

**ADVANCED LITHIUM
ELECTROCHEMISTRY (CAYMAN) CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022**

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

PWCR23000412

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, 2023 and 2022, 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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 2023 consolidated financial statements are stated as follows:

Valuation of property, plant, and equipment

Description

Refer to Note 4(17) for accounting policy on impairment of property, plant and equipment, and Note 6(5) for details of accounts. The recoverable amounts of property, plant and equipment 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 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(27) for accounting policies on technical service revenue and Note 6(16) 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

Li, Yen-Na

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

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 independent auditors' report 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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023	December 31, 2022
Current assets			
1100	Cash and cash equivalents	\$ 383,301	\$ 235,395
1136	Current financial assets at amortised cost, net	54,653	64,464
1140	Current contract assets	43,437	-
1170	Accounts receivable, net	31,950	69,904
1180	Accounts receivable - related parties	-	-
1200	Other receivables	54	-
1210	Other receivables - related parties	-	-
1220	Current income tax assets	287	165
130X	Inventory	153,273	243,547
1410	Prepayments	50,371	54,618
1470	Other current assets	9,100	12,858
11XX	Total current assets	<u>726,426</u>	<u>680,951</u>
Non-current assets			
1535	Non-current financial assets at amortised cost, net	-	20,021
1600	Property, plant and equipment	492,537	499,675
1755	Right-of-use assets	1,377	4,505
1780	Intangible assets	3,012	7,342
1840	Deferred income tax assets	13,465	13,465
1900	Other non-current assets	77,401	74,072
15XX	Total non-current assets	<u>587,792</u>	<u>619,080</u>
1XXX	Total assets	<u>\$ 1,314,218</u>	<u>\$ 1,300,031</u>

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

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023	December 31, 2022
	Current liabilities			
2100	Short-term borrowings	6(7)	\$ 220,000	\$ 124,568
2130	Current contract liabilities	6(16)	27,572	34,654
2170	Accounts payable		72,102	48,848
2200	Other payables	6(8)	182,083	187,620
2250	Provisions for liabilities - current		34,818	34,818
2280	Current lease liabilities	6(6)	1,377	2,369
2320	Long-term liabilities, current portion	6(9)	-	15,573
2365	Current refund liabilities	6(16)	6,859	11,609
2399	Other current liabilities		13,281	10,657
21XX	Total current liabilities		<u>558,092</u>	<u>470,716</u>
	Non-current liabilities			
2540	Long-term borrowings	6(9)	-	113,190
2580	Non-current lease liabilities	6(6)	-	2,136
25XX	Total non-current liabilities		<u>-</u>	<u>115,326</u>
2XXX	Total liabilities		<u>558,092</u>	<u>586,042</u>
	Equity attributable to owners of parent			
	Share capital	6(12)		
3110	Common stock		830,000	700,000
	Capital surplus	6(13)		
3200	Capital surplus		429,000	515,044
	Accumulated deficit	6(14)		
3350	Accumulated deficit		(529,783)	(525,471)
	Other equity interest	6(15)		
3400	Other equity interest		26,909	24,416
31XX	Equity attributable to owners of the parent		<u>756,126</u>	<u>713,989</u>
3XXX	Total equity		<u>756,126</u>	<u>713,989</u>
	Significant contingent liabilities and unrecognised contract commitments	9		
3X2X	Total liabilities and equity		<u>\$ 1,314,218</u>	<u>\$ 1,300,031</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, 2023 AND 2022

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

Year ended December 31

Items	Notes	Year ended December 31	
		2023	2022
4000 Operating revenue	6(16)	\$ 810,294	\$ 707,524
5000 Operating costs	6(3)(21)(22)	(903,665)	(689,375)
5950 Gross (loss) profit from operations		(93,371)	18,149
Operating expenses	6(21)(22)		
6100 Selling expenses		(48,293)	(123,221)
6200 Administrative expenses		(240,803)	(198,924)
6300 Research and development expenses		(64,589)	(75,720)
6000 Total operating expenses		(353,685)	(397,865)
6900 Operating loss		(447,056)	(379,716)
Non-operating income and expenses			
7100 Interest income	6(17)	2,604	1,173
7010 Other income	6(18)	1,432	368
7020 Other gains and losses	6(19)	(2,422)	(8,564)
7050 Finance costs	6(20)	(21,964)	(11,360)
7000 Total non-operating income and expenses		(20,350)	(18,383)
7900 Loss before income tax		(467,406)	(398,099)
7950 Income tax expense	6(23)	(51,950)	-
8200 Loss for the year		<u>(\$ 519,356)</u>	<u>(\$ 398,099)</u>
Other comprehensive income	6(15)		
Components of other comprehensive income that will be reclassified to profit or loss			
8361 Financial statements translation differences of foreign operations		\$ 2,493	\$ 295
8300 Total other comprehensive income for the year		<u>\$ 2,493</u>	<u>\$ 295</u>
8500 Total comprehensive loss for the year		<u>(\$ 516,863)</u>	<u>(\$ 397,804)</u>
Loss attributable to:			
8610 Owners of parent		(\$ 519,356)	(\$ 398,099)
Comprehensive loss attributable to:			
8710 Owners of parent		(\$ 516,863)	(\$ 397,804)
Loss per share (in dollars)	6(24)		
9750 Basic loss per share		<u>(\$ 7.00)</u>	<u>(\$ 6.00)</u>

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent							Financial statements translation differences of foreign operations	Total equity
	Capital Reserves								
Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Capital surplus, share options	Others	Accumulated deficit			
<u>2022</u>									
Balance at January 1, 2022	\$ 600,000	\$ 116,585	\$ 2,006	\$ -	\$ 4,930	(\$ 250,893)	\$ 24,121	\$ 496,749	
Loss for the year	-	-	-	-	-	(398,099)	-	(398,099)	
Other comprehensive income for the year 6(15)	-	-	-	-	-	-	295	295	
Total comprehensive (loss) income	-	-	-	-	-	(398,099)	295	(397,804)	
Issuance of shares 6(12)	100,000	495,556	-	-	-	-	-	595,556	
Compensation costs of employee stock warrants 6(11)	-	-	-	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	<u>\$ 700,000</u>	<u>\$ 500,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,787</u>	<u>(\$ 525,471)</u>	<u>\$ 24,416</u>	<u>\$ 713,989</u>	
<u>2023</u>									
Balance at January 1, 2023	\$ 700,000	\$ 500,257	\$ -	\$ -	\$ 14,787	(\$ 525,471)	\$ 24,416	\$ 713,989	
Loss for the year	-	-	-	-	-	(519,356)	-	(519,356)	
Other comprehensive income for the year 6(15)	-	-	-	-	-	-	2,493	2,493	
Total comprehensive loss for the year	-	-	-	-	-	(519,356)	2,493	(516,863)	
Issuance of shares 6(12)	130,000	429,000	-	-	-	-	-	559,000	
Capital surplus used to offset against accumulated deficit	-	(500,257)	-	-	(14,787)	515,044	-	-	
Balance at December 31, 2023	<u>\$ 830,000</u>	<u>\$ 429,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 529,783)</u>	<u>\$ 26,909</u>	<u>\$ 756,126</u>	

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 467,406)	(\$ 398,099)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets)	6(21)	58,347	55,292
Amortisation	6(21)	7,089	26,069
Net loss on financial assets at fair value through profit or loss	6(19)	-	133
Interest expense	6(20)	21,964	11,360
Interest income	6(17)	(2,604)	(1,173)
Share-based payments	6(11)	-	19,488
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		-	(133)
Accounts receivable		37,954	(31,448)
Contract assets		(43,437)	-
Other receivables		(54)	10,729
Inventories		90,274	(175,249)
Prepayments		4,247	34,387
Other current assets		3,758	(7,077)
Changes in operating liabilities			
Contract liabilities		(7,082)	5,814
Accounts payable		23,254	23,208
Other payables		(2,066)	86,875
Refund liabilities		(4,750)	5,331
Other current liabilities		2,624	7,972
Cash outflow generated from operations		(277,888)	(326,521)
Interest received		2,604	1,173
Interest paid		(21,805)	(11,432)
Income tax paid		(51,950)	-
Net cash flows used in operating activities		(349,039)	(336,780)

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ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 94,126)	(\$ 75,536)
Proceeds from disposal of financial assets at amortised cost		123,958	62,213
Acquisition of property, plant and equipment	6(25)	(53,337)	(83,171)
Acquisition of intangible assets		(2,759)	(1,065)
Increase in refundable deposits		(647)	(1,112)
Decrease in refundable deposits		493	231
Increase in other non-current assets		(3,175)	(9,864)
Net cash flows used in investing activities		(29,593)	(108,304)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		406,357	124,568
Decrease in short-term borrowings		(311,957)	(150,000)
Decrease in long-term borrowings		(128,763)	(102,984)
Payment of lease liabilities	6(26)	(1,502)	(2,205)
Proceeds from issuance of shares	6(12)	559,000	595,556
Net cash flows from financing activities		523,135	464,935
Effect of changes in foreign currency exchange		3,403	(1,557)
Net increase in cash and cash equivalents		147,906	18,294
Cash and cash equivalents at beginning of year		235,395	217,101
Cash and cash equivalents at end of year		<u>\$ 383,301</u>	<u>\$ 235,395</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
YEARS ENDED DECEMBER 31, 2023 AND 2022

(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, 2023, the number of shares authorised amounted to 83,000,000 shares with a par value of \$10 (in dollars) per share, and the paid-in capital was \$830,000.

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 reported to the Board of Directors on March 8, 2024.

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[®]”) Accounting Standards 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 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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

(1) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	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.

(2) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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
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 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL 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. The consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect 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, 2023	December 31, 2022	
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
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees India Technology Private Limited	Overseas clients developing and services of cathode materials for lithium-ion batteries	0.01	-	Note 7
Aleees US, Corp.	Aleees AU Pty. Ltd.	Overseas clients developing and services of cathode materials for lithium-ion batteries	100	100	Note 3
Aleees US, Corp.	Aleees Texas, LLC	Overseas clients developing and services of cathode materials for lithium-ion batteries	100	100	Note 4
Aleees US, Corp.	Aleees EU SARL	Overseas clients developing and services of cathode materials for lithium-ion batteries	100	100	Note 5
Aleees US, Corp.	Aleees UK, Ltd.	Overseas clients developing and services of cathode materials for lithium-ion batteries	100	100	Note 6
Aleees US, Corp.	Aleees India Technology Private Limited	Overseas clients developing and services of cathode materials for lithium-ion batteries	99.99	-	Note 7

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.

Note 7: The registration of Aleees India Technology Private Limited was completed on November 28, 2023, and the Group held a 100% equity interest in Aleees India Technology Private Limited.

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

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

E. Significant restrictions: None.

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 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.

(8) 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.

(9) 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.

(10) Derecognition of financial assets

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

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

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

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

(11) 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.

(12) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard costs. Standard costs take into consideration 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.

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate 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.

(14) 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

(15) 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.

(16) 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 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for 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.

(18) 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.

(19) Notes and accounts payable

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

(20) Derecognition of financial liabilities

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

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' 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.

(23) Employee share-based payment

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders.

Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

(26) Dividends

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

(27) Revenue recognition

A. 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.

(28) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(29) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates

concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

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

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of property, plant and equipment

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.

As of December 31, 2023 , the carrying amount of property, plant, and equipment was \$492,537.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Demand deposits and checking accounts	\$ 248,637	\$ 235,395
Time deposits	<u>134,664</u>	<u>-</u>
	<u>\$ 383,301</u>	<u>\$ 235,395</u>

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 at December 31, 2023 and 2022, the Group’s time deposits maturing over three months amounted to \$25,000 and \$3,070, respectively, and were classified as current financial assets at amortised cost.

C. As at December 31, 2023 and 2022, the Group’s cash and cash equivalents pledged to others as collateral amounted to \$29,653 and \$81,415, 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) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable – third parties	\$ 49,034	\$ 89,850
Accounts receivable – related parties	<u>91,108</u>	<u>91,108</u>
	140,142	180,958
Less: Allowance for bad debts	(<u>108,192</u>)	(<u>111,054</u>)
	<u>\$ 31,950</u>	<u>\$ 69,904</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 30,917	\$ 68,225
Up to 30 days	-	-
31 to 90 days	154	1,679
91 to 180 days	879	-
Over 180 days	<u>108,192</u>	<u>111,054</u>
	<u>\$ 140,142</u>	<u>\$ 180,958</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2023 and 2022, accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$149,510.
- C. For the years ended December 31, 2023 and 2022, no interest income was recognised in profit or loss for both periods.
- D. The Group has no notes and accounts receivable pledged to others as collateral.
- E. As at December 31, 2023 and 2022, 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).

(3) Inventories

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for value decline and obsolescence</u>	<u>Book value</u>
Raw materials	\$ 22,946	(\$ 4,527)	\$ 18,419
Work in progress	8,098	-	8,098
Semi-finished goods	45,868	(12,389)	33,479
Finished goods	<u>108,097</u>	<u>(14,820)</u>	<u>93,277</u>
	<u>\$ 185,009</u>	<u>(\$ 31,736)</u>	<u>\$ 153,273</u>

	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>

Expenses and losses incurred on inventories for the year:

	Years ended December 31,	
	2023	2022
Cost of inventories sold	\$ 766,917	\$ 559,298
Cost of services	19,053	-
(Gain from price recovery of inventory)		
Loss on decline in market value	(10,352)	27,628
Loss on scrapping inventory	32,985	14,778
Unallocated fixed overhead cost	95,062	87,671
	<u>\$ 903,665</u>	<u>\$ 689,375</u>

For the year ended December 31, 2023, the Group strengthened the inventory management, resulting in the reversal of inventory valuation losses.

(4) Prepayments

	December 31, 2023	December 31, 2022
Prepayment for purchases	\$ 6,018	\$ 5,362
Overpaid sales tax	34,363	37,554
Others	9,990	11,702
	<u>\$ 50,371</u>	<u>\$ 54,618</u>

(5) 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, 2023</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>
<u>2023</u>									
Opening net book amount as at January 1	\$ 147,910	\$ 114,907	\$ 71,468	\$ 25,939	\$ 199	\$ -	\$ 111,237	\$ 28,015	\$ 499,675
Additions	-	-	20,969	11,372	-	-	14,434	2,932	49,707
Transfers	-	-	4,490	21,503	-	-	1,696	(27,689)	-
Depreciation charge	-	(6,535)	(16,629)	(8,167)	(168)	-	(25,346)	-	(56,845)
Closing net book amount as at December 31	<u>\$ 147,910</u>	<u>\$ 108,372</u>	<u>\$ 80,298</u>	<u>\$ 50,647</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 102,021</u>	<u>\$ 3,258</u>	<u>\$ 492,537</u>
<u>At December 31, 2023</u>									
Cost	\$ 147,910	\$ 195,366	\$ 668,450	\$ 139,934	\$ 1,572	\$ 510	\$ 328,719	\$ 3,258	\$ 1,485,719
Accumulated depreciation and impairment	-	(86,994)	(588,152)	(89,287)	(1,541)	(510)	(226,698)	-	(993,182)
	<u>\$ 147,910</u>	<u>\$ 108,372</u>	<u>\$ 80,298</u>	<u>\$ 50,647</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 102,021</u>	<u>\$ 3,258</u>	<u>\$ 492,537</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<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>

A. No interest was capitalised to property, plant and equipment for the years ended December 31, 2023 and 2022.

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.

(6) 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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 1,377	\$ 4,505
	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 1,502	\$ 2,205

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$0 and \$5,461, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Expense on short-term lease contracts	\$ 10,898	\$ 5,053
Expense on leases of low-value assets	\$ 63	\$ -

F. For the Year ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$12,463 and \$7,258, respectively.

(7) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			Current financial assets at
Secured borrowings	\$ 220,000	2.10%~3.07%	amortised cost, net and Property, plant and equipment
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			Current financial assets at
Secured borrowings	\$ 124,568	2.82%~5.95%	amortised cost, net and Property, plant and equipment

For the years ended December 31, 2023 and 2022, interest expense arising from short-term borrowings that were recognised in profit or loss amounted to \$8,749 and \$4,951, respectively.

(8) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and salaries payable	\$ 28,541	\$ 52,293
Professional services fees	4,126	5,231
Payables on equipment	12,127	15,757
Payables on consumables	7,411	7,537
Others	<u>129,878</u>	<u>106,802</u>
	<u>\$ 182,083</u>	<u>\$ 187,620</u>

(9) Long-term borrowings (December 31, 2023 : None.)

<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 (Note)	3.75%	Property, plant and equipment	\$ 28,632
"	Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly (Note)	2.82%	"	60,681
"	Dec. 28, 2021 ~ Dec. 28, 2028, interest and principal payable monthly (Note)	4.84%	Property, plant and equipment and Non- current financial assets at amortised cost	<u>39,450</u>
				128,763
Less: Current portion				(15,573)
				<u>\$ 113,190</u>

Note: The borrowings were repaid in advance in December 2023.

Interest expense on the long-term borrowings recognised in profit or loss amounted to \$4,337 and \$6,409 for the years ended December 31, 2023 and 2022, respectively.

(10) 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 Texas, LLC and Aleees UK, Ltd., 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, 2023 and 2022 were \$7,963 and \$6,224, respectively.

(11) Share-based payment

- A. For the years ended December 31, 2023 and 2022, the Group's share-based payment arrangements were as follows:

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,	
	2023	2022
Equity-settled	\$ -	\$ 19,488

(12) Share capital

- A. As of December 31, 2023, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was \$830,000 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):

	2023	2022
Options outstanding at January 1	70,000,000	60,000,000
Cash capital increase	13,000,000	10,000,000
Options outstanding at December 31	83,000,000	70,000,000

- 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. Refer to Note 9(1)B for details.

- D. 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.
- E. On March 10, 2023, the Board of Directors during its meeting resolved to increase its capital by issuing 13,000 thousand new shares with a par value of NT\$10 (in dollars) per share, which was approved by the FSC on July 27, 2023. The issuance price was NT\$43 (in dollars) per share, and the capital increase was completed in September 2023.
- F. Aiming to bolster competitiveness, the Company plans to raise additional cash through private placement for future business development, indirect investment and operating needs as resolved by the stockholders at their annual stockholders' meeting on June 15, 2023. The maximum number of shares to be issued through the private placement is 40,000 thousand shares. The private placement has not been registered as of March 8, 2024.

(13) 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.

(14) 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 years ended December 31, 2023 and 2022, and thus had no earnings for distribution.

(15) Other equity items

	2023
	Currency translation
At January 1	\$ 24,416
Foreign currency translation - Group	2,493
At December 31	<u>\$ 26,909</u>
	2022
	Currency translation
At January 1	\$ 24,121
Foreign currency translation - Group	295
At December 31	<u>\$ 24,416</u>

(16) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	<u>\$ 810,294</u>	<u>\$ 707,524</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, 2023</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>America</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Cathode Material revenue	\$175,870	\$ 391,893	\$103,231	\$ 7,631	\$678,625
Licensing Engagement revenue	-	-	-	91,290	91,290
	<u>175,870</u>	<u>391,893</u>	<u>103,231</u>	<u>98,921</u>	<u>769,915</u>
Over time					
Consulting services	-	-	16,909	23,470	40,379
	<u>\$175,870</u>	<u>\$ 391,893</u>	<u>\$120,140</u>	<u>\$122,391</u>	<u>\$810,294</u>

<u>Year ended December 31, 2022</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>America</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Cathode Material revenue	\$255,195	\$ 281,342	\$ 69,309	\$ 4,270	\$ 610,116
Licensing Engagement revenue	-	-	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>

A. Contract assets and liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract assets- licence contract	<u>\$ 43,437</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities- product sales contract	<u>\$ 27,572</u>	<u>\$ 34,654</u>	<u>\$ 28,840</u>

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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Product sales contract	<u>\$ 34,275</u>	<u>\$ 28,516</u>

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current asset recognised as right to recover products from customers (shown as 'Other current assets')	\$ 6,750	\$ 9,898
Current refund liabilities	(6,859)	(11,609)
	<u>(\$ 109)</u>	<u>(\$ 1,711)</u>

(17) Interest income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Bank deposit interest	<u>\$ 2,604</u>	<u>\$ 1,173</u>

(18) Other income

	Years ended December 31,	
	2023	2022
Government grants	\$ 996	\$ 203
Other income	436	165
	<u>\$ 1,432</u>	<u>\$ 368</u>

(19) Other gains and losses

	Years ended December 31,	
	2023	2022
Foreign exchange loss	(\$ 2,396)	(\$ 8,401)
Loss on financial assets at fair value through profit or loss	-	(133)
Other losses	(26)	(30)
	<u>(\$ 2,422)</u>	<u>(\$ 8,564)</u>

(20) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense	\$ 13,086	\$ 11,360
Other interest expense	8,878	-
	<u>\$ 21,964</u>	<u>\$ 11,360</u>

(21) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 249,667	\$ 235,669
Depreciation charges on property, plant and equipment	56,845	53,087
Depreciation charges on right-of-use assets	1,502	2,205
Amortisation charges on intangible assets	7,089	26,069

(22) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 216,158	\$ 193,184
Share-based payments	-	19,488
Labour and health insurance fees	17,392	11,905
Pension costs	7,963	6,224
Other personnel expenses	8,154	4,868
	<u>\$ 249,667</u>	<u>\$ 235,669</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, 2023 and 2022, 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.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Prior year income tax underestimation	24,563	-
Others	27,387	-
Total current tax:	<u>\$ 51,950</u>	<u>\$ -</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -
Income tax expense	<u>\$ 51,950</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,	
	2023	2022
Tax calculated based on loss before tax (\$ and statutory tax rate	68,827)	(\$ 64,423)
Effects from items adjusted in accordance with tax regulation	126	3,314
Tax exempt income by tax regulation	- (41)
Taxable loss not recognised as deferred tax assets	50,779	56,514
Temporary differences not recognised as deferred tax assets	17,922	4,636
Change in assessment of realisation of deferred tax assets	-	-
Prior year income tax underestimation	24,563	-
Others	27,387	-
Income tax expense	<u>\$ 51,950</u>	<u>\$ -</u>

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

	2023				
	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>

	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>

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

Year ended December 31, 2023				
Year incurred	Amount filed / Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
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	94,856	2027
2018	269,026	269,026	269,026	2028
2019	345,879	345,879	345,879	2029
2020	370,001	370,001	370,001	2030
2021	296,421	296,421	296,421	2031
2022	177,877	177,877	177,877	2032
2023	246,786	246,786	246,786	2033
	<u>\$ 2,815,761</u>	<u>\$ 2,815,761</u>	<u>\$ 2,748,438</u>	

Year ended December 31, 2022				
Year incurred	Amount filed / Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
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	370,001	370,001	370,001	2030
2021	296,421	289,983	289,983	2031
2022	177,877	177,877	177,877	2032
	<u>\$ 2,860,774</u>	<u>\$ 2,746,058</u>	<u>\$ 2,678,735</u>	

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

	December 31,	
	2023	2022
Deductible temporary differences	<u>\$ 439,360</u>	<u>\$ 349,750</u>

F. The income tax returns of Aleees Eco Ark Co., Ltd. through 2018 have been assessed and approved by the Tax Authority.

G. The income tax returns of Advanced Lithium Electrochemistry Co. through 2021 have been assessed and approved by the Tax Authority.

(24) Loss per share

	Year ended December 31, 2023		
	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	(\$ 519,356)	74,167	(\$ 7.00)
	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)

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 49,707	\$ 66,916
Add: Opening balance of payable on equipment	15,757	32,012
Less: Ending balance of payable on equipment	(12,127)	(15,757)
Cash paid during the year	\$ 53,337	\$ 83,171

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities
At January 1, 2023	\$ 124,568	\$ 128,763	\$ 4,505
Changes in cash flow from financing activities	94,400	(128,763)	(1,502)
Changes in other non-cash items	1,032	-	(1,626)
At December 31, 2023	\$ 220,000	\$ -	\$ 1,377
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities
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	-	-	5,461
At December 31, 2022	\$ 124,568	\$ 128,763	\$ 4,505

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
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

(3) Significant related party transactions and balances:

A. Receivables from related parties:

	December 31, 2023	December 31, 2022
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>
	December 31, 2023	December 31, 2022
Other receivables:		
- Other related parties		
Aleees Eco Ark (Ningbo) Ltd.	\$ 10,641	\$ 10,641
Less: Allowance for bad debts		
Aleees Eco Ark (Ningbo) Ltd.	(10,641)	(10,641)
	<u>\$ -</u>	<u>\$ -</u>

B. Other non-current assets

	December 31, 2023	December 31, 2022
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	(1,126,688)	(1,126,688)
	<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 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.

(4) Key management compensation

	Years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 10,276	\$ 10,875
Post-employment benefits	213	121
	<u>\$ 10,489</u>	<u>\$ 10,996</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Bank deposits (shown as ‘Current and Non-current financial assets at amortised cost, net’)	\$ 29,653	\$ 81,415	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	62,380	Asset preservation and pledge for customs
Property, plant and equipment	256,282	262,817	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 on September 11, 2018, 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- Shang -Zi-805 (hereafter referred as “Zon-Shang -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-Zi-002292 of the Supreme Court, the original judgment was rescinded and remanded back to the Taiwan High Court for retrial (No. 111-Zon-Shang-Geng-Yi-Zi-150 (Yu-Gu)). On November 29, 2023, the Taiwan High Court rendered a judgment to rescind the ruling which Aleees shall pay more than \$10,032, plus interest at 5% per annum from July 17, 2016 till the debt is repaid. The Group disagreed with the above remanded judgment and filed an appeal. The case will be transferred to the Supreme Court. 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 the aforementioned retrial of Taiwan High Court (No. 111-Zon-Shang-Geng-Yi-Zi-150 (Yu-Gu)), 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 aforementioned retrial of Taiwan High Court (No. 111-Zon-Shang-Geng-Yi-Zi-150 (Yu-Gu)), the court decided to cease the appeal procedures for No.106-Zon-Guo-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 of strategic alliance 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). The Company filed with the Chinese Arbitration Association, Taipei for an arbitration of the aforementioned strategic alliance against FDG Kinetic Limited (hereinafter referred to as “FDG Kinetic”) and FDG Investment Holdings and requested FDG Investment Holdings to return its shareholding of the Company's 9,283 thousand private placement shares in March 2021. However, the Chinese Arbitration Association, Taipei issued an arbitral award denying the arbitration of the Group on March 14, 2023. Based on the opinion of the lawyer and the letter which stated that FDG Electric Vehicles Limited admitted the strategic alliance, it shall be considered a misinterpretation that the Chinese Arbitration Association, Taipei did not list FDG Electric Vehicles Limited as a counterparty of the arbitration. Therefore, the

Group has appointed another legal counsel to file an appeal for the revocation of the arbitral award and filed a civil action with the Intellectual Property and Commercial Court (had been transferred to the Taipei District Court for trial , No. 112-Zon-Su-Zi-832) for the events such as compensation for damage against FDG Electric Vehicles Limited, FDG Kinetic and FDG Investment Holdings before the arbitral award, that is December 13, 2022, As of the report date, the trial has not yet been held. In May 2023, the Company received a ruling from the Taoyuan District Court which states that the provisional injunction prohibiting FDG Investment Holdings from exercising shareholders' rights shall be revoked. However, in May 2023, the Company has filed an interlocutory appeal. On October 30, 2023, the Company received the 112 Kang-Zi No. 749 ruling from the Taiwan High Court which stated that the aforementioned ruling from the Taoyuan District Court of revoking the provisional injunction shall be rescinded and the arbitration of FDG Investment Holdings in the Taoyuan District Court shall be denied. Moreover, FDG Investment Holdings has filed an interlocutory appeal. On January 22, 2024, the Company received the 112 Tai-Kang-Zi No. 1076 ruling from the Supreme Court which stated that the original ruling from the Taiwan High Court of the 112 Kang-Zi No. 749 shall be rescinded, and the case was confirmed. FDG Investment Holdings held the aforementioned arbitral award which was issued by the Chinese Arbitration Association, Taipei on March 14, 2023 and applied for the revocation of the provisional injunction prohibiting the transfers. On February 7, 2024, the Company received the 112 Sheng-Zi No. 451 ruling from the Taiwan High Court stated that the arbitration of FDG Investment Holdings was denied. Therefore, the provisional injunction of the case is still valid. As of the report date, FDG Investment Holdings shall not transfer, pledge and dispose the aforementioned private placement shares in part or in whole.

(2) Commitments

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ 11,691	\$ 9,644

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 the original contract period and IFRSs.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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 as at December 31, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total borrowings	\$ 220,000	\$ 253,331
Less: Cash and cash equivalents	(383,301)	(235,395)
Net debt	(163,301)	17,936
Total equity	<u>756,126</u>	<u>713,989</u>
Total capital	<u>\$ 592,825</u>	<u>\$ 731,925</u>
Debt to capital ratio	<u>-</u>	<u>2%</u>

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at amortised cost/		
Loans and receivables		
Cash and cash equivalents	\$ 383,301	\$ 235,395
Current and non-current financial assets at amortised cost, net	54,653	84,485
Accounts receivable (including related parties)	31,950	69,904
Other receivables (including related parties)	54	-
Guarantee deposits paid (shown as 'Other current assets')	64,362	64,208
	<u>\$ 534,320</u>	<u>\$ 453,992</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 220,000	\$ 124,568
Accounts payable	72,102	48,848
Other accounts payable	182,083	187,620
Long-term borrowings (including current portion)	-	128,763
Refund liabilities	6,859	11,609
	<u>\$ 481,044</u>	<u>\$ 501,408</u>
Lease liabilities	<u>\$ 1,377</u>	<u>\$ 4,505</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, USD and AUD). 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, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 4,981	30.71	\$ 152,967
HKD : NTD	275,000	4.00	1,100,000
RMB : NTD	810	4.327	3,505
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,635	30.71	\$ 173,051
	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

- v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to \$2,396 and \$8,401, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2023		
	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%	\$ 1,530	\$ -
HKD : NTD	1%	11,000	-
RMB : NTD	1%	35	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 1,731)	\$ -

	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)	\$ -

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. As at December 31, 2023 and 2022, the Group's borrowings at variable rate were denominated in NTD.

ii. If the borrowing interest rate of bank had increased/decreased by 0.25% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by \$440 and \$507, respectively. The main factor is that changes in interest expense result from 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, 2023 and 2022, the provision matrix is as follows:

December 31, 2023	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
Expected loss rate	100%	0%	0%	0%	0%	0-8%	100%	
Total book value								
- Accounts receivable	\$ 358	\$ 30,917	\$ 154	\$ 879	\$ -	\$ -	\$ 107,834	\$ 140,142
- Other receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,641	\$ 10,641
Loss allowance	<u>\$ 358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,475</u>	<u>\$ 118,833</u>

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	<u>\$ 1,126,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,126,688</u>

December 31, 2022	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
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	<u>\$ 3,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,475</u>	<u>\$ 121,695</u>

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	<u>\$ 1,126,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,126,688</u>

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

	2023			
	Accounts receivable	Other receivables	Long-term receivables	Total
At January 1	\$ 111,054	\$ 10,641	\$ 1,126,688	\$ 1,248,383
Reversal of impairment loss	(2,862)	-	-	(2,862)
At December 31	<u>\$ 108,192</u>	<u>\$ 10,641</u>	<u>\$ 1,126,688</u>	<u>\$ 1,245,521</u>

	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	<u>\$ 111,054</u>	<u>\$ 10,641</u>	<u>\$ 1,126,688</u>	<u>\$ 1,248,383</u>

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:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	\$ 276,269	\$ 229,182
Expiring more than one year	-	-
	<u>\$ 276,269</u>	<u>\$ 229,182</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, 2023				
Short-term borrowings	\$ 220,000	\$ -	\$ -	\$ -
Accounts payable	72,102	-	-	-
Other payables	182,083	-	-	-
Long-term borrowings (including current portion)	-	-	-	-
Refund liabilities	6,859	-	-	-
Lease liability	1,377	-	-	-

<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	-	-

(3) Fair value information

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.

(4) Other matter

None.

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 = 1:31.15 and USD:NTD = 1:30.71 for the year ended December 31, 2023.

(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: Refer to 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: 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, 2023:

	Cathode Material revenue	Licensing Engagement revenue	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 678,625	\$ 131,669	\$ -	\$ -	\$ 810,294
Total segment loss	(\$ 454,188)	\$ 77,746	(\$ 70,614)	\$ -	(\$ 447,056)

Year ended December 31, 2022:

	Cathode Material revenue	Licensing Engagement revenue	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 610,116	\$ 97,408	\$ -	\$ -	\$ 707,524
Total segment loss	(\$ 378,092)	\$ 54,699	(\$ 56,323)	\$ -	(\$ 379,716)

(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,	
	2023	2022
Cathode Material revenue	\$ 678,625	\$ 610,116
Licensing Engagement revenue and services	131,669	97,408
	<u>\$ 810,294</u>	<u>\$ 707,524</u>

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 175,870	\$ -	\$ 255,195	\$ -
Europe	120,140	-	166,716	6,394
Other asia countries	381,827	-	273,604	-
Taiwan	10,066	496,884	7,739	513,308
Others	122,391	42	4,270	1,684
	<u>\$ 810,294</u>	<u>\$ 496,926</u>	<u>\$ 707,524</u>	<u>\$ 521,386</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

Client	Year ended December 31, 2023		Client	Year ended December 31, 2022	
	Revenue	Segment		Revenue	Segment
D	\$ 227,447	Battery powder-manufacturing	D	\$ 194,212	Battery powder-manufacturing
A	142,661	Battery powder-manufacturing	A	142,964	Battery powder-manufacturing
B	136,775	Battery powder-manufacturing	C	104,475	Battery powder-manufacturing
F	114,897	Battery powder – licencing	E	97,408	Battery powder – licencing

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

Loans to others
Year ended December 31, 2023

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, 2023	Balance at December 31, 2023 (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	\$ 60,000	\$ 40,000	\$ 25,400	-	Short-term financing	-	Working capital financing	-	None	-	\$ 274,526	\$ 274,526	
2	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Other receivables - related parties	Y	105,000	-	-	-	Short-term financing	-	Working capital financing	-	None	-	2,423	2,423	Note 5

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.

Note 5: On November 10, 2023, the Group's Board of Directors resolved for Advanced Lithium Electrochemistry (HK) Co., Ltd. to give up the claim of loans against Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd.

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

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down (Note 4)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(2)	\$ 1,512,252	\$ 512,493	\$ 428,000	\$ 200,000	-	56.60%	\$ 1,512,252	Y	N	N	
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees AU Pty Ltd.	(2)	1,512,252	5,283	-	-	-	0.00%	1,512,252	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	(3)	1,372,632	36,322	34,395	-	-	5.01%	1,372,632	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 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, 2023

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, 2023		Addition		Disposal (Note 2)				Balance as at December 31, 2023		
					Number of shares	Amount	Number of shares	Amount	Number of shares	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 under equity method	-	-	198,800,000	\$ 571,904	47,840,000	\$ 478,400	-	\$ -	\$ -	\$ -	-	246,640,000	\$ 686,316

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.

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, 2023

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables		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	-	\$ 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, 2023

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

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	\$ 25,400	Note 5	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, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
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	\$ 3,018,443	\$ 2,540,043	246,640,000	100	\$ 686,316	(\$ 363,988)	(\$ 363,988)	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	13,949	(516)	(516)	Subsidiary (Note 2)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Limited	Hong Kong	Investment holdings	592,862	592,862	19,330,000	100	303	(32,904)	(32,904)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees US, Corp.	America	Investment holdings	86,017	52,347	29,100,000	100	16,737	(46,363)	(46,363)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees India Technology Private Limited	India	Overseas clients developing and services of cathode materials for lithium-ion batteries	-	-	-	0.01	-	-	-	Subsidiary of subsidiary (Note 4)
Aleees US, Corp.	Aleees AU Pty. Ltd.	Australia	Overseas clients developing and services of cathode materials for lithium-ion batteries	32,767	32,767	1,630,000	100	8,615	(12,327)	(12,327)	Subsidiary of subsidiary
Aleees US, Corp.	Aleees EU SARL	France	Overseas clients developing and services of cathode materials for lithium-ion batteries	3,255	3,255	100,000	100	894	(179)	(179)	Subsidiary of subsidiary
Aleees US, Corp.	Aleees Texas, LLC	America	Overseas clients developing and services of cathode materials for lithium-ion batteries	30,748	15,036	1,000,000	100	1,172	(20,738)	(20,738)	Subsidiary of subsidiary
Aleees US, Corp.	Aleees UK. Ltd.	United Kingdom	Overseas clients developing and services of cathode materials for lithium-ion batteries	17,455	-	450,000	100	5,132	(12,459)	(12,459)	Subsidiary of subsidiary (Note 3)
Aleees US, Corp.	Aleees India Technology Private Limited	India	Overseas clients developing and services of cathode materials for lithium-ion batteries	-	-	-	99.99	-	-	-	Subsidiary of subsidiary (Note 4)

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 UK. Ltd. was established on August 31, 2022, and the Company holds a 100% equity interest in the company.

Note 4: Aleees India Technology Private Limited was established on November 28, 2023, and the Group 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, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	\$481,203	Note 1	\$ -	\$ -	\$ -	\$ -	(\$ 30,156)	100	(\$ 30,156)	(\$ 813)	\$ -	

Company name (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Advanced Lithium Electrochemistry (China Shanghai) Ltd. (Note 1)	\$ -	\$ -	\$ -

Note 1: The investment in the investee companies are remitted by the parent company-Advanced Lithium

Electrochemistry (Cayman) Co., Ltd. through investing in an existing company in the third area -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 reviewed by the parent company's independent auditors.

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

Information on investees

Year ended December 31, 2023

Table 8

Investee	Shares held as at December 31, 2023	
	Number of shares	Ownership
FDG Kinetic Limited's custodian account with KGI BANK	9,283,146	11.18%

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 decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.