general manager, substantial responsible person, major shareholders holding more than 10% of the shares, and subsidiary companies of the company, any lawsuits, non-litigation or administrative litigation cases that have been confirmed by judgment or are currently pending, and may have a significant impact on the company's shareholder rights or security prices should be disclosed, including the facts in dispute, the amount of money involved, the date the lawsuit began, the main parties involved and the current processing situation. °

There are no such cases.

- iii. Regarding the occurrence of any situation under Article 157 of the Securities and Exchange Act by the company's directors, supervisors, executives, and major shareholders holding more than 10% of the shares during the most recent fiscal year and up to the date of printing of the annual report, and the current situation being handled by the company:

There are no such cases.

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

- i. Patent infringement and litigation risk

The cathode materials for LFP battery were officially published by the battery laboratory of University of Texas in 1996 and officially commercialized since 2004. However, due to the continuous litigation on cathode materials for LFP battery, which has resulted in the

internationally renowned battery factory has not actively invested in large-scale development of LFP battery. The European and American electric vehicles manufacturers also adopted a conservative approach towards the use of LFP battery. Many electric vehicle manufacturers stated that if the patent dispute could not be effectively resolved, the market of cathode materials for LFP battery could not be expanded rapidly.

Contingency measures

Since its establishment, the Company has actively developed its own patents and has progressively acquired a number of patents for manufacturing processes and materials. There is no patent infringement since its mass production to date, however, the Company understands that if it is unable to eliminate the patent concerns of customers, and reduce the risk of litigation, the industry of cathode materials for LFP battery could not be developed rapidly. Therefore, the Company officially signed a patent sublicense contract with Quebec Water Conservancy Corporation, Montreal University, French National Centre for Scientific Research (CNRS) and LiFePO₄+C Licensing AG established by Süd-Chemie, Germany on July 4, 2011. In addition to reducing the risk of litigation and expanding the European and American markets through patent licensing, the Company also facilitates the development of next-generation technology.

ii. Market competition risk

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

Contingency measures

Cathode materials for lithium battery are the most critical material in battery, and have a critical impact on battery performance and unit cost of battery. According to the development trend of other cathode materials in the past, as for the long term, there is generally a phenomenon in which the big are getting bigger, the strong are getting stronger. The current annual shipment of cathode materials for LFP battery of the Company has exceeded 已達 150,000 tons, but this does not mean that the Company will stay in the same position for a long time, and can maintain or expand market share.

Secondary batteries (accumulator battery) refer to batteries that can be recharged and discharged repeatedly (equivalent to reusable). Although the lithium batteries are the latest one to be commercialized, they account for 40% of the secondary battery market due to their high energy density and no memory effect, while the rest 60% of the market that has not yet been captured by lithium batteries is occupied by lead-acid batteries. (such as starter batteries, electric bicycles, uninterruptible power systems (UPS), and so on.) However, the lithium batteries will gradually replace the lead-acid batteries because of environmental protection and

zero carbon emission requirements. Two main material technical roadmaps of lithium batteries are lithium iron phosphate and ternary lithium. Lithium iron phosphate batteries have a longer life, are cheaper and safer, but have a lower energy density. This kind of battery is mostly used for energy storage devices, affordable electric vehicles (more cost-effective), electric buses and so on; In contrast, ternary lithium batteries have higher energy density and a strong battery life, but they have a poor stability and higher cost. The battery is mostly used in 3C digital products and the higher-end electric vehicles. The market competition between lithium iron phosphate batteries and ternary batteries is continuing. At the same time, the industries are constantly pursuing the technological improvements to meet the high cost-effective market demand for the high energy density, long lifetime, high safety and low cost.

Compared with traditional lead-acid energy storage batteries, the lithium-ion batteries have some advantages such as low pollution and long cycle life. Lithium-ion batteries are increasingly used for the energy storage of new batteries and gradually replace the lead-acid batteries, increasing in the energy storage market. Moreover, the requirement of energy storage batteries is mainly on battery cost, cycle performance, and life cycle costs other than the energy density. Lithium iron phosphate batteries have lower production costs and higher cycle times, while ternary lithium batteries have safety concerns due to frequent explosions. Therefore, lithium-ion batteries is the first choice in the energy storage market. Since the second half of 2021, core battery raw materials such as lithium, cobalt and nickel have risen significantly. In addition, as a result of the Russian-Ukrainian war, the Ebola outbreak, and other uncertain factors, the growth rate between the supply and demand of the battery industry will be different in the short term, and companies will focus more on reducing battery costs and ensuring supply chain security in the future. The two major factors related to future competitiveness are related to future competitiveness. Therefore, under this trend, TrendForce expects that the cost-effective advantages of lithium iron phosphate batteries continues to be prominent, and become the mainstream of the terminal market in the next 2 to 3 years.

LFP battery has exclusive features of high security, excellent circulation performances and rapid charging/discharging, making it suitable for applications in energy storage system and hybrid electric vehicles with voltage system above 12V, and it has been considered as a major product to replace lead-acid batter.

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

iii. Risk of loss of R&D personnel

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

Contingency measure

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

iv. Protection of shareholders' equity

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

v. Risks related to the licensing model

(i) The risk of inflation and labor shortage

The US-China trade war, as well as the COVID-19 pandemic that has been burning since 2020 and is now coming to an end, have caused global economic turmoil. In addition, the shortage of shipping containers and the upward pressure on raw material costs and wage increases caused by inflation and supply-demand imbalances have led to labor shortages and information asymmetry in the global industry, which may affect the estimated construction time and production and sales forecasts of authorized clients of the company.

Contingency measures

A. Based on the company's 17 years of production experience, we provide guidance to authorized clients on safe inventory policies, qualified supply chain vendors for material reserves and quality information, and discuss with authorized clients about decentralized supply chain production locations and increased configurations to maintain supply chain flexibility in a correct, real-time, and transparent manner, demonstrating resilience, in addition to expanding Tier 1 suppliers.

B. We recommend that authorized clients use fully automated production lines for new plant equipment. The previous semi-automated production model, which required high labor costs, no longer exists. For example, a new fully automated production line with an annual production capacity of 10,000 tons only requires about 88 production line workers to carry out production, greatly reducing the risk of labor shortages. The company also continues to monitor equipment update dynamics and provide feedback to authorized clients to improve their production processes.

(ii) Risk of Changes in Important Policies and Laws Abroad

The company's authorized customers are mainly located in the energy storage and electric vehicle (including hybrid vehicles) markets in Europe and America. Therefore, they are relatively sensitive to policies promoting green energy and low-carbon transportation internationally. Sustainable energy development has been regarded as an important trend in global environmental protection. Currently, more than 130 countries have passed or announced their goal to achieve net zero carbon emissions by 2050. Developing green electricity has become a global consensus. As countries continue to increase their efforts to develop renewable energy and increase the proportion of green electricity, the establishment of backend energy storage systems is also necessary. Energy storage systems can smooth out the output of green electricity and improve the utilization of renewable energy, maximizing the efficiency of each kilowatt-hour of electricity, which is the key reason for the development of energy storage. In addition, many countries have long-term policies to promote the sale of electric vehicles by giving subsidies to electric vehicle buyers, or by incentivizing buyers through taxation or related measures. For example, the European Union's carbon dioxide emission targets, which give subsidies to electric vehicle buyers, or the implementation of the IRA policy in the United States, which is driving major battery manufacturers in the United States to make rapid progress in production under policy trends. This has led various car manufacturers to enter the global electric vehicle market on a large scale, resulting in a significant growth trend in demand for electric vehicles. Therefore, if countries change their green energy or subsidy policies, it will inevitably affect the establishment of authorized customer plants or their sales performance.

Contingency measures

- A. The Company will continue to focus on improving material efficiency and developing new product models to help customers reduce costs and improve efficiency, while maintaining competitiveness in response to changes in subsidy policies.
- B. The Company will continue to diversify its authorized customers' regions, hoping to increase authorization in Australia or Southeast Asia. It will also seek authorization from other customers in the United States and Europe, as subsidy policies differ in various U.S. states or European countries, with the aim of reducing regional economic risks caused by regulatory changes.

(iii) Risks of technology changes and industry changes to licensing business

Compared with traditional lead-acid storage batteries, lithium-ion batteries have excellent performance such as low pollution and long cycle life. The increasing use of lithium-ion batteries in energy storage, gradually replacing lead-acid batteries, has become more and more widespread in the energy storage market. Energy storage batteries do not require high energy density, but are more concerned with battery costs, cycling performance, and lifecycle costs. Lithium iron phosphate batteries have low production costs and high cycle numbers, while ternary lithium batteries have safety concerns due to frequent explosion incidents, and lithium iron batteries have become the first choice in the energy storage market.

TrendForce believes that as power batteries, which are the most expensive core components of electric vehicles, reducing the cost of power batteries will be an important

strategy for companies' future competition. With the cost-performance advantage, lithium iron phosphate batteries are estimated to account for more than 60% of the global power battery market installation rate by 2024. Looking at China, the world's largest electric vehicle market, the power battery market has reversed in 2021, and lithium iron phosphate batteries have officially surpassed ternary batteries with a 52% installation rate. In the first quarter of 2023, the installation rate continued to rise to 58%, and the growth rate far exceeded that of ternary batteries. Although from the perspective of the global electric vehicle market, benefiting from the penetration rate of new energy vehicles in Europe and the United States, ternary batteries still have a market share of over 60% in 2021, far exceeding that of lithium iron phosphate batteries, whose market share is only about 36%. However, with the significant rise in core battery raw materials such as lithium, cobalt, and nickel since the second half of 2021, coupled with the impact of uncertain factors such as the Ukraine-Russia conflict and the pandemic on the global power battery supply chain, the growth rates between the supply and demand of the industry chain will differ in the short term, and companies will focus more on the two major issues of reducing battery material costs and the safety of the supply chain. Under this trend, the cost-performance advantage of lithium iron phosphate batteries will become more prominent, and they may become the mainstream of the terminal market within the next 2-3 years. The global installation rate ratio of lithium iron phosphate batteries and ternary batteries will also change from 3:7 to 6:4 in 2024. With electric vehicle leader TSELA using lithium iron phosphate batteries on popular electric vehicle models and energy storage business, and several traditional car manufacturers stating that they will use lithium iron phosphate batteries on entry-level models, the cost-performance advantage of LFP batteries has begun to receive market attention

The battery market continues to have strong demand for new materials such as LMFP, NCM811, NM, and even competitors in new types of power such as hydrogen energy continue to enter the market, so the industry's demand for various new materials has never stopped.

Contingency measures

- A. Our company's material development direction aims to assist customers in improving the cost-effectiveness of their battery products, developing long-lasting, high-energy-density, and high-safety battery technology, and promoting the development of energy storage applications and electric vehicles (including hybrid vehicles). Therefore, as each battery factory has its own niche technology and market, our company has set up subsidiaries in the United States, Europe, Australia (and radiated to Southeast Asia) to continuously expand the exploration of battery manufacturers, and promote all our product models for customer verification to expand the maximum utilization of our products.
- B. Our company has also invested considerable R&D resources and combined external academic resources to conduct R&D on various new lithium battery materials. We plan to establish fully automated product verification equipment, gradually reach mass production verification for other product models, authorize mass production to other manufacturers, and continue to maintain a leading advantage in the field of new battery

materials to ensure the sustainable operation of the company.

Therefore, the impact of technological and industrial changes on the financial operations of our company's authorized business model should not be significant.

(iv) Risk of authorized customers expanding their factory

The company has two types of authorized customers: one is a battery manufacturer that licenses LITX's materials for in-house production, and the other is a specialized chemical company that produces large quantities of materials for supply to battery manufacturers. In response to the authorized customers' future production capacity of tens of thousands of tons, the company needs to have a considerable level of interaction to understand the customer's market policies, financial status, government support, etc., to ensure that the customer has the ability to build a factory before signing an authorization contract.

Regarding battery manufacturers, the company continuously understands the customer's shareholder background and government support status during the authorization process, and continues to understand its order-taking situation. For example, as for FREYR, the Norwegian government announced on June 30, 2022, its support for FREYR to establish a 29G battery factory in Norway, with an initial guarantee and loan of 400 million euros, and up to \$1.6 billion in loans to support battery production capacity expansion. According to the news released by FREYR in 2022-2023 and signing purchasing contracts with four customers, the demand for positive electrode materials will be as high as shown in the table below, with the goal of supplying from 2024 or 2025 to 2030

Time.	Customer.	Order Size	Amount of Cathode Material Required
2022/5	Powin(USA)	28.5GWh	71,250(T)
2022/6	Honey(USA)	19 GWh	47,500(T)
2022/8	NIDEC(JAPAN)	38GWh(US\$3,000million)	95,000(T)
2023/1	Impact Clean Power (Poland)	10GWh	25,000(T)

Note: 1 GWh requires 2,500 tons of cathode material

Regarding specialized chemical plants, our company prioritizes American companies as our first choice because the United States continues to implement the Bipartisan Infrastructure Law and the IRA Act, requiring 80% of the upstream and downstream supply chain for electric vehicles made in the United States and recognized regions to be manufactured in the United States. Therefore, ICL only signed the authorization agreement with LITAC after receiving a \$197 million subsidy from the US government and will spend \$400 million to build a plant, ensuring that its production costs are highly competitive, reducing costs by 50% compared to other companies. After mass production, it can reasonably digest 30,000 tons of production capacity.

In summary, the expected benefits of authorizing customers to expand their plants not only reduce the significant commercial risks of European and American battery customers overly relying on Chinese lithium iron phosphate products but also enable authorized customers to control materials or expand their chemical field to enter the electric vehicle market, which is expected to bring good operational prospects for themselves and inject stable authorization income and operating funds for our company.

(v) Market competition risk

The company has a cooperative and competitive relationship with its authorized customers. In the short term, the company recommends verified battery customers to place orders with authorized customers for production. However, in the long term, authorized customers may also want to develop their own customers without being limited by the company's technology. In addition, a large number of Chinese competitors are constantly sharing this market. Moreover, compared with lithium ternary battery materials, lithium iron phosphate battery positive electrode materials have lower energy density, so they still need to face market competition from lithium ternary battery materials.

Contingency measures

Our company will continue to research and develop high-energy density products to continuously improve product performance, increase product value and customer satisfaction, in order to authorize different products to respond to the ever-present competition and changes in the market.

Compared with traditional lead-acid storage batteries, lithium-ion batteries have excellent properties such as low pollution and long cycle life. More and more new battery storage systems are using lithium-ion batteries, gradually replacing lead-acid batteries. In the energy storage market, and since energy density requirements for storage batteries are not high, but rather focus on battery cost, cycle performance, and lifecycle cost, lithium iron phosphate batteries have the advantages of low production cost and high cycle count, while ternary lithium batteries have safety concerns due to frequent explosion incidents, and therefore lithium iron phosphate batteries have become the preferred choice in the energy storage market. Moreover, with the significant increase in the prices of core battery raw materials such as lithium, cobalt, and nickel since the second half of 2021, and the impact of uncertain factors such as the Russian-Ukrainian war and the pandemic on the global power battery supply chain, enterprises will pay more attention to reducing battery material costs and ensuring the security of the supply chain. Under this trend, TrendForce expects that the cost-effectiveness advantage of lithium iron phosphate batteries will become more prominent and will become the mainstream in the terminal market within the next 2-3 years.

In addition to actively developing new and better-performing lithium iron phosphate cathode materials, our company is also constantly improving our processes and reducing costs. Our battery laboratory can provide countermeasures to assist customers in introducing new materials into mass production. For specific customers and applications, we also provide customized services, which will bring more choices to authorized customers. Only by helping customers improve their competitiveness can our company have the best strategy to win in the market.

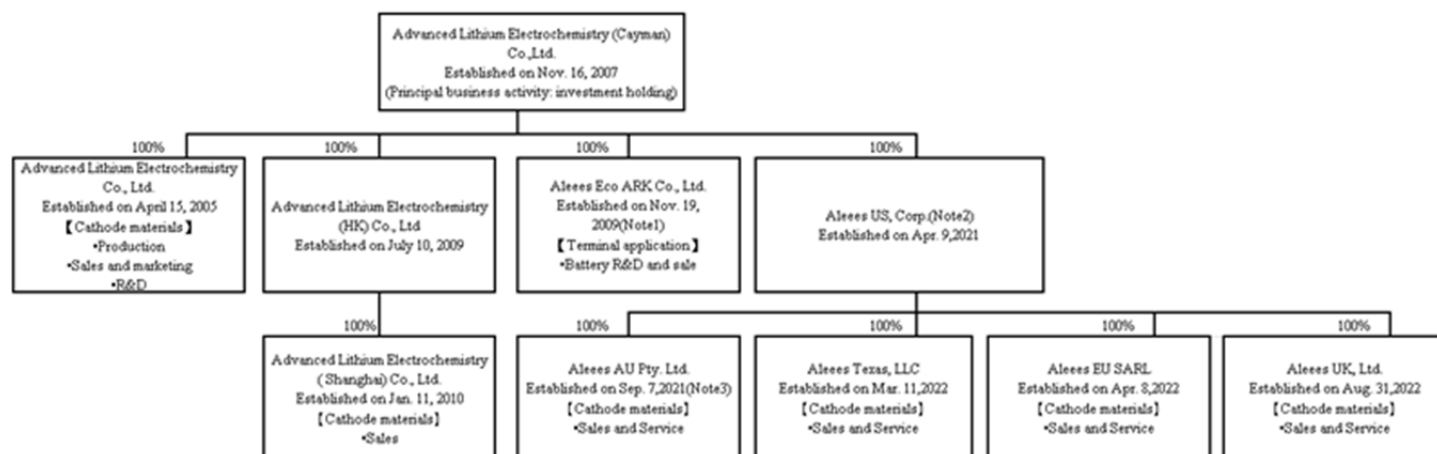
7. Other important matters: None

VIII. Special Disclosure

1. Company organization

(1) Organizational chart of affiliate companies

As of May 10, 2023



Note1: This company has been dissolved by resolution in the twentieth meeting of the seventh session of the Board of Directors, and is currently undergoing liquidation.

Note2 : Advanced Lithium Electrochemistry(US), LLC. , renamed as Aleees US, Corp. on April 15, 2022.

Note3 : Alees AU Pty. Ltd. , renamed as Aleees AU. Ltd. on May 20, 2022.

(2) Basic information of affiliate companies

As of December 31, 2022;Unit: thousand

ame of affiliate Company	Date of incorporation	Address	Paid-in Capital	Principal business activity or production item
Advanced Lithium Electrochemistry Co., Ltd.	2005.4.15	No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan	NTD 1,988,000	Production, R&D and sales and marketing of cathode materials for LFP battery.
Advanced Lithium Electrochemistry (HK) Co., Ltd.	2009.7.10	Unit 706, Haleson Building, No. 1 Jubilee St., Central, Hong Kong	USD 19,330	Investment holding, reinvestment in Aleees SH.
Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.	2010.1.11	Room 1201-004, 12F., Building 2 ,No. 2020, Zhongshan West Road, Xuhui District, Shanghai, China	USD 15,660	(1)Sales and marketing of cathode materials for LFP battery (2)Equipped with of battery laboratory to provide customers with technical support service.
Aleees Eco Ark Co., Ltd. (Note1)	2009.11.19	No. 2-1, Guishan Industrial Park, Xinghua Road, Taoyuan City, Taiwan	NTD 528,000	R&D and sales and marketing of battery.
Aleees US, Corp.(Note2)	2021.04.09	257 Old Churchmans Road, New Castle City,New Castle County, Delaware,USA.	USD 18,400	Investment holding, reinvestment in Aleees AU,Aleees TX, Aleees EU, AleeesUK
Aleees AU Pty Ltd.	2021.09.07	62-64 Burwood RD Burwood NSW 2134	AUD 1,630	Development and service of lithium battery cathode materials for overseas customers
Aleees EU SARL	2022.04.08	28 rue de l'Amiral Hamelin 75116 Paris France	EUR 100	Development and service of lithium battery cathode materials for overseas customers
Aleees Texas, LLC	2022.03.11	2245 Texas Drive, Suite 300, Sugar Land, TX, USA 77479	USD 500	Development and service of lithium battery cathode materials for overseas customers

As of December 31, 2022;Unit: thousand

ame of affiliate Company	Date of incorporation	Address	Paid-in Capital	Principal business activity or production item
Aleees Texas, LLC	2022.08.31	42-46 STATION ROAD EDGWARE ENGLAND HA8 7AB	-	Development and service of lithium battery cathode materials for overseas customers

Note1: It has been dissolved by the resolution of the twentieth meeting of the seventh session of the Board of Directors of the Company and is currently undergoing liquidation.

Note2: On April 13, 2021, the company registered and acquired 100% ownership of Advanced Lithium Electrochemistry (US), LLC, and on July 6, 2021, the board of directors approved its renaming to Advanced Lithium Electrochemistry (US), Corp. Additionally, on April 15, 2022, it was renamed Aleees US, Corp.

(3) Shareholders presumed to have control and subordinate relationship with the same information:

None.

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

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

ii. Distribution of work situation with affiliate companies

(i) The Company is an investment holding Company which responsible for business development strategies.

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

(iii) Alees (AU) is engaged in the research and development and sales of cathode materials for phosphoric acid batteries, and serves as a sales office of certain overseas markets.

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

As of December 31, 2022

Name of affiliate Company	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Advanced Lithium Electrochemistry Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Sheng-Shih Chang	—	—
Advance Lithum Electrochemistry (HK) Co., Ltd	Director	Sheng-Shih Chang	—	—
Advanced Lithium Electrochemistry (Shanghai) Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Sheng-Shih Chang	—	—
Aleees Eco Ark Co., Ltd.	Chairman	Sheng-Shih Chang	—	—
	General Manager	Sheng-Shih Chang	—	—
Aleees US, Corp.	Director	Sheng-Shih Chang	—	—
Aleees AU Pty Ltd.	Director	Sheng-Shih Chang	—	—
Aleees EU SARL	Director	Sheng-Shih Chang	—	—
Aleees Texas, LLC	Director	Sheng-Shih Chang	—	—
Aleees UK, Ltd.	Director	Sheng-Shih Chang	—	—

(6) Operation status of the affiliate companies

As of December 31, 2022 ;Unit: thousand

Name of affiliate Company	Paid-in capital	Total assets	Total liabilities	Net worth	Current operating revenues	Current profit(loss)	Current income (After tax)	Earnings per share(After tax)
Advanced Lithium Electrochemistry (Taiwan) Co., Ltd.	NTD 1,988,000	NTD 1,108,439	NTD 536,535	NTD 571,904	NTD 604,168	NTD 288,118)	NTD (298,706)	NTD (1.50)
Aleees Eco Ark Co., Ltd. (Note 2)	NTD 528,000	NTD 49,643	NTD 35,178	NTD 14,465	-	NTD (11,368)	NTD (11,350)	NTD (0.21)
Advance Lithium Electrochemistry (HK) Co., Ltd	USD 19,330	NTD 30,548	-	NTD 30,548	-	NTD (84)	NTD (6,921)	Not applicable
Advanced Lithium Electrochemistry (Shanghai) Co.,Ltd.	USD 15,660	RMB 8,279	RMB 24,120	RMB (15,841)	RMB 24,671	RMB (2,243)	RMB (2,181)	Note1
Aleees US, Corp.	USD 1,840	USD 964	-	USD 964	-	(USD 23)	(USD 803)	(USD 0.04)
Aleees AU Pty. Ltd.	AUD 1,630	AUD 1,169	AUD 164	AUD 1,005	-	(AUD 652)	(AUD 596)	(AUD 0.37)
Aleees EU SARL	EUR 100	EUR 73	EUR 41	EUR 32	-	(EUR 68)	(EUR 68)	(EUR 0.68)
Aleees Texas, LLC	USD 500	USD 205	USD -	USD 205	-	(USD 295)	(USD 295)	(USD 0.59)

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

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

- (7) Consolidated financial statements of affiliate companies: Same as the Consolidated Financial Statements of parent-subsidary companies, please refer to page 142-209.

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

None.

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

None.

4.Other matters necessary to be supplemented with explanation

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

- (1) Undertaken is given to the Company that to introduce the following new matters in the “Acquisition or Disposal of Assets Procedures”, and if the regulation is revised thereafter, it shall be published on MOPS under disclosure of material news, and a written notification shall be provided to the Taipei Exchange for future reference.
 - i. The Company may not give up the capital increase for Advanced Lithium Electrochemistry Co., Ltd., Advanced Lithium Electrochemistry (HK) Co., Limited, in the future fiscal years; Aleees Eco Ark Co., Ltd. may not give up the capital increase for Advanced Lithium Electrochemistry (Shanghai) Co., Ltd. in the future fiscal years.
 - ii. In the future, if the Company is required to give up the capital increase or dispose the shares of the aforementioned companies due to the strategic alliance considerations or other consents of the “Taipei Exchange”, it must be approved by the Company’s Board of Directors. If the regulation is revised thereafter, it shall be published on MOPS under disclosure of material news, and a written notification shall be provided to the “Taipei Exchange” for future reference.
- (2) Current implementation status
 - i. The revision of the Acquisition or Disposal of Assets Procedures to introduce the aforementioned new matters was approved at the 2014 Company’s Annual General Meeting.
 - ii. A special resolution that the Company will sign an equity sale and purchase agreement with the FDG Electric Vehicles Limited listed in Hong Kong was passed by the Board of Directors on April 14, 2016 due to the strategic alliance transaction, which the 100% issued shares of ALEEES ECO ARK (CAYMAN) CO., LTD. will be transferred to the FDG Electric Vehicles Limited.
 - iii. A special resolution that the Company to forfeit the subscription rights to shares upon cash capital increase of Empire Energy Co., Ltd. in 2016 was passed by the Board of Directors on December 1, 2016, and consent from the Taipei Exchange was granted for future reference.
 - iv. A special resolution that the Company to transfer 950,000 shares of Empire Energy Co., Ltd. was passed by the Board of Directors on January 20, 2017, and consent from the Taipei Exchange was granted for future reference.
 - v. A special resolution that the Company to dissolve Aleees Eco Ark (Taiwan) Co., Ltd 2016 was passed by the Board of Directors on December 28, 2018, and consent from the Taipei Exchange was granted for future reference.
 - vi. The case of the company’s subsidiary company AEEES ECO ARK (CAYMAN) CO., LTD

equity in the second case, the securities counter trading center of the Republic of China, January 31, 2019, required to comply with the OTC listing. Commitment and related measures.

- vii. On February 26, 2019, the board of directors of the company passed the special resolution to dissolve the re-investment company, Emerald Battery Technologies Co., Ltd., which was approved and kept for reference by the Taipei Exchange.
- viii. On May 2, 2019, the board of directors of the company passed a special resolution to increase the assessment on disposal or dissolve the reinvestment company, Emerald Battery Technologies Co., Ltd., , which was approved and kept for reference by the Taipei Exchange.
- ix. On December 24, 2019, Cayman Aleees sent a letter Tzu No. AC191224001 to the center for applying the approval to cancel the following regulation in the commitments for listed companies, which was approved and kept reference by Taipei Exchange: the company promised not to give up the right to increase capital or dispose the shares of Aleees Eco Ark Co., Ltd. in future years.

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

Material matters on protection of shareholders’ equity	Provisions of Articles and reasons for differences
<ol style="list-style-type: none"> 1. The shareholders' meeting shall be held within the territory of the Republic of China. If the shareholders' meeting is convened outside the Republic of China, the Taipei Exchange shall be notified for approval within two days after the resolution of the Board of Directors or the shareholders obtain the permission from the competent authority. 2. Shareholders holding 3% or more of the total number of issued shares for more than a year may request the Board of Directors to convene an extraordinary shareholders’ meeting (EGM), and the requisition must state in writing the matters to be discussed at the EGM and the reason therefor. If the Board of Directors fails to give notice for convening an EGM within 15 days after the filing of the request, the proposing shareholder may, after obtaining an approval from the competent authority, convene an EGM on their own. 	<p>With regards to the part on the convening of EGM by shareholders themselves, it does not subject to the approval from the local competent authority of Cayman Islands according to the Company Act of Cayman Islands. Therefore, Article 47 of the Company's Articles of Association has not stipulated the requirement to obtain approval from the competent authority prior to convene an EGM by shareholders themselves.</p> <p>In addition, if the shareholders convene a shareholder's meeting outside the Republic of China, as the EGM convened by the shareholders themselves does not subject to the approval from the local competent authority of Cayman Islands, therefore, Article 47 of the Company's Articles of Association only stipulates “the proposing shareholder shall convene the shareholders' meeting in the same manner (as close as possible) as the shareholders' meeting convened by the Board of Directors.”That is, in accordance with Article 46 of the Company's Articles of Association (“After the shares are listed on Taipei Exchange, if the Board of Directors decide to convene shareholders’ meeting outside the Republic of China, the Taipei Exchange shall be notified for approval within two days after the resolution of the Board of Directors.”) advance approval shall be granted from the Taipei Exchange, instead of the “Taipei Exchange shall be notified for approval within two days after the shareholders obtain the permission from the competent authority” as required by the checklist for the protection of shareholders' equity.</p>
<ol style="list-style-type: none"> 1. When the company convenes the shareholders' meeting, the shareholder is allowed to exercise the voting rights through paperwork and electronic. 2. The exercising method of voting right shall be declared in the convention notice of the shareholders’ meeting is the company decides to exercise the voting right through paperwork and electronic. After exercising the voting rights by paperwork or electronic, the shareholder is seen as attending the shareholders’ meeting in person. But it shall be taken as withdrawn in 	<p>With regards to the part of the shareholder is allowed to exercise voting rights by correspondence or electronic means, according to the explanation of the lawyer from the Cayman Islands pertaining to the part “A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person”, however, it does not deemed to have attended the meeting in person according to the Act of the Cayman Islands. It is recommended that it shall be deemed as the chairperson of the shareholders' meeting being authorized to vote on behalf, but the authorization of the</p>

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
<p>the case of the extraordinary motion or the amendment of original proposal.</p>	<p>chairperson of the shareholders' meeting shall not be subjected to a 3% limit. As such, Article 62 of the Company's Articles of Association stipulates that "when a shareholder exercising voting rights by correspondence or electronic means in accordance with the preceding provisions, it shall be deemed to the chairperson of the shareholders' meeting is authorized to vote on behalf according to the instructions as set out in the correspondence or electronic means served by the shareholder", instead of the "a shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person" as required by the checklist for the protection of shareholders' equity. And in Article 72 of the Company's Articles of Association stipulates that the voting rights of the chairperson of the shareholders' meeting are not subject to a limit of 3% of the total voting rights of the issued shares.</p>
<p>The following resolutions concerning the material equity of shareholders, a resolution adopted at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at the shareholders' meeting whose shares have been issued in public is less than the preceding percentage of the total shareholdings required, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares:</p> <ol style="list-style-type: none"> 1. Enter into, amend, or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with others; transfer the whole or any essential part of its business or assets; or accept the transfer of another's whole business or assets, which has great bearing on the business operation of the Company 2. Modification or Alteration of the Articles of Association 3. A resolution shall be adopted at an EGM for any modification or alteration in the Articles of Association may prejudice the shareholders' equity of preferred share 4. Issuance of the surplus profit distributable as dividends and bonuses in whole or in part distributed in the form of new shares 5. Resolution of dissolution, merger and split-up 6. Issuance of Restricted Stock Awards (RSA) 7. share exchange 	<ol style="list-style-type: none"> 1. Regarding the method of resolution of the shareholders' meeting, in addition to the ordinary resolutions and supermajority resolutions under the laws of the ROC, Article 1 of the Company's Articles of Association also has a "Special Resolution" defined under the Company Act of the Cayman Islands, that is, "under the provisions of the Company Act, in accordance with Article 60 of the Company Act, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares, which the votes cast by such shareholder as being entitled so to do, vote in person or, by proxy (where proxies are allowed) present at the shareholders' meeting (the notice of the meeting stated that the proposal to be adopted by a special resolution.)". 2. According to the provisions of the Company Act of the Cayman Islands, the following matters shall be adopted through special resolution: In accordance with the Company Act of the Cayman Islands, the following matters shall be specially resolved: <ol style="list-style-type: none"> (1) Modification or alteration of the Articles of Association According to the laws of the Cayman Islands, modification or alteration of the Articles of Association shall be adopted through special resolution in accordance with the Company Act of the Cayman Islands, therefore, Article 68 of the Company's Articles of Association has amended the threshold of Memorandum and Article of Association, instead of changing to the supermajority resolutions under the laws of the ROC as required by the checklist for the protection of shareholders' equity. In addition, in accordance with Article 17 of the Company's Articles of Association, "If any modification or change in the Articles of Association will prejudice the preferential rights of any class of shares, the relevant amendments or changes shall be adopted through special resolution, and shall be adopted through special resolution at the shareholders' meeting held separately by the shareholders of such shares being prejudiced". (2) Dissolution According to the laws of the Cayman Islands, the Company may be voluntarily wound-up and dissolved by a resolution in the shareholders' meeting when the Company is unable to pay its debt; however, if the Company may be voluntarily wound-up and dissolved due to the reasons other than the above, it shall be adopted through a special resolution in accordance with the Company Act of the

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
	<p>Cayman Islands. Therefore, the resolution threshold of Article 70 of the Company's Articles of Association for liquidation and dissolution has not changed to the supermajority resolutions under the laws of the ROC as required by the checklist for the protection of shareholders' equity.</p> <p>(3)Merger</p> <p>As the Company Act of the Cayman Islands has mandatory provisions for way of voting of mergers as defined in the Company Act of the Cayman Islands, Article 69 (e) of the Company's Articles of Association stipulates that a merger shall be adopted through a supermajority resolution, however, in order to conform to the definition of "merger" of the Company Act of the Cayman Islands, a merger shall be adopted through a special resolution in the shareholders' meeting.</p> <p>The difference between the aforementioned matter and the checklist for the protection of shareholders' equity lies in it shall be adopted by supermajority resolution in the material matters on protection of shareholders' equity, while it is subject to supermajority resolution and special resolution respectively in the Company's Articles of Association. As these differences are due to the laws of the Cayman Islands, and the Company's Articles of Association has clearly listed and defined the supermajority resolution and special resolution in the material matters on protection of shareholders' equity, hence, it should have limited impact on shareholders' equity.</p>
<ol style="list-style-type: none"> 1. Appointments of supervisors of the Company shall be elected by the shareholders' meeting, at least one of the supervisors must be domiciled in the ROC. 2. The term of office of a supervisor shall not exceed three years. However, he may be eligible for re-election. 3. In case all supervisors of a Company are discharged, the Board of Directors shall, within 60 days, convene an EGM to elect new supervisors. 4. Supervisors shall supervise the execution of business operations of the Company, and may at any time or from time to time investigate the business and financial conditions of the Company, inspect, transcribe or make copies of the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon. 5. The supervisor shall supervise the business implementation of the company; investigate the company's business and financial status at any time; check, transcribe or copy the books and documents, and request the Board of Directors or managers to submit the report. 6. In performing the examination duties, the supervisors may appoint, on behalf of the Company, a practicing lawyer and a certified public accountant to conduct the examination. 7. Supervisors may attend the meeting of the Board of Directors to their opinions. In case the Board of Directors or any director commits any act, in carrying out the business operations of the Company, in a manner in violation of the laws, regulations, the Articles of Association or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a 	<p>There is no equivalent concept of supervisors in the laws of the Cayman Islands, and the Company has an audit committee. Therefore, the Company's Articles of Association has no relevant regulations on supervisors as required by the checklist for the protection of shareholders' equity.</p>

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
<p>notice, to the Board of Directors or the director, as the case may be, to cease such act.</p> <p>8. Supervisor may each exercise the supervision power individually.</p> <p>9. A supervisor shall not be concurrently a director, a managerial personnel or other staff/employee of the Company.</p>	
<p>1. Shareholders who have been continuously holding 1% or more of the total number of the outstanding shares of the Company over six month request in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company, and Taiwan Taipei District Cour was assigned as the competent court for litigation.</p> <p>2. In case the supervisors fails to institute an action within 30 days after having received the request made by the shareholders, then the shareholders filing such request may institute the action for the Company, and Taiwan Taipei District Cour was assigned as the competent court for litigation.</p>	<p>As there is no equivalent concept of supervisors in the laws of the Cayman Islands. Therefore, Article 94-1 of the Company's Articles of Association stipulates that "Within the scope permitted by the laws of the Cayman Islands, shareholders who have been continuously holding 3% or more of the total number of the outstanding shares of the Company over one years may institute the action for the Company, and the Taiwan Taipei District Court shall be the court of jurisdiction for the first instance", instead of "requesting in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company, in case the supervisors fails to institute an action within 30 days after having received the request made by the shareholders, then the shareholders filing such request may institute the action for the Company" as required by the checklist for the protection of shareholders' equity.</p> <p>However, according to the opinion of the lawyer from the Cayman Islands, the Company Act of Cayman does not allow minority shareholders to institute derivative action procedure against directors in the Cayman Court. In addition, the Company's Articles of Association is not a contract between the shareholders and the directors, but the agreement between the shareholders and the Company, therefore, even if the minority shareholders are allowed to institute derivative action against directors, the lawyer from the Cayman Islands considers the said contents to have no binding on directors. However, under the common law, all shareholders (including minority shareholders) have the right to institute derivative actions (including institute action against directors) regardless of their shareholding ratio or shareholding period. Once the shareholders have filed a lawsuit, the Cayman Court shall have full discretion to decide whether to continue the legal proceedings by the shareholders. In other words, even if the Company's Articles of Association (or shareholders with the required shareholding ratio or shareholding period) may institute the action for the Company, however, ultimately it depends on the Cayman Court to decide whether to continue the legal proceedings by the shareholders. According to relevant judgments made by the Cayman Court, when the Cayman Court reviews whether to approve the continuation of derivative action, the applicable criterion are whether the Cayman Court believes and accepts the request of the plaintiff's request on behalf of the Company is ostensibly substantial, the claimed illegal acts committed by the individual who are able to control the Company, and the controllers can prevent the Company from litigating it. The Cayman Court shall judge based on the facts of the case (although the court may refer to the provisions of the Company's Articles of Association, but this is not a decisive factor).</p>

Material matters on protection of shareholders' equity	Provisions of Articles and reasons for differences
<ol style="list-style-type: none"> 1. The directors of the Company shall faithfully conduct corporate affairs and perform the duty of care of a good administrator, and if the directors violated this provision, shall be liable for the damages to be sustained by the Company there-from. In case a director does anything for himself or on behalf of another person in violation of the provisions, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the Company. 2. If the director of the Company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, the director shall be liable, jointly and severally, for the damage to such other person. 3. In performing within the scope of duties, the managerial personnel and supervisors of the Company shall be liable for the damages same as the directors of the Company. 	<p>Article 110-1 of the Company's Articles of Association has been amended in accordance with the material matters on protection of shareholders' equity, however the part of supervisor has not established.</p> <p>However, according to the opinion of the lawyer from the Cayman Islands, the responsibilities of the director for the Company under the laws of Cayman can be divided into the responsibilities under the common law (i.e. competence, care and diligence) and duty of loyalty. However, the directors are legally obligated under the provisions of various laws and, in certain circumstances, the directors also have obligations to third parties (such as creditors). If the Company is unable to pay off, the directors shall consider the interests of the creditors when performing their duties.</p> <p>As the Company's Articles of Association is an agreement between shareholders and the Company, the directors are not parties of the Company's Articles of Association. Therefore, all assertions against the director for compensation of damages for the violation of obligations shall be defined in the service agreement.</p> <p>Under the laws of the Cayman, in general, the managerial personnel or supervisor will not assume the same responsibilities as the director of the Company to the Company or shareholders. However, if the managerial personnel or supervisor is authorized to act on behalf of the executive, it will have the same obligations as the directors of the Company. For the avoidance of doubt, companies in Cayman generally define the responsibilities and obligations of the managerial personnel or supervisor to the Company and shareholders in the service agreement.</p> <p>Similarly, as the Company's Articles of Association is an agreement between the shareholders and the Company, the managerial personnel and supervisor are not parties of the Company's Articles of Association. Therefore, all assertions against the managerial personnel and supervisor for compensation of damages for the violation of obligations shall be defined in the service agreement.</p> <p>In addition, regarding the provisions of the directors' interests are deemed as earnings of the Company, however, the lawyer from the Cayman Islands considers such provisions are uncertain and too general, and has doubts if it is executable. For example, whether the violation of obligations of the director is left to the Court for final decision and how to define the benefit (and the period of receiving the benefit). The lawyer from the Cayman considers this clause does not limit the liability of the directors. The directors are still subject to various statutory responsibilities, common law responsibilities and duty of loyalty under the laws of Cayman.</p>

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

None

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.
Statement of Internal Control System



Date: March 10, 2023

Based on the findings of a self-assessment, Advanced Lithium Electrochemistry (Cayman) Co., Ltd. states the following with regard to its internal control system during the year 2022:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system and have already established it. Its purposes are to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), and reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: i. Control environment, ii. Risk assessment, iii. Control activities, iv. Information and communication, and v. Monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report for the year 2021 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was passed by the board of directors in their meeting held on March 10, 2023, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Chairman cum General Manager: Sheng-Shih Chang

Signature



Inspection Report of Audit Committee

The Board of Directors handed over the Company's business reports, financial statements and proposals of deficit compensation 2022. The financial statements were entrusted by WEI-HAO Wu and Yu-Kuan Lin, certified by PricewaterhouseCoopers Taiwan, and issued an audit report.

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

To

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

2023 Shareholders' Meeting

Audit Committee Convener: Yie-Yun Chang

Handwritten signature in blue ink, consisting of three stylized Chinese characters: 張, 毅, 云.

March 10, 2023

**ADVANCED LITHIUM
ELECTROCHEMISTRY (CAYMAN) CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000358

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

Opinion

We have audited the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Valuation of property, plant, and equipment and intangible assets

Description

Refer to Note 4(19) for accounting policy on impairment of property, plant and equipment as well as intangible assets, and Note 6(7) for details of accounts. The recoverable amounts of property, plant and equipment and intangible assets of the Group are measured based on fair value less costs of disposal, which is used to determine whether there is any impairment. The estimation of the aforementioned measurement of fair value is subject to the professional judgment of management and involves numerous assumptions and material unobservable inputs. Any changes in judgments and estimates may affect the ultimate result of accounting estimates and may have a material impact on the financial statements. Thus, we have included the key assumptions in estimating the recoverable amounts used in the valuation of property, plant and equipment and intangible assets as a key audit matter.

How our audit addressed the matter

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

- A. Obtained the appraisal report from the external valuation expert who was commissioned by the management to determine whether the measurement method the management used is commonly adopted in the industry and considered appropriate; and
- B. Examined whether the significant unobservable input had reflected the assumptions that would be used for similar assets, and assessed the reasonableness of the assumptions used.

Appropriateness of technical service revenue recognition

Description

Refer to Note 4(29) for accounting policies on technical service revenue and Note 6(18) for details of accounts. The Group derives technical service revenue from the licencing of patented technology to customers and provision of manufacturing consulting and support services for cathode materials of lithium batteries.

The Group identifies the respective timing of recognition of technical service revenue based on the contracts. A determination of whether the criteria to recognise revenue are met involves the appropriateness of management's judgement in relation to the terms of the contracts. Thus, we have included the appropriateness of technical service revenue recognition as a key audit matter.

How our audit addressed the matter

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

- A. Performed a walk-through test on technical service revenue, and obtained an understanding, assessed and verified the effectiveness of the design and implementation of internal controls over technical service revenue.
- B. Selected samples from technical service revenue transactions, verified against supporting documents and collections and inspected significant terms specified in the contracts.
- C. Performed a cut-off test on samples selected from sales transactions during a certain period before and after the financial reporting date to verify the accuracy of the timing of revenue recognition.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

Wu, Wei-Hao

吳偉豪



Lin, Yu-Kuan

林玉寬

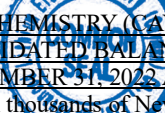


For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2023

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

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


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022	December 31, 2021
Current assets			
1100	Cash and cash equivalents	\$ 235,395	\$ 217,101
1136	Current financial assets at amortised cost, net	64,464	51,156
1170	Accounts receivable, net	69,904	38,456
1180	Accounts receivable - related parties	-	-
1200	Other receivables	-	10,729
1210	Other receivables - related parties	-	-
1220	Current income tax assets	165	148
130X	Inventory	243,547	68,298
1410	Prepayments	54,618	89,005
1470	Other current assets	12,858	5,781
11XX	Total current assets	<u>680,951</u>	<u>480,674</u>
Non-current assets			
1517	Non-current financial assets at fair value through other comprehensive income	-	-
1535	Non-current financial assets at amortised cost, net	20,021	20,000
1550	Investments accounted for under equity method	-	-
1600	Property, plant and equipment	499,675	484,017
1755	Right-of-use assets	4,505	1,249
1780	Intangible assets	7,342	32,346
1840	Deferred income tax assets	13,465	13,465
1900	Other non-current assets	74,072	63,327
15XX	Total non-current assets	<u>619,080</u>	<u>614,404</u>
1XXX	Total assets	<u>\$ 1,300,031</u>	<u>\$ 1,095,078</u>

(Continued)


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022	December 31, 2021
Current liabilities			
2100	Short-term borrowings	\$ 124,568	\$ 150,000
2130	Current contract liabilities	34,654	28,840
2170	Accounts payable	48,848	25,640
2200	Other payables	187,620	117,072
2250	Provisions for liabilities - current	34,818	34,818
2280	Current lease liabilities	2,369	1,249
2320	Long-term liabilities, current portion	15,573	27,957
2365	Current refund liabilities	11,609	6,278
2399	Other current liabilities	10,657	2,685
21XX	Total current liabilities	<u>470,716</u>	<u>394,539</u>
Non-current liabilities			
2540	Long-term borrowings	113,190	203,790
2580	Non-current lease liabilities	2,136	-
25XX	Total non-current liabilities	<u>115,326</u>	<u>203,790</u>
2XXX	Total liabilities	<u>586,042</u>	<u>598,329</u>
Equity attributable to owners of parent			
Share capital			
3110	Common stock	700,000	600,000
Capital surplus			
3200	Capital surplus	515,044	123,521
Accumulated deficit			
3350	Accumulated deficit	(525,471)	(250,893)
Other equity interest			
3400	Other equity interest	24,416	24,121
31XX	Equity attributable to owners of the parent	<u>713,989</u>	<u>496,749</u>
36XX	Non-controlling interest	-	-
3XXX	Total equity	<u>713,989</u>	<u>496,749</u>
Significant contingent liabilities and unrecognised contract commitments			
Significant events after the balance sheet date			
3X2X	Total liabilities and equity	<u>\$ 1,300,031</u>	<u>\$ 1,095,078</u>

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


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

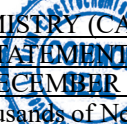
	Items	Notes	Year ended December 31	
			2022	2021
4000	Operating revenue	6(18)	\$ 707,524	\$ 312,868
5000	Operating costs	6(4)(22)(23)	(689,375)	(385,258)
5950	Gross profit (loss) from operations		18,149	(72,390)
	Operating expenses	6(22)(23)		
6100	Selling expenses		(123,221)	(82,900)
6200	Administrative expenses		(198,924)	(117,203)
6300	Research and development expenses		(75,720)	(50,859)
6450	Expected credit impairment gain	7 and 12(2)	-	50,968
6000	Total operating expenses		(397,865)	(199,994)
6900	Operating loss		(379,716)	(272,384)
	Non-operating income and expenses			
7100	Interest income		1,173	375
7010	Other income	6(19) and 7	368	13,399
7020	Other gains and losses	6(20)	(8,564)	(6,007)
7050	Finance costs	6(21)	(11,360)	(9,352)
7055	Expected credit impairment loss	7 and 12(2)	-	(284,717)
7060	Share of profit of associates and joint ventures accounted for using equity method	6(6)	-	-
7000	Total non-operating income and expenses		(18,383)	(286,302)
7900	Loss before income tax		(398,099)	(558,686)
7950	Income tax expense	6(24)	-	-
8200	Loss for the year		<u>(\$ 398,099)</u>	<u>(\$ 558,686)</u>
	Other comprehensive income	6(17)		
	Components of other comprehensive income that will not be reclassified to profit or loss			
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)	\$ -	\$ 8,770
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		295	1,269
8300	Total other comprehensive income for the year		<u>\$ 295</u>	<u>\$ 10,039</u>
8500	Total comprehensive loss for the year		<u>(\$ 397,804)</u>	<u>(\$ 548,647)</u>
	Loss attributable to:			
8610	Owners of parent		(\$ 398,099)	(\$ 558,686)
8620	Non-controlling interests		-	-
	Total		<u>(\$ 398,099)</u>	<u>(\$ 558,686)</u>
	Comprehensive loss attributable to:			
8710	Owners of parent		(\$ 397,804)	(\$ 548,647)
8720	Non-controlling interests		-	-
	Total		<u>(\$ 397,804)</u>	<u>(\$ 548,647)</u>
	Loss per share (in dollars)	6(25)		
9750	Basic loss per share		<u>(\$ 6.00)</u>	<u>(\$ 9.31)</u>

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

ADVANCED LITHIUM ELECTROCHEMICAL (OVERSEAS) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS END 31 DECEMBER 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent						Other Equity Interest			Total	Non-controlling interest	Total equity				
	Capital Reserves			Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			Financial statements translation differences of foreign operations	Accumulated deficit	Other				Capital surplus, share options	Treasury stock transactions	Additional paid-in capital	Share capital - common stock
	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Capital surplus, share options	Others	Accumulated deficit										
2021																
Balance at January 1, 2021	\$ 1,600,197	\$ 116,585	\$ 2,006	\$ -	\$ 4,930	(\$ 679,200)	\$ 22,852	(\$ 21,974)	\$ 1,045,396	\$ 15	\$ 1,045,411					
Loss for the year	-	-	-	-	-	(558,686)	-	-	(558,686)	-	(558,686)					
Other comprehensive income	-	-	-	-	-	-	1,269	8,770	10,039	-	10,039					
Total comprehensive (loss) income	-	-	-	-	-	(558,686)	1,269	8,770	(548,647)	-	(548,647)					
Capital reduction to offset against accumulated deficit	(1,000,197)	-	-	-	-	1,000,197	-	-	-	-	-					
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	(15)	(15)					
Proceeds from disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(13,204)	-	13,204	-	-	-					
Balance at December 31, 2021	\$ 600,000	\$ 116,585	\$ 2,006	\$ -	\$ 4,930	(\$ 250,893)	\$ 24,121	\$ -	\$ 496,749	\$ -	\$ 496,749					
2022																
Balance at January 1, 2022	\$ 600,000	\$ 116,585	\$ 2,006	\$ -	\$ 4,930	(\$ 250,893)	\$ 24,121	\$ -	\$ 496,749	\$ -	\$ 496,749					
Loss for the year	-	-	-	-	-	(398,099)	-	-	(398,099)	-	(398,099)					
Other comprehensive income for the year	-	-	-	-	-	-	295	-	295	-	295					
Total comprehensive (loss) income	-	-	-	-	-	(398,099)	295	-	(397,804)	-	(397,804)					
Issuance of shares	100,000	495,556	-	-	-	-	-	-	595,556	-	595,556					
Compensation costs of employee stock warrants	-	-	-	19,488	-	-	-	-	19,488	-	19,488					
Employee stock warrants expired	-	-	-	(14,787)	14,787	-	-	-	-	-	-					
Employee stock warrants exercised	-	4,701	-	(4,701)	-	-	-	-	-	-	-					
Capital surplus used to offset against accumulated deficit	-	(116,585)	(2,006)	-	(4,930)	123,521	-	-	-	-	-					
Balance at December 31, 2022	\$ 700,000	\$ 500,257	\$ -	\$ -	\$ 14,787	(\$ 525,471)	\$ 24,416	\$ -	\$ 713,989	\$ -	\$ 713,989					

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


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 398,099)	(\$ 558,686)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	-	233,749
Depreciation (including right-of-use assets)	6(22)	55,292	52,762
Amortisation	6(22)	26,069	25,950
Net loss on financial assets at fair value through profit or loss	6(20)	133	1,522
Interest expense	6(21)	11,360	9,352
Interest income		(1,173)	(375)
Loss on disposal of property, plant and equipment	6(20)	-	902
Loss on disposal of investments	6(20)	-	4
Share-based payments	6(13)	19,488	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(133)	(1,522)
Accounts receivable		(31,448)	(31,236)
Accounts receivable-related parties		-	4,755
Other receivables		10,729	(8,873)
Other receivables-related parties		-	46,042
Inventories		(175,249)	(29,590)
Prepayments		34,387	(40,590)
Other current assets		(7,077)	(2,308)
Changes in operating liabilities			
Contract liabilities		5,814	26,823
Accounts payable		23,208	16,502
Other payables		86,875	23,755
Refund liabilities		5,331	2,996
Other current liabilities		7,972	(155)
Cash outflow generated from operations		(326,521)	(228,221)
Interest received		1,173	375
Interest paid		(11,432)	(9,133)
Net cash flows used in operating activities		(336,780)	(236,979)

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through other comprehensive income		\$ -	\$ 10,729
Acquisition of financial assets at amortised cost		(75,536)	(68,855)
Proceeds from disposal of financial assets at amortised cost		62,213	15,000
Proceeds from disposal of subsidiaries (net of cash of subsidiary disposed)		-	28
Acquisition of property, plant and equipment	6(26)	(83,171)	(26,330)
Proceeds from disposal of property, plant and equipment		-	13
Acquisition of intangible assets		(1,065)	(82)
Increase in refundable deposits		(1,112)	(12,578)
Decrease in refundable deposits		231	320
Increase in other non-current assets		(9,864)	-
Net cash flows used in investing activities		<u>(108,304)</u>	<u>(81,755)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		124,568	817,556
Decrease in short-term borrowings		(150,000)	(683,113)
Increase in long-term borrowings		-	105,000
Decrease in long-term borrowings		(102,984)	(18,587)
Payment of lease liabilities	6(27)	(2,205)	(2,336)
Proceeds from issuance of shares	6(14)	<u>595,556</u>	<u>-</u>
Net cash flows from financing activities		<u>464,935</u>	<u>218,520</u>
Effect of changes in foreign currency exchange		(1,557)	(483)
Net increase (decrease) in cash and cash equivalents		18,294	(100,697)
Cash and cash equivalents at beginning of year		<u>217,101</u>	<u>317,798</u>
Cash and cash equivalents at end of year		<u>\$ 235,395</u>	<u>\$ 217,101</u>

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

The Company was established in Cayman Islands on November 16, 2007. As of December 31, 2022, the number of shares authorised amounted to 70,000,000 shares with a par value of \$10 (in dollars) per share, and the paid-in capital was \$700,000.

The Company and its subsidiaries (collectively referred herein as the “Group”) are mainly engaged in the research, manufacture and sales of materials for Lithium Iron Phosphate Nano Co-crystalline Olivine (LFP-NCO) and key materials of Olivine-type structure lithium battery.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 10, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

New standards, interpretations and amendments endorsed by FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- 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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(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 controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Remark
			December 31, 2022	December 31, 2021	
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	100	100	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Manufacturing and installation of electricity generation, transmission and distribution of machinery, and manufacturing and distribution of batteries, cars and peripherals	100	100	Note 1
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Research and development, trading	100	100	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees US, Corp.	Investment holdings	100	100	Note 2
Aleees US, Corp.	Aleees AU Pty. Ltd.	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	100	100	Note 3
Aleees US, Corp.	Aleees Texas, LLC	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	100	-	Note 4
Aleees US, Corp.	Aleees EU SARL	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	100	-	Note 5
Aleees US, Corp.	Aleees UK, Ltd.	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	100	-	Note 6

Note 1: The Board of Directors during its meeting on December 28, 2018 resolved that the date of dissolution of the subsidiary, Aleees Eco Ark Co., Ltd., was on December 31, 2018 and the liquidation will start on January 8, 2019.

Note 2: The registration of Advanced Lithium Electrochemistry (US), LLC was completed on April 13, 2021, and the Company held a 100% equity interest in Advanced Lithium Electrochemistry (US), LLC. On July 6, 2021, the Board of Directors resolved for the Company to change its name to Advanced Lithium Electrochemistry (US), Corp.. In addition, the subsidiary has been renamed as Aleees US, Corp. on April 15, 2022.

Note 3: The registration of Alees AU Pty Ltd. was completed on September 7, 2021, and the

Company held a 100% equity interest in Alees AU Pty. Ltd.. The subsidiary has been renamed as Aleees AU Pty. Ltd. on May 20, 2022.

Note 4: The registration of Aleees Texas, LLC. was completed on March 11, 2022, and the Company held a 100% equity interest in Aleees Texas, LLC.

Note 5: The registration of Aleees EU SARL was completed on April 8, 2022, and the Company held a 100% equity interest in Aleees EU SARL.

Note 6: The registration of Aleees UK, Ltd. was completed on August 31, 2022, and the Company held a 100% equity interest in Aleees UK, Ltd.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

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 settle 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 settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled 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) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

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

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

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

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

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

(9) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) 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; and the

Group has not retained control of the financial asset.

(13) Leasing arrangements (lessor) – operating leases

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.

(14) 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 the normal production capacity and differences that arise during 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.

(15) 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 equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the

amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

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

Buildings and structures	3~26 years
Machinery and equipment	3~8 years
Testing equipment	3~8 years
Office equipment	3~4 years
Others	3~8 years

(17) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable.
The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Intangible assets

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

(19) 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 recognising 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.

(20) Borrowings

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

(21) Notes and accounts payable

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

(22) 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.

(23) 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.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal 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.

(25) 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.

(26) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns

with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the Company's Taiwan subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

(27) 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.

(28) 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.

(29) Revenue recognition

A. Sale Revenue

- (a) The Group manufactures and sells Battery powder. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when

the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) The product is often sold with volume discounts based on aggregate sales over a 6-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales returns, discounts and allowances. Accumulated experience is used to estimate and provide for the sales returns, discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales returns, discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the credit term for sales transaction is consistent with market practice.
- (c) The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- (d) receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical service revenue

- (a) The Group entered into a contract with a customer whereby the Company will grant a licence of patents to the customer. Given that the licence is distinct from other promised goods or services in the contract, the Group recognises the revenue from licencing when the licence is transferred to a customer either at a point in time or over time based on the nature of the licence granted. The nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licencing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a licence is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when the licence is transferred to a customer at a point in time.
- (b) Some contracts require a sales-based royalty in exchange for a licence of intellectual property. The Group recognises revenue when the performance obligation has been satisfied and the subsequent sale occurs.

C. Sales of services

The Group provides manufacturing consulting and support services for cathode materials of

lithium batteries. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the percentage of actual services provided as of the end of the reporting period to the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(30) 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.

(31) 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

Impairment assessment of tangible and intangible assets (excluding goodwill)

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits and checking accounts	\$ 235,395	\$ 217,101

- 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 the balance sheet date is the carrying amount of all cash and cash equivalents.
- B. As of December 31, 2022 and 2021, the Group's time deposits maturing over three months amounted to \$3,070 and \$0, respectively, and were classified as current financial assets at amortised cost.
- C. As of December 31, 2022 and 2021, the Group's cash and cash equivalents pledged to others as collateral amounted to \$81,415 and \$71,156, respectively, and were classified as financial assets at amortised cost. The information on collateral is provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ -	\$ -
	-	-
Valuation adjustment	-	-
	<u>\$ -</u>	<u>\$ -</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$0 as at December 31, 2022 and 2021.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 were \$0 and \$8,770, respectively.
- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents financial assets at fair value through other comprehensive income held by the Group was \$0.
- D. In August 2021, the registration of capital reduction was completed by Advanced Lithium Electrochemistry (Guizhou) Limited. Accordingly, cash amounting to \$96,509 representing the fair value of the capital reduction was returned and the cumulative loss on disposal was \$13,204 which had been reclassified to 'Accumulated deficit'. Refer to Note 7(3) for the details.
- E. The Group has no financial assets at fair value through other comprehensive income pledged to

others as collateral.

(3) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable – third parties	\$ 89,850	\$ 58,402
Accounts receivable – related parties	91,108	91,108
	<u>180,958</u>	<u>149,510</u>
Less: Allowance for bad debts	(111,054)	(111,054)
	<u>\$ 69,904</u>	<u>\$ 38,456</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 68,225	\$ 21,135
Up to 30 days	-	8,870
31 to 90 days	1,679	8,451
91 to 180 days	-	-
Over 180 days	111,054	111,054
	<u>\$ 180,958</u>	<u>\$ 149,510</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$123,029.
- C. For the years ended December 31, 2022 and 2021, interest income recognised in profit or loss was \$0 for both periods.
- D. The Group has no notes and accounts receivable pledged to others as collateral.
- E. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes receivable and accounts receivable held by the Group was the book value.
- F. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2022		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	\$ 112,180	(\$ 3,876)	\$ 108,304
Work in progress	8,175	(287)	7,888
Semi-finished goods	73,956	(18,082)	55,874
Finished goods	91,324	(19,843)	71,481
	<u>\$ 285,635</u>	<u>(\$ 42,088)</u>	<u>\$ 243,547</u>

	December 31, 2021		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	\$ 34,384	(\$ 1,623)	\$ 32,761
Work in progress	7,947	(2,329)	5,618
Semi-finished goods	20,573	(5,187)	15,386
Finished goods	19,855	(5,322)	14,533
	<u>\$ 82,759</u>	<u>(\$ 14,461)</u>	<u>\$ 68,298</u>

Expenses and losses incurred on inventories for the year:

	Years ended December 31,	
	2022	2021
Cost of inventories sold	\$ 559,298	\$ 308,318
Loss on decline in market value (gain from price recovery of inventory)	27,628 (7,322)
Loss on scrapping inventory	14,778	4,219
Unallocated fixed overhead cost	87,671	80,043
	<u>\$ 689,375</u>	<u>\$ 385,258</u>

For the year ended December 31, 2021, the gain on reversal resulted from the enhancement of inventories management.

(5) Prepayments

	December 31, 2022	December 31, 2021
Prepayment for purchases	\$ 5,362	\$ 44,083
Overpaid sales tax	37,554	34,805
Others	11,702	10,117
	<u>\$ 54,618</u>	<u>\$ 89,005</u>

(6) Investments accounted for under equity (December 31, 2022 and 2021 : None.)

Basic information

<u>Company name</u>	<u>Location</u>	<u>Interest held</u> December 31, 2021	<u>Relationship</u>	<u>Measurement</u> method
Emerald Batter Technologies Co., Ltd.	Taiwan	Note 1	Strategic alliance	Equity method

Note 1: The Company sold its 100% equity interest in Emerald Battery Technologies Co., Ltd. on March 5, 2021, and accordingly, the Company lost its control over the subsidiary. Refer to Note 6 (26) for the details of the disposal.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery equipment	Testing equipment	Office equipment	Leasehold improvements	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2022</u>									
Cost	\$ 147,910	\$ 192,593	\$ 620,329	\$ 106,108	\$ 1,576	\$ 510	\$ 295,497	\$ 16,860	\$ 1,381,383
Accumulated depreciation and impairment	-	(73,707)	(557,891)	(80,768)	(1,214)	(510)	(183,276)	-	(897,366)
	<u>\$ 147,910</u>	<u>\$ 118,886</u>	<u>\$ 62,438</u>	<u>\$ 25,340</u>	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 112,221</u>	<u>\$ 16,860</u>	<u>\$ 484,017</u>
<u>2022</u>									
Opening net book amount as at January 1	\$ 147,910	\$ 118,886	\$ 62,438	\$ 25,340	\$ 362	\$ -	\$ 112,221	\$ 16,860	\$ 484,017
Additions	-	2,773	19,612	5,083	5	-	22,503	16,940	66,916
Reclassifications	-	-	7,614	-	-	-	-	(7,614)	-
Net exchange differences	-	-	-	-	-	-	-	1,829	1,829
Depreciation charge	-	(6,752)	(18,196)	(4,484)	(168)	-	(23,487)	-	(53,087)
Closing net book amount as at December 31	<u>\$ 147,910</u>	<u>\$ 114,907</u>	<u>\$ 71,468</u>	<u>\$ 25,939</u>	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 111,237</u>	<u>\$ 28,015</u>	<u>\$ 499,675</u>
<u>At December 31, 2022</u>									
Cost	\$ 147,910	\$ 195,366	\$ 643,623	\$ 107,529	\$ 1,573	\$ 510	\$ 313,565	\$ 28,015	\$ 1,438,091
Accumulated depreciation and impairment	-	(80,459)	(572,155)	(81,590)	(1,374)	(510)	(202,328)	-	(938,416)
	<u>\$ 147,910</u>	<u>\$ 114,907</u>	<u>\$ 71,468</u>	<u>\$ 25,939</u>	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 111,237</u>	<u>\$ 28,015</u>	<u>\$ 499,675</u>

	Land	Buildings and structures	Machinery equipment	Testing equipment	Office equipment	Leasehold improvements	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2021</u>									
Cost	\$ 147,910	\$ 191,755	\$ 608,868	\$ 99,014	\$ 1,732	\$ 510	\$ 279,622	\$ 7,558	\$ 1,336,969
Accumulated depreciation and impairment	-	(67,525)	(542,787)	(76,225)	(1,203)	(510)	(168,767)	-	(857,017)
	<u>\$ 147,910</u>	<u>\$ 124,230</u>	<u>\$ 66,081</u>	<u>\$ 22,789</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ 110,855</u>	<u>\$ 7,558</u>	<u>\$ 479,952</u>
<u>2021</u>									
Opening net book amount as at January 1	\$ 147,910	\$ 124,230	\$ 66,081	\$ 22,789	\$ 529	\$ -	\$ 110,855	\$ 7,558	\$ 479,952
Additions	-	2,175	14,346	3,005	-	-	21,684	14,196	55,406
Disposals	-	(915)	-	-	-	-	-	-	(915)
Reclassifications	-	225	120	4,125	-	-	424	(4,894)	-
Depreciation charge	-	(6,829)	(18,109)	(4,579)	(167)	-	(20,742)	-	(50,426)
Closing net book amount as at December 31	<u>\$ 147,910</u>	<u>\$ 118,886</u>	<u>\$ 62,438</u>	<u>\$ 25,340</u>	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 112,221</u>	<u>\$ 16,860</u>	<u>\$ 484,017</u>
<u>At December 31, 2021</u>									
Cost	\$ 147,910	\$ 192,593	\$ 620,329	\$ 106,108	\$ 1,576	\$ 510	\$ 295,497	\$ 16,860	\$ 1,381,383
Accumulated depreciation and impairment	-	(73,707)	(557,891)	(80,768)	(1,214)	(510)	(183,276)	-	(897,366)
	<u>\$ 147,910</u>	<u>\$ 118,886</u>	<u>\$ 62,438</u>	<u>\$ 25,340</u>	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 112,221</u>	<u>\$ 16,860</u>	<u>\$ 484,017</u>

A. No interest was capitalised to property, plant and equipment for the years ended December 31, 2022 and 2021.

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

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

(8) Leasing arrangements – lessee

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The warehouses leased by the Group have lease terms which were not longer than 12 months.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 4,505	\$ 1,249
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 2,205	\$ 2,336

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$5,461 and \$0, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Expense on short-term lease contracts	\$ 5,053	\$ 6

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$7,258 and \$2,342, respectively.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			Current financial assets
Secured borrowings	\$ 124,568	2.82%~5.95%	at amortised cost, net and Property, plant and equipment
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			Property, plant and
Secured borrowings	\$ 150,000	2.25%	equipment

For the years ended December 31, 2022 and 2021, interest expense arising from short-term borrowings that were recognised in profit or loss amounted to \$4,951 and \$3,374, respectively.

(10) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages and salaries payable	\$ 52,293	\$ 25,309
Professional services fees	5,231	10,222
Payables on equipment	15,757	32,012
Payable on consumables	7,537	7,296
Others	<u>106,802</u>	<u>42,233</u>
	<u>\$ 187,620</u>	<u>\$ 117,072</u>

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Sunny Bank secured borrowings	Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly	3.75%	Property, plant and equipment	\$ 28,632
"	Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly	2.82%	"	60,681
"	Dec. 28, 2021 ~ Dec. 28, 2028, interest and principal payable monthly	4.84%	Property, plant and equipment and Non- current financial assets at amortised cost, net	<u>39,450</u>
				128,763
Less: Current portion				(15,573)
				<u>\$ 113,190</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Sunny Bank secured borrowings	Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly	3.75%	Property, plant and equipment	\$ 66,333
"	Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly	2.25%	"	64,689
"	May 10, 2021 ~ May 10, 2028, interest and principal payable monthly (Note 1)	4.75%	"	55,725
"	Dec. 28, 2021 ~ Dec. 28, 2028, interest and principal payable monthly	4.75%	Property, plant and equipment and Non- current financial assets at amortised cost, net	<u>45,000</u>
				231,747
Less: Current portion				(27,957)
				<u>\$ 203,790</u>

Interest expense on the long-term borrowings recognised in profit or loss amounted to \$6,409 and

\$5,978 for the years ended December 31, 2022 and 2021, respectively.

Note 1: The borrowings have been repaid in advance in June 2022.

(12) Pensions

- A. Effective July 1, 2005, Advanced Lithium Electrochemistry Co., Ltd., Aleees Eco Ark Co., Ltd. and Emerald Battery Technologies 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 contribution methods of the subsidiaries of the Company's subsidiaries, Aleees EU SARL and Aleees Texas, LLC, are not mandatorily required by local laws and regulations and vary according to the system of individual entity.
- D. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$6,224 and \$4,868, respectively.

(13) Share-based payment

- A. For the year ended December 31, 2022, the Group’s share-based payment arrangements were as follows (For the year ended December 31, 2021: None.):

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2022.3.23	742	NA	Vested immediately

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

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per share (in dollars)
Cash capital increase reserved for employee preemption	2022.3.23	\$ 86.1	\$ 60.0	63.02%	0.09 years	-	0.59%	\$ 26.2643

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

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

	Years ended December 31,	
	2022	2021
Equity-settled	\$ 19,488	\$ -

(14) Share capital

A. As of December 31, 2022, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was \$700,000 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2022	2021
Options outstanding at January 1	60,000,000	160,019,664
Cash capital increase	10,000,000	-
Capital reduction to cover the deficit	-	(100,019,664)
Options outstanding at December 31	70,000,000	60,000,000

C. As resolved by the shareholders during their meeting on June 27, 2016, the Company planned to privately issue 46,000 thousand shares (9,283 thousand shares after capital reduction) with par value of \$10 per share. On August 23, 2016, the Board of Directors approved the price of private placement at \$35. The rights and obligations afforded by the ordinary shares in the private placement are the same with issued shares except that the shares in the private placement are not allowed to be traded freely within three years after delivery pursuant to Article 43-8 of Securities and Exchange Act.

D. On April 15, 2021, the shareholders during their meeting resolved to reduce capital of 67,920 thousand shares in the ratio of 42.4447679% to offset against accumulated deficit. The capital reduction was completed in May 2021.

E. On October 7, 2021, the shareholders during their special meeting resolved to reduce capital of 32,100 thousand shares in the ratio of 34.8532002% to offset against accumulated deficit. The capital reduction was completed in November 2021.

F. On December 10, 2021, the Board of Directors during its meeting resolved to increase its capital by issuing 10,000 thousand new shares with a par value of NT\$10 (in dollars) per share, which was approved by the FSC on March 8, 2022. The issuance price was NT\$60 (in dollars) per share, and the capital increase was completed in May 2022.

(15) 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.

(16) 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) Pay all taxes;
- (b) The current year's earnings are to offset prior years' operating losses;
- (c) 10% of the remaining amount shall be set aside as legal reserve, until the legal reserve equals the total capital stock balance;
- (d) Set aside as special reserve in accordance with regulations governing listed companies or requests of the competent authority;
- (e) After setting aside in accordance with (a) through (c) stated above, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

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

B. The Company has incurred operating losses for the year ended December 31, 2022, and thus had no earnings for distribution.

(17) Other equity items

	2022		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	\$ -	\$ 24,121	\$ 24,121
Foreign currency translation - Group	-	295	295
At December 31	\$ -	\$ 24,416	\$ 24,416

	2021		
	Unrealised gains (losses) on valuation	Currency translation	Total
	At January 1	(\$ 21,974)	\$ 22,852
Valuation adjustment	8,770	-	8,770
Valuation adjustment to accumulated deficit	13,204	-	13,204
Foreign currency translation - Group	-	1,269	1,269
At December 31	<u>\$ -</u>	<u>\$ 24,121</u>	<u>\$ 24,121</u>

(18) Operating revenue

	2022	2021
Revenue from contracts with customers	<u>\$ 707,524</u>	<u>\$ 312,868</u>

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

<u>Year ended December 31, 2022</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Battery powder	\$255,195	\$ 281,342	\$ 69,309	\$ 4,270	\$610,116
Technology licencing	-	-	97,408	-	97,408
	<u>255,195</u>	<u>281,342</u>	<u>166,717</u>	<u>4,270</u>	<u>707,524</u>
Over time					
Consulting services	-	-	-	-	-
	<u>\$255,195</u>	<u>\$ 281,342</u>	<u>\$166,717</u>	<u>\$4,270</u>	<u>\$707,524</u>
<u>Year ended December 31, 2021</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Battery powder	\$174,091	\$ 63,788	\$73,554	\$ 1,435	\$ 312,868
Technology licencing	-	-	-	-	-
	<u>174,091</u>	<u>63,788</u>	<u>73,554</u>	<u>1,435</u>	<u>312,868</u>
Over time					
Consulting services	-	-	-	-	-
	<u>\$ 174,091</u>	<u>\$ 63,788</u>	<u>\$73,554</u>	<u>\$ 1,435</u>	<u>\$ 312,868</u>

A. Contract liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities- product sales contract	<u>\$ 34,654</u>	<u>\$ 28,840</u>	<u>\$ 2,017</u>

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

	Years ended December 31,	
	2022	2021
Product sales contract	\$ 28,516	\$ 1,652

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

	December 31, 2022	December 31, 2021
Current asset recognised as right to recover products (shown as 'Other current assets')	\$ 9,898	\$ 5,183
Current refund liabilities	(11,609)	(6,278)
	(\$ 1,711)	(\$ 1,095)

C. The Group's operating revenue was affected by the preventive measures implemented locally at the customers' country as a result of the COVID-19 pandemic for 2021. The impact on the Group's operations will depend on the subsequent situation of the pandemic.

(19) Other income

	Years ended December 31,	
	2022	2021
Rental income	\$ -	\$ 4,202
Government grants	203	4,880
Other income	165	4,317
	\$ 368	\$ 13,399

(20) Other gains and losses

	Years ended December 31,	
	2022	2021
Losses on disposals of property, plant and equipment	\$ -	(\$ 902)
Losses on disposals of investments	-	(4)
Foreign exchange losses	(8,401)	(963)
Losses on financial assets at fair value through profit or loss	(133)	(1,522)
Other losses	(30)	(2,616)
	(\$ 8,564)	(\$ 6,007)

(21) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense	\$ 11,360	\$ 9,352

(22) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 235,669	\$ 135,708
Depreciation charges on property, plant and equipment	53,087	50,426
Depreciation charges on right-of-use assets	2,205	2,336
Amortisation charges on intangible assets	26,069	25,950

(23) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 193,184	\$ 117,402
Share-based payments	19,488	-
Labour and health insurance fees	11,905	9,614
Pension costs	6,224	4,868
Other personnel expenses	4,868	3,824
	<u>\$ 235,669</u>	<u>\$ 135,708</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1% to 10% for employees' compensation and shall not be higher than 1% for directors' remuneration.
- B. The Company had an accumulated deficit as of December 31, 2022 and 2021, thus, the Company did not recognise employees' compensation and directors' and supervisors' remuneration.
- C. Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

- (a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Prior year income tax overestimation	-	-
Total current tax:	<u>\$ -</u>	<u>\$ -</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>\$ -</u>	<u>\$ -</u>
Income tax expense (benefit)	<u>\$ -</u>	<u>\$ -</u>

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

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

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on loss before tax and statutory tax rate	(\$ 64,423)	(\$ 43,986)
Effects from items adjusted in accordance with tax regulation	3,314	419
Tax exempt income by tax regulation	(41)	(976)
Taxable loss not recognised as deferred tax assets	56,514	57,997
Temporary differences not recognised as deferred tax assets	4,636	(2,519)
Change in assessment of realisation of deferred tax assets.	-	(10,935)
Income tax expense (benefit)	<u>\$ -</u>	<u>\$ -</u>

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

	2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Taxable loss	<u>\$ 13,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,465</u>

	2021				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Taxable loss	\$ 13,465	\$ -	\$ -	\$ -	\$ 13,465

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

Year ended December 31, 2022					
Year incurred	Amount		Unrecognised deferred tax		Expiry year
	filed / Assessed	Unused amount	assets		
2013	\$ 291,799	\$ 183,521	\$ 116,198		2023
2014	366,800	366,800	366,800		2024
2015	418,448	418,448	418,448		2025
2016	162,344	162,344	162,344		2026
2017	162,179	162,179	162,179		2027
2018	269,026	269,026	269,026		2028
2019	345,879	345,879	345,879		2029
2020	409,055	409,055	409,055		2030
2021	289,983	289,983	289,983		2031
2022	270,598	270,598	270,598		2032
	<u>\$ 2,986,111</u>	<u>\$ 2,877,833</u>	<u>\$ 2,810,510</u>		

Year ended December 31, 2021					
Year incurred	Amount		Unrecognised deferred tax		Expiry year
	filed / Assessed	Unused amount	assets		
2012	\$ 269,195	\$ 47,640	\$ -		2022
2013	291,799	183,521	163,838		2023
2014	366,800	366,800	366,800		2024
2015	418,448	418,448	418,448		2025
2016	162,344	162,344	162,344		2026
2017	162,179	162,179	162,179		2027
2018	269,026	269,026	269,026		2028
2019	345,879	345,879	345,879		2029
2020	409,055	409,055	409,055		2030
2021	289,983	289,983	289,983		2031
	<u>\$ 2,984,708</u>	<u>\$ 2,654,875</u>	<u>\$ 2,587,552</u>		

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

	December 31,	
	2022	2021
Deductible temporary differences	\$ 349,750	\$ 326,570

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

G. The income tax returns of Aleees Eco Ark Co., Ltd. through 2018 have been assessed and approved by the Tax Authority.

H. The income tax returns of Advanced Lithium Electrochemistry Co. through 2020 have been assessed and approved by the Tax Authority.

(25) Loss per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 398,099)	66,384	(\$ 6.00)

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 558,686)	60,000	(\$ 9.31)

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 66,916	\$ 55,406
Add: Opening balance of payable on equipment	32,012	2,936
Less: Ending balance of payable on equipment	(15,757)	(32,012)
Cash paid during the year	\$ 83,171	\$ 26,330

B. The Group sold 99.7% of shares in Emerald Battery Technologies Co., Ltd. on March 5, 2021 and therefore lost control over the subsidiary. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	<u>March 5, 2021</u>
Consideration received	
Cash	\$ <u>4,935</u>
Carrying amount of the assets and liabilities	
Cash	\$ 4,907
Prepayments	<u>32</u>
Total net assets	<u>\$ 4,939</u>

(27) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Other payables- related parties</u>	<u>Lease liabilities</u>
At January 1, 2022	\$ 150,000	\$ 231,747	\$ -	\$ 1,249
Changes in cash flow from financing activities	(25,432)	(102,984)	-	(2,205)
Changes in other non-cash items	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,461</u>
At December 31, 2022	<u>\$ 124,568</u>	<u>\$ 128,763</u>	<u>\$ -</u>	<u>\$ 4,505</u>
	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Other payables- related parties</u>	<u>Lease liabilities</u>
At January 1, 2021	\$ 15,557	\$ 145,334	\$ 87,540	\$ 6,107
Changes in cash flow from financing activities	134,443	86,413	-	(2,336)
Changes in other non-cash items (Note)	<u>-</u>	<u>-</u>	<u>(87,540)</u>	<u>(2,522)</u>
At December 31, 2021	<u>\$ 150,000</u>	<u>\$ 231,747</u>	<u>\$ -</u>	<u>\$ 1,249</u>

Note: For other non-cash changes of other payables-related parties, refer to Note 7(3).

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party: None.

(2) Names of related parties and relationship:

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

Note 1: The Company disposed all its investment in Emerald Battery Technologies Co., Ltd. in March 2021, thus, this company was considered an associate from then on.

Note 2: The Company disposed all its investment in Advanced Lithium Electrochemistry (Guizhou) Limited in August 2021, thus, this company was not considered a related party from then on. The company was renamed as Guizhou Gui'an Industry Real Estate Co., Ltd..

(3) Significant related party transactions and balances:

A. Receivables from related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
- Other related parties		
FDG Investment Holdings Limited	\$ 68,523	\$ 68,523
Tianjin Sinopoly New Energy Technology Co., Ltd.	14,316	14,316
Others	8,269	8,269
	<u>91,108</u>	<u>91,108</u>
Less: Allowance for bad debts		
FDG Investment Holdings Limited	(68,523)	(68,523)
Tianjin Sinopoly New Energy Technology Co., Ltd.	(14,316)	(14,316)
Others	(8,269)	(8,269)
	<u>(91,108)</u>	<u>(91,108)</u>
	<u>\$ -</u>	<u>\$ -</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables:		
- Other related parties		
FDG Investment Holdings Limited	\$ -	\$ -
Aleees Eco Ark (Ningbo) Ltd.	<u>10,641</u>	<u>10,641</u>
	10,641	10,641
Less: Allowance for bad debts		
FDG Investment Holdings Limited	-	-
Aleees Eco Ark (Ningbo) Ltd.	<u>(10,641)</u>	<u>(10,641)</u>
	<u>(10,641)</u>	<u>(10,641)</u>
	<u>\$ -</u>	<u>\$ -</u>

B. Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term receivables		
- Other related party		
FDG Electric Vehicles Limited	\$ 1,126,688	\$ 1,126,688
Less: Allowance for bad debts		
FDG Electric Vehicles Limited	<u>(1,126,688)</u>	<u>(1,126,688)</u>
	<u>\$ -</u>	<u>\$ -</u>

- (a) On August 25, 2016, the Company invested in five-year unlisted convertible bonds with zero coupon rate issued by FDG Electric Vehicles Limited. The principal of the bond amounted to HK\$275,000,000 upon maturity with conversion price of HK\$0.5. Within 183 days after one year from the completion date of purchase (including the first and the last days), either disposal of such convertible bonds or trading of converted shares are restricted according to the purchase agreement.
- (b) The share consolidation implemented by FDG Electric Vehicles Limited was effective on September 5, 2019, thus, the conversion price of the Company's convertible bonds was increased from HK\$0.5 to HK\$10.
- (c) On August 19, 2020, FDG Electric Vehicles Limited announced that its joint and several provisional liquidators had provided notice to former Board of Directors to terminate their position immediately in the HKEX. The joint and several provisional liquidators are fully responsible for the company's management since the appointment. Due to the aforementioned event, the Company will have the right to ask the company to pay the unpaid principal of the convertible bonds immediately in accordance with the terms of convertible bonds. On August 31, 2020, the Company issued an immediate repayment request to FDG Electric Vehicles Limited and appointed lawyers to handle subsequent legal matters. In addition, the Company had already carefully assessed the related information on financial condition of FDG Electric Vehicles Limited and its subsidiaries, and estimates its potential loss taking into consideration its financial ability and repayment terms.

C. Other transactions

	Years ended December 31,	
	2022	2021
FDG Investment Holdings Limited	\$ -	\$ 4,200
FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.	-	3,941
	<u>\$ -</u>	<u>\$ 8,141</u>

D. In 2017, the Group formally entered into a cooperative investment agreement with the Management Committee of Guizhou Guian New Area (through its wholly-owned affiliate, Development Investment Co., Ltd., hereinafter referred to as ‘Guian New Area’) and FDG Investment Limited (through its wholly-owned affiliate, FDG Kinetic (Guian) Holdings Limited). The joint venture company was established with a registered capital of RMB 250 million. FDG Investment Limited, Guian New Area, and the Company, holds 51%, 40% and 9% equity interest, respectively. In February 2021, the shareholders of Advanced Lithium Electrochemistry (Guizhou) Limited during their meeting resolved to reduce the capital by returning cash. The registration of capital reduction was completed by the end of August 2021. The proceeds from the aforementioned capital reduction have been fully collected and offset against the Group’s borrowing from Advanced Lithium Electrochemistry (Guizhou) Limited.

(4) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 10,875	\$ 5,450
Post-employment benefits	121	119
	<u>\$ 10,996</u>	<u>\$ 5,569</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Bank deposits (shown as ‘Current and Non-current financial assets at amortised cost, net’)	\$ 81,415	\$ 71,156	Short-term and long-term borrowings, letters of credit, trust and pledge for customs
Refundable deposits paid (recognised in other non-current assets)	62,380	62,386	Asset preservation and pledge for customs
Property, plant and equipment	262,817	266,797	Short-term and long-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

A. On July 18, 2016, the Group’s subsidiary, Aleees Eco Ark Co., Ltd. (hereafter referred as “Aleees”)

received a notice of civil charge issued by Hsinchu District Court No. 105-Zon-Su-Zi-147 and on April 6, 2017, received continued indictment (hereafter referred as “Zon-Su-Zi-147”). In addition to that, a bill of indictment issued by Hsinchu District Court No. 107-Zon-Su-Zi-216 (hereafter referred as “Zon-Su-Zi-216”) was received by Aleees on October 31, 2018. The civil charges Zon-Su-Zi-147 and Zon-Su-Zi-216 were filed by Hsin Chu Bus Co., Ltd. claiming for compensation for the driver’s fee totaling \$34,946 and \$51,030, respectively, plus interest at 5% per annum until the debt is repaid. In its verdict on Zon-Su-Zi-147, the Hsinchu District Court stated that the accused, Aleees, shall compensate the complainant, Hsin Chu Bus Co., Ltd., for the driver’s fee. In the Group’s opinion, Aleees is not entirely accountable for the driver’s fee, which involved the issue regarding land utilisation for recharging. As the Group believes that there was misinterpretation of the facts during the first trial, the Group has filed an appeal with the Taiwan High Court (No. 107-Zon-Su-Zi-805 (hereafter referred as “Zon-Su-Zi-805”)), which had been denied by the Taiwan High Court on June 27, 2019. On August 18, 2022, as stated in the judgement No.109-Tai-Shang-Zhi-002292 of the Supreme Court, the original judgment was rescinded and remanded back to the Taiwan High Court for retrial. As of the report date, the ultimate outcome of the case cannot presently be determined. However, the Group has recognised the amount of possible losses after evaluation. The oral argument procedure for Zon-Su-Zi-216 was originally set on January 24, 2019 but the argument for the case is the same as that for No.109-Tai-Shang-Zhi-002292 of the Supreme Court, Aleees is not entirely accountable for the driver’s fee. In order to avoid the differences in the judgments between two cases, the court decided to cease the appeal procedures for Zon-Su-Zi-216 on January 22, 2019. As of the report date, the effect to the Group cannot be estimated.

The land utilisation for recharging was recognised as illegal use by the government authority and Aleees believes it cannot provide recharge service due to the problem of land use right. The problem was caused by Hsinchu City Government handing over the land to Hsin Chu Bus Co., Ltd. which then commissioned Aleees to provide recharge service. However, Aleees was mandatorily asked to demolish any structures built on the land and recover the land, causing damages to Aleees. Thus, on July 6, 2017, Aleees filed for state compensation with the Hsinchu District Court against Hsinchu City Government, seeking for \$10,000 as compensation, and retained the right of claim for the remaining amount. The case is under trial with the Hsinchu District Court (No.106- Zon-Guo--Zi-2) and in order to avoid the differences in the judgments between the case and the abovementioned No.109-Tai-Shang-Zhi-002292, the court decided to cease the appeal procedures for Zon-Su-Zi-2 on October 24, 2018. As of the report date, the ultimate outcome of the case cannot presently be determined.

- B. The Company and FDG Electric Vehicles (Group) Co., Ltd. (hereinafter referred to as “FDG Electric Vehicles Limited”) established a long-term cooperative relationship, whereby both parties made investment in each other to achieve capital cooperation during the year ended December 31, 2016. In August 2020, the Company asked FDG Electric Vehicles Limited to early repay the

convertible corporate bonds, but FDG Electric Vehicles Limited did not repay the bonds. To ensure the right of the Company and shareholders, the Company filed with the court a request for a ruling that prohibits the borrower, FDG Investment Holdings Limited (hereinafter referred to as FDG Investment Holdings), which is a subsidiary of FDG Electric Vehicles Limited, to transfer, pledge and dispose its shareholding of the Company's 9,283 thousand private placement shares (after completing the capital reduction in 2021). The Company pledged \$50,000 as collateral to the Taiwan Taipei District Court and received the execution order from the Court in December 2020 (Bei-Yuan-Zhong 109 Si-Zhi-Quan-Mu-Zi No. 644). Subsequently, the Company filed with the court a request for a ruling that prohibits FDG Investment Holdings to exercise the rights of shareholders on its shareholding of the Company's 9,283 thousand private placement shares (after completing the capital reduction in 2021). The Company pledged \$9,380 as collateral to the Taiwan Taoyuan District Court and received the execution order from the Court in April 2021 (110 Si-Zhi-Quan-Zi No. 78).

(2) Commitments

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 9,644</u>	<u>\$ 28,138</u>

B. Licence reauthorization contract:

- (a) The Group has signed a licence reauthorization contract with LiFePO₄+C Licencing AG on July 4, 2011. The contract requires the Group to construct a plant and produce cathode materials for Lithium iron phosphate (LiFePO₄) with annual production of 1,000 tons in Quebec, Canada during the extended 3 years as stated in the contract (before July 4, 2014).
- (b) The Group assessed that the needs in American and European markets were lower than its expectation, thus, the Group and LiFePO₄+C Licencing AG completed an amendment for the licence reauthorization contract on August 26, 2013. The amendment extends the construction of the plant and the completion requirement for operation for 12 months, which is, to build a cathode materials plant with a minimum of annual production of 1,000 tons in Quebec, Canada as of July 4, 2015. If the Group fails to build the plant on schedule, LiFePO₄+C Licencing AG has the right to claim an extension fee of US\$300,000 and to terminate the licence 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 Licencing AG completed an amendment for the licence reauthorization contract on November 19, 2014. The amendment states that the Group can choose to build a powder plant, battery plant, battery module plant or electric bus system integration plant in Quebec, Canada, whereby the capital expenditure shall be at least US\$6 million as of July 4, 2015, and that the average annual full-time employment shall be at least 10 employees as of July 4, 2018. If the Group fails to meet its

obligations as stated in the amendment and thus influences rights of the licence contract, there may be an impact on the Group's operations and financial position.

- (d) The Group has negotiated with LiFePO₄+C Licencing AG to terminate the aforementioned licence reauthorization contract by consent on September 21, 2021. However, as LiFePO₄+C Licencing AG still had unresolved issues with the contract termination, the subsequent relevant legal matters are ongoing. In addition, due to prudent consideration, the Group still prepared and amortised related expenses in accordance with IFRSs.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors during its meeting on March 10, 2023 adopted the following resolution:

To purchase equipment for promoting its licencing business, repay bank borrowings and replenish working capital for improving its financial structure, the Company plans to carry out a cash capital increase by issuing new shares of no more than 13,000 thousand shares in total (10% of the total number of newly issued shares shall be reserved for employee preemption under the Articles of Incorporation of the Company and another 10% shall be offered to the public for subscription under the Securities and Exchange Act) with a par value of NT\$10 (in dollars) per share.

12. OTHERS

(1) Capital management

The Group monitors capital on the basis of the gearing ratio, taking into account that the Group belongs to an emerging industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 253,331	\$ 381,747
Less: Cash and cash equivalents	(235,395)	(217,101)
Net debt	17,936	164,646
Total equity	<u>713,989</u>	<u>496,749</u>
Total capital	<u>\$ 731,925</u>	<u>\$ 661,395</u>
Debt to capital ratio	<u>2%</u>	<u>25%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 235,395	\$ 217,101
Current and non-current financial assets at amortised cost, net	84,485	71,156
Accounts receivable (including related parties)	69,904	38,456
Other receivables (including related parties)	-	10,729
Guarantee deposits paid (shown as 'Other current assets')	64,208	63,327
Long-term receivables-related parties	-	-
	<u>\$ 453,992</u>	<u>\$ 400,769</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 124,568	\$ 150,000
Accounts payable	48,848	25,640
Other accounts payable (including related parties)	187,620	117,072
Long-term borrowings (including current portion)	128,763	231,747
Refund liabilities	11,609	6,278
	<u>\$ 501,408</u>	<u>\$ 530,737</u>
Lease liabilities	<u>\$ 4,505</u>	<u>\$ 1,249</u>

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 abovementioned 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 cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

- and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
 - iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group expected that currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
 - iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 16,803	30.71	\$ 516,020
HKD : NTD	275,000	3.94	1,082,950
RMB : NTD	23,312	4.408	102,759
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,141	30.71	\$ 157,880
December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 6,332	27.68	\$ 175,270
HKD : NTD	275,000	3.560	979,000
RMB : NTD	4,193	4.344	18,214
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 847	27.68	\$ 23,445

- v. The total exchange (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$8,401 and \$963, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2022		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income (loss)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 5,160	\$ -
HKD : NTD	1%	10,830	-
RMB : NTD	1%	1,028	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 1,579)	\$ -

	Year ended December 31, 2021		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income (loss)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 1,753	\$ -
HKD : NTD	1%	9,790	-
RMB : NTD	1%	182	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 234)	\$ -

Price risk

None.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings are at floating rates. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in NTD.
- ii. At December 31, 2022 and 2021, if interest rates on NTD denominated borrowings had

been 0.25% higher with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021, would have been \$507 and \$764 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, including outstanding receivables and contractual cash flows of debt instruments at fair value through profit or loss. For bank and financial institutions, only institutions with good credit quality are accepted.
- ii. The Group adopts the assumption under IFRS 9 that if the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. In line with credit risk management procedure, the default occurs when the contract payments are not expected to be recovered and are reclassified to overdue receivables.
- iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with product types. The Group applies the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

	Individual disclosure	Not past due	Up to 60 days past due	61-120 days past due	121-180 days past due	181-360 days past due	Over 360 days	Total
<u>December 31, 2022</u>								
Expected loss rate	100%	0%	0%	0%	0%	0-7%	100%	
Total book value								
- Accounts receivable	\$ 3,220	\$ 68,225	\$ 1,218	\$ 461	\$ -	\$ -	\$ 107,834	\$ 180,958
- Other receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,641	\$ 10,641
Loss allowance	\$ 3,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,475	\$ 121,695

Long-term accounts receivable (included in other non-current assets)

Expected loss rate	100%	0%	0%	0%	0%	0%	0%	
Total book value	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688
Loss allowance	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688

	Individual disclosure	Not past due	Up to 60 days past due	61-120 days past due	121-180 days past due	181-360 days past due	Over 360 days	Total
<u>December 31, 2021</u>								
Expected loss rate	100%	0%	0%	0%	0%	0-20%	100%	
Total book value								
- Accounts receivable	\$ 3,220	\$ 21,135	\$ 17,321	\$ -	\$ -	\$ -	\$ 107,834	\$ 149,510
- Other receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,641	\$ 10,641
Loss allowance	\$ 3,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,475	\$ 121,695

Long-term accounts receivable (included in other non-current assets)

Expected loss rate	100%	0%	0%	0%	0%	0%	0%	
Total book value	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688
Loss allowance	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688

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

	2022			
	Accounts receivable	Other receivables	Long-term receivables	Total
At January 1	\$ 111,054	\$ 10,641	\$ 1,126,688	\$ 1,248,383
Provision for impairment	-	-	-	-
At December 31	\$ 111,054	\$ 10,641	\$ 1,126,688	\$ 1,248,383

	2021			
	Accounts receivable	Other receivables	Long-term receivables	Total
At January 1	\$ 115,935	\$ 56,728	\$ 841,971	\$ 1,014,634
Provision for impairment	-	-	284,717	284,717
Reversal of impairment loss	(4,881)	(46,087)	-	(50,968)
At December 31	<u>\$ 111,054</u>	<u>\$ 10,641</u>	<u>\$ 1,126,688</u>	<u>\$ 1,248,383</u>

For provisioned loss in 2022 and 2021, the impairment losses (gains) arising from customers' contracts and other receivables are \$0 and (\$50,968), respectively. In addition, loss recognised from long-term receivables amounted to \$0 and \$284,717, respectively.

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

(c) Liquidity risk

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

- ii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	\$ 229,182	\$ 211,383
Expiring more than one year	-	-
	<u>\$ 229,182</u>	<u>\$ 211,383</u>

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

<u>Non-derivative financial liabilities</u>	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>2 ~ 5 years</u>	<u>Over 5 years</u>
December 31, 2022				
Short-term borrowings	\$ 124,568	\$ -	\$ -	\$ -
Accounts payable	48,848	-	-	-
Other payables	187,620	-	-	-
Long-term borrowings (including current portion)	19,989	19,989	46,330	24,697
Refund liabilities	11,609	-	-	-
Lease liability	2,369	2,136	-	-

<u>Non-derivative financial liabilities</u>	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>2 ~ 5 years</u>	<u>Over 5 years</u>
December 31, 2021				
Short-term borrowings	\$ 150,000	\$ -	\$ -	\$ -
Accounts payable	25,640	-	-	-
Other payables	117,072	-	-	-
Long-term borrowings (including current portion)	36,176	36,176	108,527	85,800
Refund liabilities	6,278	-	-	-
Lease liability	1,249	-	-	-

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

C. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 3.

D. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022	
	<u>Non-derivative instrument</u>	<u>Hybird instrument</u>
At January 1 (December 31)	\$ -	\$ -
	2021	
	<u>Non-derivative instrument</u>	<u>Hybird instrument</u>
At January 1	\$ 87,739	\$ -
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	8,770	-
Disposal	(96,509)	-
At December 31	\$ -	\$ -

(4) Other matter

The growth of the Group's operating revenue was affected by the COVID-19 global pandemic. Based on the Group's assessment, the pandemic has no significant impact on the Group's going concern, impairment of assets and financing risks, and the impact on the Group's operations will depend on the subsequent situation of the pandemic.

13. SUPPLEMENTARY DISCLOSURES

The disclosures on investee companies were based on the 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 was translated using the average rates of USD:NTD = 1:29.82 and USD:NTD = 1:30.71 for the years ended December 31, 2022 and December 31, 2022, respectively.

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Refer to table 3.
- 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: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

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 summarised in Notes 4 and 5.

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2022:

	<u>Battery powder – manufacturing</u>	<u>Battery powder – licencing</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Inter-segment revenue - external customers	\$ 610,116	\$ 97,408	\$ -	\$ -	\$ 707,524
Total segment loss	(\$ 378,092)	\$ 54,699	(\$ 56,323)	\$ -	(\$ 379,716)

Year ended December 31, 2021:

	Battery powder – manufacturing	Battery powder – licencing	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 312,868	\$ -	\$ -	\$ -	\$ 312,868
Total segment income (loss)	(\$ 270,950)	\$ -	(\$ 1,434)	\$ -	(\$ 272,384)

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

(5) Information on products and services

Revenue from external customers is mainly from the manufacture and sales of Lithium Iron Phosphate Nano Co-Crystalline Olivine (LEP-NCO) and key materials of Olivine-type structure lithium battery, licence of patented technology and provision of manufacturing consulting and support services for cathode materials of lithium batteries. Details of revenue are as follows:

	Years ended December 31,	
	2022	2021
Battery powder-manufacturing	\$ 610,116	\$ 312,868
Technology licencing and services	97,408	-
	<u>\$ 707,524</u>	<u>\$ 312,868</u>

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 255,195	\$ -	\$ 174,091	\$ -
Europe	273,604	6,394	73,554	31,979
Other asia countries	166,716	-	63,592	-
Taiwan	7,739	513,308	196	496,388
Others	4,270	1,684	1,435	9,245
	<u>\$ 707,524</u>	<u>\$ 521,386</u>	<u>\$ 312,868</u>	<u>\$ 537,612</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

Client	Year ended December 31, 2022		Client	Year ended December 31, 2021	
	Revenue	Segment		Revenue	Segment
D	\$ 194,212	Battery powder-manufacturing	C	\$ 86,195	Battery powder-manufacturing
A	142,964	Battery powder-manufacturing	A	75,256	Battery powder-manufacturing
C	104,475	Battery powder-manufacturing	B	66,631	Battery powder-manufacturing
E	97,408	Battery powder – licencing			

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

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Other receivables - related parties	Y	\$ 170,000	\$ 20,000	\$ 20,000	-	Short-term financing	-	Working capital financing	-	None	-	\$ 228,761	\$ 228,761	
2	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Other receivables - related parties	Y	105,000	105,000	99,187	-	Short-term financing	-	Working capital financing	-	None	-	244,382	244,382	

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 investee companies accounted for using equity method, the ceiling of the total lending is 100% of the parent company's net assets while the ceiling of individual lending is 100% 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.

(3) For loans of the subsidiary - Advanced Lithium Electrochemistry (HK) Co., Limited to affiliates, the ceiling of the total lending is 800% of the lending company's net assets while the ceiling of individual lending is 800% of the lending company's net assets.

Note 4: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of

Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet

been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman

to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public

Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance

even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

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

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Amount of endorsements/ guarantees secured with collateral (Note 4)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China	Footnote
		Company name	(Note 2)											
0	Advanced Lithium Electrochemistry Co., Ltd. (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(2)	\$ 1,427,978	\$ 577,176	\$ 459,313	\$ 341,273	-	64.33%	\$ 1,427,978	Y	N	N	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees AU Pty Ltd.	(2)	1,427,978	5,355	5,208	5,208	-	0.72%	\$ 1,427,978	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	(3)	1,143,808	36,086	34,395	24,568	29,900	4.81%	1,143,808	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; fill in the number of category each case belongs to:

(1) Having business relationship.

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

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

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

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

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

Note 3: Unless agreed by stockholders, the ceiling of the Company's guarantee to other companies and individual entity is 200% 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 200% 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 obtained from banks or the endorsement/ guarantee actually completed.

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

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

Year ended December 31, 2022

Table 3
Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty (Note 1)	Relationship with the investor (Note 1)	Balance as at January 1, 2022		Addition		Disposal (Note 2)			Balance as at December 31, 2022		
					Number of shares	Amount	Number of shares	Amount	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount (Note 3)	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	Investments accounted for Electrochemistry under equity method	-	-	155,647,125	\$ 419,592	43,152,875	\$ 431,529	-	\$ -	\$ -	-	198,800,000	\$ 571,904

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

Note 2: It refers to the capital reduction of the Company's subsidiary, Advanced Lithium Electrochemistry Co., Ltd.

Note 3: The amount includes the investment income (loss), the cumulative translation adjustment and the adjustment of sidestream transactions between subsidiaries.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Overdue receivables		Turnover rate	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Amount	Action taken			
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	FDG Electric Vehicles Limited	Other related party	Long-term receivable (Note 1)	\$ 1,126,688	Note 2	-	\$ -	1,126,688

Note 1: The Company's investment in convertible corporate bonds early expired on August 31, 2020, therefore, the Company transferred the convertible bonds to long-term receivables due from related parties.

Note 2: The Company has appointed lawyers to handle the related legal process.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
 Significant inter-company transactions during the reporting period

Year ended December 31, 2022

Expressed in thousands of NTD
 (Except as otherwise indicated)

Table 5

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	2	Other receivables	\$ 20,000	Note 5	2%
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	2	Operating expenses	25,584	Executed according to license and authorization contract	4%
2	Advanced Lithium Electrochemistry (HK) Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	1	Other receivables	99,187	Note 5	8%
1	Advanced Lithium Electrochemistry Co., Ltd.	Aleees AU Pty, Ltd.	3	Other accounts payable	21,308	Purchase of property, plant and equipment	2%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

Note 5: It refers to loans between affiliates.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				December 31, 2022	December 31, 2021	Number of shares	Ownership (%)				
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	\$ 2,540,043	\$ 2,108,514	198,800,000	100	\$ 571,904	298,706	298,705	Subsidiary (Note 1)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Taiwan	Manufacturing and distribution of batteries, cars and peripherals	1,675,000	1,675,000	52,800,000	100	14,465	11,350	11,350	Subsidiary (Note 2)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Limited	Hong Kong	Various types of investments	592,862	592,862	19,330,000	100	30,548	6,921	6,921	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees US, Corp.	America	Various types of investments	52,347	34,789	18,400,000	100	29,596	24,200	24,200	Subsidiary
Aleees US, Corp.	Aleees AU Pty. Ltd.	Australia	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	32,767	13,890	1,630,000	100	20,937	12,309	12,309	Subsidiary of subsidiary
Aleees US, Corp.	Aleees EU SARL	Europe	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	3,255	-	50,000	100	1,035	2,139	2,139	Subsidiary of subsidiary (Note 3)
Aleees US, Corp.	Aleees Texas, LLC	America	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	15,036	-	500,000	100	6,291	9,085	9,085	Subsidiary of subsidiary (Note 4)
Aleees US, Corp.	Aleees UK, Ltd.	United Kingdom	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	-	-	-	100	-	-	-	Subsidiary of subsidiary (Note 5)

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

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

Note 3: Aleees EU SARL was established on April 8, 2022, and the Company holds a 100% equity interest in the company.

Note 4: Aleees Texas, LLC was established on March 11, 2022, and the Company holds a 100% equity interest in the company.

Note 5: Aleees UK, Ltd. was established on August 31, 2022, and the Company holds a 100% equity interest in the company.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Information on investments in Mainland China

Year ended December 31, 2022

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/				Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Expressed in thousands of NTD (Except as otherwise indicated)	
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted back to Taiwan for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022				Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	\$481,203	Note 1	\$ -	\$ -	\$ -	(\$ 9,641)	100	(\$ 9,641)	\$ 69,825	\$ -	
<p>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022</p>				\$ -	\$ -	\$ -	(\$ 9,641)					
<p>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</p>												
<p>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022</p>				\$ -	\$ -	\$ -						
<p>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</p>												
<p>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</p>												

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 -Advanced Lithium Electrochemistry (HK) Co., Limited, which then

invested in the investee in Mainland China. Thus, the investment amounts are not applicable for disclosure.

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

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

Information on investees

Year ended December 31, 2022

Table 8

Investee	Shares held as at December 31, 2022	
	Number of shares	Ownership
FDG Kinetic Limited's custodian account with KGI BANK	9,283,146	13.26%

Note 1 : The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2 : If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and shares held in trust, at the same time, shareholders who have power to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.



Human Safe & Eco Friendly



董事長 張聖時

aleees

