

**ADVANCED LITHIUM
ELECTROCHEMISTRY (CAYMAN) CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2024 AND 2023**

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

PWCR24000068

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 June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months 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 June 30, 2024 and 2023, and its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the

Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's consolidated financial statements as at and for the six months ended June 30, 2024. 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 consolidated financial statements as at and for the six months ended June 30, 2024 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(6) 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.

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 International Accounting Standard 34, “Interim Financial Reporting” 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

August 14, 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
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	June 30, 2024	December 31, 2023	June 30, 2023
Current assets				
1100	Cash and cash equivalents	6(1) \$ 111,124	\$ 383,301	\$ 190,666
1110	Current financial assets at fair value through profit or loss	6(2) 32,955	-	-
1136	Current financial assets at amortised cost, net	6(1) and 8 26,903	54,653	55,693
1140	Current contract assets	6(17) 59,369	43,437	12,247
1170	Accounts receivable, net	6(3) 56,523	31,950	87,945
1180	Accounts receivable - related parties	6(3) and 7 -	-	-
1200	Other receivables	-	54	-
1210	Other receivables - related parties	7 -	-	-
1220	Current income tax assets	318	287	230
130X	Inventory	6(4) 197,666	153,273	214,812
1410	Prepayments	6(5) 50,291	50,371	60,642
1470	Other current assets	2,544	9,100	13,193
11XX	Total current assets	<u>537,693</u>	<u>726,426</u>	<u>635,428</u>
Non-current assets				
1535	Non-current financial assets at amortised cost, net	6(1) and 8 -	-	20,061
1600	Property, plant and equipment	6(6) and 8 490,872	492,537	497,383
1755	Right-of-use assets	6(7) 626	1,377	2,128
1780	Intangible assets	3,055	3,012	1,341
1840	Deferred income tax assets	13,465	13,465	13,465
1900	Other non-current assets	6(8), 7 and 8 <u>103,039</u>	<u>77,401</u>	<u>75,928</u>
15XX	Total non-current assets	<u>611,057</u>	<u>587,792</u>	<u>610,306</u>
1XXX	Total assets	<u>\$ 1,148,750</u>	<u>\$ 1,314,218</u>	<u>\$ 1,245,734</u>

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	June 30, 2024	December 31, 2023	June 30, 2023
Current liabilities				
2100	Short-term borrowings	6(9) \$ 220,000	\$ 220,000	\$ 255,475
2130	Current contract liabilities	6(17) 15,999	27,572	17,176
2170	Accounts payable	76,182	72,102	95,185
2200	Other payables	6(10) 168,893	182,083	187,452
2230	Current income tax liabilities	6(24) -	-	24,468
2250	Provisions for liabilities - current	34,818	34,818	34,818
2280	Current lease liabilities	6(7) 626	1,377	1,502
2320	Long-term liabilities, current portion	6(11) -	-	15,915
2365	Current refund liabilities	-	6,859	13,345
2399	Other current liabilities	12,971	13,281	14,459
21XX	Total current liabilities	<u>529,489</u>	<u>558,092</u>	<u>659,795</u>
Non-current liabilities				
2540	Long-term borrowings	6(11) -	-	105,173
2580	Non-current lease liabilities	6(7) -	-	626
25XX	Total non-current liabilities	<u>-</u>	<u>-</u>	<u>105,799</u>
2XXX	Total liabilities	<u>529,489</u>	<u>558,092</u>	<u>765,594</u>
Equity attributable to owners of parent				
Share capital				
3110	Common stock	6(13) 830,000	830,000	700,000
Capital surplus				
3200	Capital surplus	6(14) 429,000	429,000	-
Accumulated deficit				
3350	Accumulated deficit	6(15) (667,206)	(529,783)	(246,221)
Other equity interest				
3400	Other equity interest	6(16) 27,467	26,909	26,361
31XX	Equity attributable to owners of the parent	<u>619,261</u>	<u>756,126</u>	<u>480,140</u>
3XXX	Total equity	<u>619,261</u>	<u>756,126</u>	<u>480,140</u>
Significant contingent liabilities and unrecognised contract commitments				
Significant events after the balance sheet date				
3X2X	Total liabilities and equity	<u>\$ 1,148,750</u>	<u>\$ 1,314,218</u>	<u>\$ 1,245,734</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
SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

Items	Notes	Three months ended June 30		Six months ended June 30		
		2024	2023	2024	2023	
4000	Operating revenue	6(17)	\$ 168,528	\$ 272,231	\$ 282,537	\$ 543,597
5000	Operating costs	6(4)(22)(23)	(136,282)	(303,274)	(257,163)	(530,657)
5950	Gross profit (loss) from operations		32,246	(31,043)	25,374	12,940
	Operating expenses	6(22)(23)				
6100	Selling expenses		(18,237)	(5,294)	(40,215)	(37,597)
6200	Administrative expenses		(39,221)	(58,841)	(69,681)	(122,834)
6300	Research and development expenses		(24,905)	(14,484)	(46,621)	(29,436)
6450	Expected credit impairment loss	12(2)	(929)	-	(929)	-
6000	Total operating expenses		(83,292)	(78,619)	(157,446)	(189,867)
6900	Operating loss		(51,046)	(109,662)	(132,072)	(176,927)
	Non-operating income and expenses					
7100	Interest income	6(18)	686	763	1,286	1,192
7010	Other income	6(19)	267	29	405	836
7020	Other gains and losses	6(20)	(2,870)	(2,800)	(3,944)	(2,234)
7050	Finance costs	6(21)	(1,528)	(3,512)	(3,098)	(6,806)
7000	Total non-operating income and expenses		(3,445)	(5,520)	(5,351)	(7,012)
7900	Loss before income tax		(54,491)	(115,182)	(137,423)	(183,939)
7950	Income tax expense	6(24)	-	(24,468)	-	(51,855)
8200	Loss for the period		<u>(\$ 54,491)</u>	<u>(\$ 139,650)</u>	<u>(\$ 137,423)</u>	<u>(\$ 235,794)</u>
	Other comprehensive income	6(16)				
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		\$ 388	\$ 2,856	\$ 558	\$ 1,945
8300	Total other comprehensive income for the period		<u>\$ 388</u>	<u>\$ 2,856</u>	<u>\$ 558</u>	<u>\$ 1,945</u>
8500	Total comprehensive loss for the period		<u>(\$ 54,103)</u>	<u>(\$ 136,794)</u>	<u>(\$ 136,865)</u>	<u>(\$ 233,849)</u>
	Loss attributable to:					
8610	Owners of parent		<u>(\$ 54,491)</u>	<u>(\$ 139,650)</u>	<u>(\$ 137,423)</u>	<u>(\$ 235,794)</u>
	Comprehensive loss attributable to:					
8710	Owners of parent		<u>(\$ 54,103)</u>	<u>(\$ 136,794)</u>	<u>(\$ 136,865)</u>	<u>(\$ 233,849)</u>
	Loss per share (in dollars)	6(25)				
9750	Basic loss per share		<u>(\$ 0.80)</u>	<u>(\$ 2.44)</u>	<u>(\$ 2.02)</u>	<u>(\$ 4.11)</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
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollar)

	Notes	Equity attributable to owners of the parent				Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Additional paid-in capital	Others	Accumulated deficit		
<u>2023</u>							
Balance at January 1, 2023		\$ 700,000	\$ 500,257	\$ 14,787	(\$ 525,471)	\$ 24,416	\$ 713,989
Loss for the period		-	-	-	(235,794)	-	(235,794)
Other comprehensive income for the period	6(16)	-	-	-	-	1,945	1,945
Total comprehensive income (loss) for the period		-	-	-	(235,794)	1,945	(233,849)
Capital surplus used to offset against accumulated deficit		-	(500,257)	(14,787)	515,044	-	-
Balance at June 30, 2023		<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 246,221)</u>	<u>\$ 26,361</u>	<u>\$ 480,140</u>
<u>2024</u>							
Balance at January 1, 2024		\$ 830,000	\$ 429,000	\$ -	(\$ 529,783)	\$ 26,909	\$ 756,126
Loss for the period		-	-	-	(137,423)	-	(137,423)
Other comprehensive income for the period	6(16)	-	-	-	-	558	558
Total comprehensive income (loss) for the period		-	-	-	(137,423)	558	(136,865)
Balance at June 30, 2024		<u>\$ 830,000</u>	<u>\$ 429,000</u>	<u>\$ -</u>	<u>(\$ 667,206)</u>	<u>\$ 27,467</u>	<u>\$ 619,261</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
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Six months ended June 30	
		2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 137,423)	(\$ 183,939)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	929	-
Depreciation (including right-of-use assets)	6(22)	29,226	30,350
Amortisation	6(22)	690	6,736
Net gain or loss on financial assets at fair value through profit or loss	6(20)	(2,055)	-
Interest expense	6(21)	3,098	6,806
Interest income	6(18)	(1,286)	(1,192)
Gain on disposal of property, plant and equipment	6(20)	(2)	-
Other losses		3,510	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		(30,900)	-
Accounts receivable		(25,502)	(18,041)
Contract assets		(15,932)	(12,247)
Other receivables		54	-
Inventories		(44,393)	28,735
Prepayments		(3,430)	(6,024)
Other current assets		6,556	(335)
Changes in operating liabilities			
Contract liabilities		(11,573)	(17,478)
Accounts payable		4,080	46,337
Other payables		(5,920)	(5,464)
Refund liabilities		(6,859)	1,736
Other current liabilities		(310)	3,802
Cash outflow generated from operations		(237,442)	(120,218)
Interest received		1,286	1,192
Interest paid		(3,120)	(6,681)
Income tax paid		-	(27,387)
Net cash flows used in operating activities		(239,276)	(153,094)

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>Six months ended June 30</u>	
		<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 50,062)	(\$ 35,115)
Proceeds from disposal of financial assets at amortised cost		77,812	43,846
Acquisition of property, plant and equipment	6(26)	(34,070)	(22,136)
Proceeds from disposal of property, plant and equipment		14	-
Acquisition of intangible assets		(733)	(735)
Increase in refundable deposits		(656)	(466)
Decrease in refundable deposits		150	304
Increase in other non-current assets		(25,132)	(1,694)
Net cash flows used in investing activities		(32,677)	(15,996)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		200,000	285,173
Decrease in short-term borrowings		(200,000)	(154,610)
Decrease in long-term borrowings		-	(7,675)
Payment of lease liabilities	6(27)	(751)	(751)
Net cash flows (used in) from financing activities		(751)	122,137
Effect of changes in foreign currency exchange		527	2,224
Net decrease in cash and cash equivalents		(272,177)	(44,729)
Cash and cash equivalents at beginning of period		383,301	235,395
Cash and cash equivalents at end of period		<u>\$ 111,124</u>	<u>\$ 190,666</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
SIX MONTHS ENDED JUNE 30, 2024 AND 2023

(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 June 30, 2024, 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 August 14, 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 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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) 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 became effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.

(3) 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 9 and IFRS 7, ‘Amendments to the classification and measurement of financial Instruments’	January 1, 2026
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
IFRS 18, ‘Presentation and disclosure in financial statements’	January 1, 2027
IFRS 19, ‘Subsidiaries without public accountability: disclosures’	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

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

IFRS 18, ‘Presentation and disclosure in financial statements’

IFRS 18, ‘Presentation and disclosure in financial statements’ replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

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” and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

Financial assets (including derivative instruments) at fair value through profit or loss.

- 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
			June 30, 2024	December 31, 2023	June 30, 2023	
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	100	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees Eco Ark Co., Ltd.	Manufacturing and distribution of batteries, cars and peripherals	100	100	100	Note 1
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	100	
Advanced Lithium Electrochemistry (HK) Co., Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Research and development, trading	100	100	100	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees US, Corp.	Investment holdings	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Remark
			June 30, 2024	December 31, 2023	June 30, 2023	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd. Aleees US, Corp.	Aleees India Technology Private Limited Aleees AU Pty. Ltd.	Overseas clients developing and services of cathode materials for lithium-ion batteries	0.01	0.01	-	Note 2
Aleees US, Corp.	Aleees Texas, LLC	Overseas clients developing and services of cathode materials for lithium-ion batteries	100	100	100	
Aleees US, Corp.	Aleees EU SARL	Overseas clients developing and services of cathode materials for lithium-ion batteries	100	100	100	
Aleees US, Corp.	Aleees UK, Ltd.	Overseas clients developing and services of cathode materials for lithium-ion batteries	100	100	100	
Aleees US, Corp.	Aleees India Technology Private Limited	Overseas clients developing and services of cathode materials for lithium-ion batteries	99.99	99.99	-	Note 2

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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 financial year-end. 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 structure	3~26 years
Machinery and equipment	3~8 years
Testing equipment	3~8 years
Office equipment	3~4 years
Others	3~8 years

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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 expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense 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 expense and liability, 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 paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) 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.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the Company's Taiwan subsidiaries and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(26) 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.

(27) 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.

(28) 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.

(29) 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.

(30) Operating segments

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

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

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

As of June 30, 2024, the carrying amount of property, plant, and equipment was \$490,872.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Demand deposits and checking accounts	\$ 49,614	\$ 248,637	\$ 175,096
Time deposits	<u>61,510</u>	<u>134,664</u>	<u>15,570</u>
	<u>\$ 111,124</u>	<u>\$ 383,301</u>	<u>\$ 190,666</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 June 30, 2024, December 31, 2023 and June 30, 2023, the Group's time deposits maturing over three months amounted to \$0, \$25,000 and \$0, respectively, and were classified as current financial assets at amortised cost.

C. As at June 30, 2024, December 31, 2023 and June 30, 2023, the Group's cash and cash equivalents pledged to others as collateral amounted to \$26,903, \$29,653 and \$75,754, respectively, and were classified as financial assets at amortised cost. The information on collateral is provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(2) Financial assets at fair value through profit or loss

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Open-end fund	\$ 30,900	\$ -	\$ -
Valuation adjustment	<u>2,055</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,955</u>	<u>\$ -</u>	<u>\$ -</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Three months ended June 30, 2024	Three months ended June 30, 2023
Financial assets mandatorily measured at fair value through profit or loss Open-end fund-valuation	\$ 1,019	\$ -
	Six months ended June 30, 2024	Six months ended June 30, 2023
Financial assets mandatorily measured at fair value through profit or loss Open-end fund-valuation	\$ 2,055	\$ -

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Accounts receivable

	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable – third parties	\$ 74,536	\$ 49,034	\$ 105,029
Accounts receivable – related parties	91,108	91,108	91,108
	165,644	140,142	196,137
Less: Allowance for bad debts	(109,121)	(108,192)	(108,192)
	\$ 56,523	\$ 31,950	\$ 87,945

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

	June 30, 2024	December 31, 2023	June 30, 2023
Not past due	\$ 26,311	\$ 30,917	\$ 87,945
Up to 30 days	14,994	-	-
31 to 90 days	15,218	154	-
91 to 180 days	-	879	-
Over 180 days	109,121	108,192	108,192
	\$ 165,644	\$ 140,142	\$ 196,137

The above ageing analysis was based on past due date.

B. As of June 30, 2024, December 31, 2023 and June 30, 2023, accounts receivable were all from contracts with customers. As of January 1, 2023, the balance of receivables from contracts with customers amounted to \$180,958.

C. For the six months ended June 30, 2024 and 2023, 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 June 30, 2024, December 31, 2023 and June 30, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes receivable and accounts receivable held by the Group was the book value.

F. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	June 30, 2024		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	\$ 45,511	(\$ 5,709)	\$ 39,802
Work in progress	4,802	-	4,802
Semi-finished goods	45,868	(11,790)	34,078
Finished goods	134,279	(15,295)	118,984
	<u>\$ 230,460</u>	<u>(\$ 32,794)</u>	<u>\$ 197,666</u>
	December 31, 2023		
	Cost	Allowance for value decline and obsolescence	Book value
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	108,097	(14,820)	93,277
	<u>\$ 185,009</u>	<u>(\$ 31,736)</u>	<u>\$ 153,273</u>
	June 30, 2023		
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	\$ 63,757	(\$ 3,206)	\$ 60,551
Work in progress	8,386	-	8,386
Semi-finished goods	81,643	(6,272)	75,371
Finished goods	89,243	(18,739)	70,504
	<u>\$ 243,029</u>	<u>(\$ 28,217)</u>	<u>\$ 214,812</u>

Expenses and losses incurred on inventories for the period:

	Three months ended June 30,	
	2024	2023
Cost of inventories sold	\$ 112,089	\$ 267,675
Cost of services	8,192	8,271
Loss on decline in market value	6,063	8,553
Loss on scrapping inventory	-	-
Unallocated fixed overhead cost	9,938	18,775
	<u>\$ 136,282</u>	<u>\$ 303,274</u>

	Six months ended June 30,	
	2024	2023
Cost of inventories sold	\$ 209,451	\$ 470,369
Cost of services	12,643	8,271
Loss on decline in market value		
(Gain from price recovery of inventory)	1,057 (13,872)
Loss on scrapping inventory	3,595	23,474
Unallocated fixed overhead cost	30,417	42,415
	<u>\$ 257,163</u>	<u>\$ 530,657</u>

For the six months ended June 30, 2023, the Group strengthened the inventory management, resulting in the reversal of inventory valuation losses.

(5) Prepayments

	June 30, 2024	December 31, 2023	June 30, 2023
Prepayment for purchases	\$ 3,359	\$ 6,018	\$ 8,469
Overpaid sales tax	36,100	34,363	37,900
Others	10,832	9,990	14,273
	<u>\$ 50,291</u>	<u>\$ 50,371</u>	<u>\$ 60,642</u>

(6) Property, plant and equipment

	<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, 2024</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>2024</u>									
Opening net book amount as at January 1	\$ 147,910	\$ 108,372	\$ 80,298	\$ 50,647	\$ 31	\$ -	\$ 102,021	\$ 3,258	\$ 492,537
Additions	-	-	22,411	565	19	-	2,759	1,068	26,822
Disposals	-	-	-	-	-	-	(12)	-	(12)
Transfers	-	-	3,258	-	-	-	-	(3,258)	-
Depreciation charge	-	(3,253)	(8,136)	(4,522)	(25)	-	(12,539)	-	(28,475)
Closing net book amount as at June 30	<u>\$ 147,910</u>	<u>\$ 105,119</u>	<u>\$ 97,831</u>	<u>\$ 46,690</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 92,229</u>	<u>\$ 1,068</u>	<u>\$ 490,872</u>
<u>At June 30, 2024</u>									
Cost	\$ 147,910	\$ 195,366	\$ 694,070	\$ 140,704	\$ 1,590	\$ 510	\$ 331,096	\$ 1,068	\$ 1,512,314
Accumulated depreciation and impairment	-	(90,247)	(596,239)	(94,014)	(1,565)	(510)	(238,867)	-	(1,021,442)
	<u>\$ 147,910</u>	<u>\$ 105,119</u>	<u>\$ 97,831</u>	<u>\$ 46,690</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 92,229</u>	<u>\$ 1,068</u>	<u>\$ 490,872</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, 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	-	-	8,058	4,543	-	-	8,264	6,442	27,307
Transfers	-	-	-	21,503	-	-	1,696	(23,199)	-
Depreciation charge	-	(3,282)	(9,212)	(4,017)	(84)	-	(13,004)	-	(29,599)
Closing net book amount as at June 30	<u>\$ 147,910</u>	<u>\$ 111,625</u>	<u>\$ 70,314</u>	<u>\$ 47,968</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 108,193</u>	<u>\$ 11,258</u>	<u>\$ 497,383</u>
<u>At June 30, 2023</u>									
Cost	\$ 147,910	\$ 195,366	\$ 651,477	\$ 133,497	\$ 1,572	\$ 510	\$ 323,525	\$ 11,258	\$ 1,465,115
Accumulated depreciation and impairment	-	(83,741)	(581,163)	(85,529)	(1,457)	(510)	(215,332)	-	(967,732)
	<u>\$ 147,910</u>	<u>\$ 111,625</u>	<u>\$ 70,314</u>	<u>\$ 47,968</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 108,193</u>	<u>\$ 11,258</u>	<u>\$ 497,383</u>

A. No interest was capitalised to property, plant and equipment for the three months and six months ended June 30, 2024 and 2023.

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.

(7) 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>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 626</u>	<u>\$ 1,377</u>	<u>\$ 2,128</u>
	<u>Three months ended June 30,</u>		
	<u>2024</u>	<u>2023</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 375</u>	<u>\$ 376</u>	
	<u>Six months ended June 30,</u>		
	<u>2024</u>	<u>2023</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 751</u>	<u>\$ 751</u>	

D. For the three months and six months ended June 30, 2024 and 2023, there were no additions to right-of-use assets.

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

	<u>Three months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Expense on short-term lease contracts	<u>\$ 2,835</u>	<u>\$ 2,488</u>
	<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Expense on short-term lease contracts	<u>\$ 5,195</u>	<u>\$ 5,312</u>

F. For the six months ended June 30, 2024 and 2023, the Group's total cash outflow for leases were \$5,946 and \$6,063, respectively.

(8) Other non-current assets

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Prepayment for equipment	<u>\$ 38,171</u>	<u>\$ 13,039</u>	<u>\$ 11,558</u>
Guarantee deposits paid	<u>64,868</u>	<u>64,362</u>	<u>64,370</u>
	<u>\$ 103,039</u>	<u>\$ 77,401</u>	<u>\$ 75,928</u>

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2024</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			Current financial assets at
Secured borrowings	<u>\$ 220,000</u>	2.22%~3.19%	amortised cost, net and
			Property, plant and
			equipment
<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	<u>\$ 220,000</u>	2.10%~3.07%	amortised cost, net and
			Property, plant and
			equipment
<u>Type of borrowings</u>	<u>June 30, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			Current financial assets at
Secured borrowings	<u>\$ 255,475</u>	3.07%~6.91%	amortised cost, net and
			Property, plant and
			equipment

For the three months and six months ended June 30, 2024 and 2023, interest expense arising from short-term borrowings that were recognised in profit or loss amounted to \$1,528, \$2,348, \$3,098 and \$4,460, respectively.

(10) Other payables

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Wages and salaries payable	\$ 23,252	\$ 28,541	\$ 22,523
Professional services fees	4,692	4,126	6,406
Payables on equipment	4,879	12,127	20,928
Payables on consumables	5,356	7,411	8,555
Others	<u>130,714</u>	<u>129,878</u>	<u>129,040</u>
	<u>\$ 168,893</u>	<u>\$ 182,083</u>	<u>\$ 187,452</u>

(11) Long-term borrowings (June 30, 2024 and December 31, 2023 : None.)

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>June 30, 2023</u>
Sunny Bank secured borrowings	Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly (Note)	3.75%	Property, plant and equipment	\$ 25,798
"	Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly (Note)	2.94%	"	58,694
"	Dec. 28, 2021 ~ Dec. 28, 2028, interest and principal payable monthly (Note)	5.09%	Property, plant and equipment and Non- current financial assets at amortised cost, net	36,596
				121,088
Less: Current portion				(15,915)
				<u>\$ 105,173</u>

Note: The borrowing was fully settled in December 2023.

Interest expense on the long-term borrowings recognised in profit or loss amounted to \$1,164 and \$2,346 for the three months and six months ended June 30, 2023, respectively.

(12) Pensions

- A. Effective July 1, 2005, Advanced Lithium Electrochemistry Co., Ltd., Aleees Eco Ark Co., Ltd. and Emerald Battery Technologies Co., Ltd. have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company's Mainland China subsidiary, Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on 21% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- C. The pension contribution methods of the subsidiaries of the Company's subsidiaries, Aleees 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 three months and six months ended June 30, 2024 and 2023 were \$2,042, \$1,912, \$4,237 and \$3,734, respectively.

(13) Share capital

- A. As of June 30, 2024, 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):

	2024	2023
Options outstanding at January 1	83,000,000	70,000,000
Cash capital increase	-	-
Options outstanding at June 30	<u>83,000,000</u>	<u>70,000,000</u>

- 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 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.
- E. 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 Board of Directors during its meeting on April 11, 2024. The maximum number of shares to be issued through the private placement is 40,000 thousand shares. As of August 14, 2024, the capital increase has not yet been approved by the shareholders.
- F. For the Company's capital reduction to offset against the accumulated deficit, please refer to Note 11 for details.

(14) 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.

(15) 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.

(16) Other equity items

	<u>2024</u>
	<u>Currency translation</u>
At January 1	\$ 26,909
Foreign currency translation - Group	558
At June 30	<u>\$ 27,467</u>

	<u>2023</u>
	Currency translation
At January 1	\$ 24,416
Foreign currency translation - Group	1,945
At June 30	<u>\$ 26,361</u>

(17) Operating revenue

	<u>Three months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers	<u>\$ 168,528</u>	<u>\$ 272,231</u>
	<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers	<u>\$ 282,537</u>	<u>\$ 543,597</u>

A. The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

<u>Three months ended June 30, 2024</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>All other segments</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Cathode Material revenue	\$ -	\$ 107,250	\$ 59,604	\$ 765	\$ 167,619
Licensing Engagement revenue	-	-	-	-	-
Others	-	-	-	425	425
	<u>-</u>	<u>107,250</u>	<u>59,604</u>	<u>1,190</u>	<u>168,044</u>
Over time					
Consulting services	-	-	484	-	484
	<u>\$ -</u>	<u>\$ 107,250</u>	<u>\$ 60,088</u>	<u>\$ 1,190</u>	<u>\$ 168,528</u>
<u>Three months ended June 30, 2023</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>All other segments</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Cathode Material revenue	\$ 70,990	\$ 166,510	\$ 24,513	\$ 1,028	\$ 263,041
Licensing Engagement revenue	-	-	-	-	-
Others	-	-	-	-	-
	<u>70,990</u>	<u>166,510</u>	<u>24,513</u>	<u>1,028</u>	<u>263,041</u>
Over time					
Consulting services	-	-	5,510	3,680	9,190
	<u>\$ 70,990</u>	<u>\$ 166,510</u>	<u>\$ 30,023</u>	<u>\$ 4,708</u>	<u>\$ 272,231</u>

<u>Six months ended June 30, 2024</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>All other segments</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Battery power	\$ 19,035	\$ 156,710	\$ 88,578	\$ 1,857	\$ 266,180
Technology licencing	-	-	-	-	-
Others	-	-	-	425	425
	<u>19,035</u>	<u>156,710</u>	<u>88,578</u>	<u>2,282</u>	<u>266,605</u>
Over time					
Consulting services	-	-	6,130	9,802	15,932
	<u>\$ 19,035</u>	<u>\$ 156,710</u>	<u>\$ 94,708</u>	<u>\$ 12,084</u>	<u>\$ 282,537</u>
<u>Six months ended June 30, 2023</u>	<u>China</u>	<u>Other Asia Countries</u>	<u>Europe</u>	<u>All other segments</u>	<u>Total</u>
Timing of revenue recognition					
At a point in time					
Battery power	\$138,730	\$ 233,825	\$ 64,770	\$ 5,792	\$ 443,117
Technology licencing	-	-	-	91,290	91,290
Others	-	-	-	-	-
	<u>138,730</u>	<u>233,825</u>	<u>64,770</u>	<u>97,082</u>	<u>534,407</u>
Over time					
Consulting services	-	-	5,510	3,680	9,190
	<u>\$138,730</u>	<u>\$ 233,825</u>	<u>\$ 70,280</u>	<u>\$100,762</u>	<u>\$ 543,597</u>

B.Contract assets and liabilities

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>	<u>January 1, 2023</u>
Contract assets- licence contract	\$ 59,369	\$ 43,437	\$ 12,247	\$ -
Contract liabilities- product sales contract	\$ 15,999	\$ 27,572	\$ 17,176	\$ 34,654

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

	<u>Three months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Product sales contract	\$ 18	\$ -
	<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Product sales contract	\$ 11,587	\$ 34,275

(18) Interest income

	Three months ended June 30,	
	2024	2023
Bank deposit interest	\$ 686	\$ 763

	Six months ended June 30,	
	2024	2023
Bank deposit interest	\$ 1,286	\$ 1,192

(19) Other income

	Three months ended June 30,	
	2024	2023
Government grants	\$ 26	\$ 10
Other income	241	19
	<u>\$ 267</u>	<u>\$ 29</u>

	Six months ended June 30,	
	2024	2023
Government grants (Note)	\$ 134	\$ 797
Other income	271	39
	<u>\$ 405</u>	<u>\$ 836</u>

Note: Since the Group is entitled to the related subsidy regulations of the Ministry of Labor, the Group received government grant for operating expenses.

(20) Other gains and losses

	Three months ended June 30,	
	2024	2023
Gains on disposals of property, plant and equipment	\$ 2	\$ -
Foreign exchange loss	(228)	(2,800)
Gain on financial assets at fair value through profit or loss	1,019	-
Other losses	(3,663)	-
	<u>(\$ 2,870)</u>	<u>(\$ 2,800)</u>

	Six months ended June 30,	
	2024	2023
Gains on disposals of property, plant and equipment	\$ 2	\$ -
Foreign exchange loss	(2,332)	(2,228)
Gain on financial assets at fair value through profit or loss	2,055	-
Other losses	(3,669)	(6)
	<u>(\$ 3,944)</u>	<u>(\$ 2,234)</u>

(21) Finance costs

	Three months ended June 30,	
	2024	2023
Interest expense	\$ 1,528	\$ 3,512

	Six months ended June 30,	
	2024	2023
Interest expense	\$ 3,098	\$ 6,806

(22) Expenses by nature

	Three months ended June 30,	
	2024	2023
Employee benefit expense	\$ 64,615	\$ 62,279
Depreciation charges on property, plant and equipment	14,400	15,604
Depreciation charges on right-of-use assets	375	376
Amortisation charges on intangible assets	365	192

	Six months ended June 30,	
	2024	2023
Employee benefit expense	\$ 123,641	\$ 121,272
Depreciation charges on property, plant and equipment	28,475	29,599
Depreciation charges on right-of-use assets	751	751
Amortisation charges on intangible assets	690	6,736

(23) Employee benefit expense

	Three months ended June 30,	
	2024	2023
Wages and salaries	\$ 56,322	\$ 53,953
Labour and health insurance fees	3,981	4,062
Pension costs	2,042	1,912
Other personnel expenses	2,270	2,352
	<u>\$ 64,615</u>	<u>\$ 62,279</u>

	Six months ended June 30,	
	2024	2023
Wages and salaries	\$ 104,775	\$ 104,926
Labour and health insurance fees	8,565	8,314
Pension costs	4,237	3,734
Other personnel expenses	6,064	4,298
	<u>\$ 123,641</u>	<u>\$ 121,272</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 June 30, 2024 and 2023, thus, the Company did not recognise employees' compensation and directors' and supervisors' remuneration.
- C. Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended June 30,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Prior year income tax overestimation	-	24,468
Others	-	-
Total current tax:	<u>\$ -</u>	<u>\$ 24,468</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>\$ -</u>	<u>\$ -</u>
Income tax expense	<u>\$ -</u>	<u>\$ 24,468</u>
	Six months ended June 30,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Prior year income tax overestimation	-	24,468
Others	-	27,387
Total current tax:	<u>\$ -</u>	<u>\$ 51,855</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>\$ -</u>	<u>\$ -</u>
Income tax expense	<u>\$ -</u>	<u>\$ 51,855</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 period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Three months ended June 30,	
	2024	2023
Tax calculated based on loss before tax and statutory tax rate	\$ -	\$ -
Prior year income tax underestimation	-	24,468
Others	-	-
Income tax expense	<u>\$ -</u>	<u>\$ 24,468</u>

	Six months ended June 30,	
	2024	2023
Tax calculated based on loss before tax and statutory tax rate	\$ -	\$ -
Prior year income tax underestimation	-	24,468
Others	-	27,387
Income tax expense	<u>\$ -</u>	<u>\$ 51,855</u>

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

D. The income tax returns of Advanced Lithium Electrochemistry Co. through 2022 have been assessed and approved by the Tax Authority.

(25) Loss per share

	Three months ended June 30, 2024		
	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	<u>(\$ 54,491)</u>	<u>68,000</u>	<u>(\$ 0.80)</u>

	Three months ended June 30, 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	<u>(\$ 139,650)</u>	<u>57,349</u>	<u>(\$ 2.44)</u>

Six months ended June 30, 2024			
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	(\$ 137,423)	68,000	(\$ 2.02)
Six months ended June 30, 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	(\$ 235,794)	57,349	(\$ 4.11)

Note: For the three months and six months ended June 30, 2024 and 2023, the weighted average number of outstanding shares was retrospectively adjusted by 18.0722892% which is the ratio of capital reduction to offset against accumulated deficit in August 2024.

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Six months ended June 30,	
	2024	2023
Purchase of property, plant and equipment	\$ 26,822	\$ 27,307
Add: Opening balance of payable on equipment	12,127	15,757
Less: Ending balance of payable on equipment	(4,879)	(20,928)
Cash paid during the period	\$ 34,070	\$ 22,136

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities
At January 1, 2024	\$ 220,000	\$ -	\$ 1,377
Changes in cash flow from financing activities	-	-	(751)
Changes in other non-cash items	-	-	-
At June 30, 2024	\$ 220,000	\$ -	\$ 626

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities</u>
At January 1, 2023	\$ 124,568	\$ 128,763	\$ 4,505
Changes in cash flow from financing activities	130,563 (7,675) (751)
Changes in other non-cash items	<u>344</u>	<u>-</u>	<u>(1,626)</u>
At June 30, 2023	<u>\$ 255,475</u>	<u>\$ 121,088</u>	<u>\$ 2,128</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party: None.

(2) Names of related parties and relationship:

<u>Names of related parties</u>	<u>Relationship with the Group</u>
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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accounts receivable:			
- Other related parties			
FDG Investment Holdings Limited	\$ 68,523	\$ 68,523	\$ 68,523
Tianjin Sinopoly New Energy Technology Co., Ltd.	14,316	14,316	14,316
Others	<u>8,269</u>	<u>8,269</u>	<u>8,269</u>
	91,108	91,108	91,108
Less: Allowance for bad debts			
FDG Investment Holdings Limited	(68,523)	(68,523)	(68,523)
Tianjin Sinopoly New Energy Technology Co., Ltd.	(14,316)	(14,316)	(14,316)
Others	<u>(8,269)</u>	<u>(8,269)</u>	<u>(8,269)</u>
	<u>(91,108)</u>	<u>(91,108)</u>	<u>(91,108)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Other receivables:			
- Other related parties			
Aleees Eco Ark (Ningbo) Ltd.	\$ 10,641	\$ 10,641	\$ 10,641
Less: Allowance for bad debts			
Aleees Eco Ark (Ningbo) Ltd.	(10,641)	(10,641)	(10,641)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. Other non-current assets

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Long-term receivables			
- Other related party			
FDG Electric Vehicles Limited	\$ 1,126,688	\$ 1,126,688	\$ 1,126,688
Less: Allowance for bad debts			
FDG Electric Vehicles Limited	(1,126,688)	(1,126,688)	(1,126,688)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- (a) On August 25, 2016, the Company invested in five-year unlisted convertible bonds with zero coupon rate issued by FDG Electric Vehicles Limited. The principal of the bond amounted to HK\$275,000,000 upon maturity with conversion price of HK\$0.5. Within 183 days after one year from the completion date of purchase (including the first and the last days), either disposal of such convertible bonds or trading of converted shares are restricted according to the purchase agreement.
- (b) The share consolidation implemented by FDG Electric Vehicles Limited was effective on September 5, 2019, thus, the conversion price of the Company's convertible bonds 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

	Three months ended June 30,	
	2024	2023
Salaries and other short-term employee benefits	\$ 2,524	\$ 1,865
Post-employment benefits	74	42
	<u>\$ 2,598</u>	<u>\$ 1,907</u>
	Six months ended June 30,	
	2024	2023
Salaries and other short-term employee benefits	\$ 5,060	\$ 3,904
Post-employment benefits	151	72
	<u>\$ 5,211</u>	<u>\$ 3,976</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2024	December 31, 2023	June 30, 2023	
Bank deposits (shown as 'Current and Non-current financial assets at amortised cost, net')	\$ 26,903	\$ 29,653	\$ 75,754	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	62,380	Asset preservation and pledge for customs
Property, plant and equipment	253,029	256,282	259,535	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-a805 (hereafter referred as “Zon-Shang-Zi-805”)), which had been denied by the Taiwan High Court on June 27, 2019. The Group filed an appeal, and, 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 whereby Aleees shall pay more than \$10,032, plus interest at 5% per annum from July 17, 2016 until the debt is repaid. The Group disagreed with the above remanded judgment and filed an appeal. The case had been transferred to the Supreme Court (No. 113-Tai-Shang-629). 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. 113-Tai-Shang-629), 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. 113-Tai-Shang-629), the court decided to cease the appeal procedures for No.106-Zon-Guo-Zi-2 on October 24, 2018. As of August 14, 2024, 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 ultimate outcome of the case cannot presently be determined. 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 stating that the arbitration of FDG Investment Holdings was denied. FDG Investment Holdings filed an interlocutory appeal with the Supreme Court, but the Supreme Court rejected the appeal according to the 113 Tai-Kang-Zi No. 282 ruling. 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.

C. The Company and its subsidiary, Advanced Lithium Electrochemistry Co., Ltd. (“Advanced Lithium Electrochemistry”), had previously reached an agreement with LiReP04+C Licensing AG to terminate the license reauthorization contract (“license contract”). However, LiReP04+C Licensing AG subsequently had concerns about the termination day. To maintain shareholders’ interests, multiple negotiations were conducted, but no consensus was reached. Therefore, LiReP04+C Licensing AG has filed an appeal against the Company and Advanced Lithium Electrochemistry to the Superior Court of Quebec. As of August 14, 2024, the effect to the Group cannot be estimated.

(2) Commitments

A. Issued but unused letters of credit for raw material imports

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
JPY (In thousands)	\$ 24,455	\$ 3,990	\$ -
USD (In thousands)	\$ 68	\$ -	\$ 136

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Property, plant and equipment	\$ 33,466	\$ 11,691	\$ 11,078

C. 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. Refer to Note 9(1)C for details. 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

To improve financial structure and cover the accumulated deficit, on June 28, 2024, the shareholders of the Company at their meeting resolved to reduce its capital in the amount of \$150,000 and retire 15,000 thousand shares of common shares. The capital reduction ratio was approximately 18.0722892%, and the capital reduction was effective on August 6, 2024. As of August 14, 2024, the registration for the capital reduction has not yet been completed.

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 June 30, 2024, December 31, 2023 and June 30, 2023 were as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Total borrowings	\$ 220,000	\$ 220,000	\$ 376,563
Less: Cash and cash equivalents	(111,124)	(383,301)	(190,666)
Net debt	108,876	(163,301)	185,897
Total equity	<u>619,261</u>	<u>756,126</u>	<u>480,140</u>
Total capital	<u>\$ 728,137</u>	<u>\$ 592,825</u>	<u>\$ 666,037</u>
Debt to capital ratio	<u>15%</u>	<u>-</u>	<u>28%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 32,955	\$ -	\$ -
<u>Financial assets at amortised cost/</u>			
<u>Loan and receivables</u>			
Cash and cash equivalents	111,124	383,301	190,666
Current and non-current financial assets at amortised cost, net	26,903	54,653	75,754
Accounts receivable (including related parties)	56,523	31,950	87,945
Other receivables (including related parties)	-	54	-
Guarantee deposits paid (shown as 'Other current assets')	64,868	64,362	64,370
	<u>\$ 292,373</u>	<u>\$ 534,320</u>	<u>\$ 418,735</u>
	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial liabilities</u>			
<u>Financial liabilities at amortised cost</u>			
Short-term borrowings	\$ 220,000	\$ 220,000	\$ 255,475
Accounts payable	76,182	72,102	95,185
Other accounts payable	168,893	182,083	187,452
Long-term borrowings (including current portion)	-	-	121,088
Refund liabilities	-	6,859	13,345
	<u>\$ 465,075</u>	<u>\$ 481,044</u>	<u>\$ 672,545</u>
Lease liabilities	<u>\$ 626</u>	<u>\$ 1,377</u>	<u>\$ 2,128</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:

	June 30, 2024		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,540	32.45	\$ 114,873
HKD : NTD	275,000	4.15	1,141,250
RMB : NTD	810	4.445	3,600
EUR : NTD	870	34.71	30,198
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 4,736	32.45	\$ 153,683

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
June 30, 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	\$ 6,535	31.14	\$ 203,500
HKD : NTD	275,000	3.97	1,091,750
RMB : NTD	23,414	4.282	100,259
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 4,929	31.14	\$ 153,489

- 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 three months and six months ended June 30, 2024 and 2023 amounted to (\$228), (\$2,800), (\$2,332) and (\$2,228), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Six months ended June 30, 2024		
	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%	\$ 1,149	\$ -
HKD : NTD	1%	11,413	-
RMB : NTD	1%	36	-
EUR : NTD	1%	302	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 1,537)	\$ -

	Six months ended June 30, 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%	\$ 2,035	\$ -
HKD : NTD	1%	10,918	-
RMB : NTD	1%	1,003	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 1,535)	\$ -

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 June 30, 2024 and 2023, 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 six months ended June 30, 2024 and 2023 would have decreased/increased by \$220 and \$753, 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 June 30, 2024, December 31, 2023 and June 30, 2023, the provision matrix is as follows:

<u>June 30, 2024</u>	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	\$ 1,287	\$ 26,311	\$ 30,212	\$ -	\$ -	\$ -	\$ 107,834	\$ 165,644
- Other receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,641	\$ 10,641
Loss allowance	\$ 1,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,475	\$ 119,762

Long-term accounts receivable (included in other non-current assets)

Expected loss rate	100%	0%	0%	0%	0%	0%	0%	
Total book value	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688
Loss allowance	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688

<u>December 31, 2023</u>	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	\$ 358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,475	\$ 118,833

Long-term accounts receivable (included in other non-current assets)

Expected loss rate	100%	0%	0%	0%	0%	0%	0%	
Total book value	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688
Loss allowance	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688

<u>June 30, 2023</u>	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	\$ 358	\$ 87,945	\$ -	\$ -	\$ -	\$ -	\$ 107,834	\$ 196,137
- Other receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,641	\$ 10,641
Loss allowance	\$ 358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,475	\$ 118,833

Long-term accounts receivable (included in other non-current assets)

Expected loss rate	100%	0%	0%	0%	0%	0%	0%	
Total book value	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688
Loss allowance	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688

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

	2024			
	Accounts receivable	Other receivables	Long-term receivables	Total
At January 1	\$ 108,192	\$ 10,641	\$ 1,126,688	\$ 1,245,521
Reversal of impairment loss	<u>929</u>	<u>-</u>	<u>-</u>	<u>929</u>
At June 30	<u>\$ 109,121</u>	<u>\$ 10,641</u>	<u>\$ 1,126,688</u>	<u>\$ 1,246,450</u>

	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	<u>(2,862)</u>	<u>-</u>	<u>-</u>	<u>(2,862)</u>
At June 30	<u>\$ 108,192</u>	<u>\$ 10,641</u>	<u>\$ 1,126,688</u>	<u>\$ 1,245,521</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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Floating rate:			
Expiring within one year	\$ 254,919	\$ 276,269	\$ 214,945
Expiring more than one year	<u>150,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 404,919</u>	<u>\$ 276,269</u>	<u>\$ 214,945</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>
June 30, 2024				
Short-term borrowings	\$ 220,000	\$ -	\$ -	\$ -
Accounts payable	76,182	-	-	-
Other payables	168,893	-	-	-
Long-term borrowings (including current portion)	-	-	-	-
Refund liabilities	-	-	-	-
Lease liability	626	-	-	-

<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>
June 30, 2023				
Short-term borrowings	\$ 255,475	\$ -	\$ -	\$ -
Accounts payable	95,185	-	-	-
Other payables	187,452	-	-	-
Long-term borrowings (including current portion)	20,127	20,127	54,801	45,297
Refund liabilities	13,451	-	-	-
Lease liability	1,502	626	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows: (For instruments that are not measured at fair value but whose fair value should be disclosed, their fair value and level are recommended to be described in the notes of each account as the information required to be disclosed is different)

C. Financial instruments not measured at fair value

(a) The carrying amounts of cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable and other payables are approximate to their fair values.

The related information on the nature of the assets and liabilities is as follows: (December 31, 2023 and June 30, 2023: None)

June 30, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 32,955	\$ -	\$ -	\$ 32,955
	<u>\$ 32,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,955</u>

ii. The methods and assumptions the Group used to measure fair value are as follows:

The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Market quoted price	<u>Open-end fund</u> Net asset value
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D. For the six months ended June 30, 2024 and 2023, there was no transfer between Level 1 and Level 3

(4) Other matter

None.

13. SUPPLEMENTARY DISCLOSURES

The disclosures on investee companies were based on the financial statements reviewed 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 exchange rate of USD:NTD = 1:31.9 for the six months ended June 30, 2024 and the exchange rate of USD:NTD = 1:32.45 as of June 30, 2024.

(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: Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- 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:

Three months ended June 30, 2024:

	Cathode Material revenue	Licensing Engagement revenue	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 168,044	\$ 484	\$ -	\$ -	\$ 168,528
Total segment loss	(\$ 30,345)	(\$ 10,814)	(\$ 9,887)	\$ -	(\$ 51,046)

Six months ended June 30, 2024:

	Cathode Material revenue	Licensing Engagement revenue	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 266,605	\$ 15,932	\$ -	\$ -	\$ 282,537
Total segment loss	(\$ 111,944)	(\$ 5,491)	(\$ 14,637)	\$ -	(\$ 132,072)

Three months ended June 30, 2023:

	Cathode Material revenue	Licensing Engagement revenue	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 263,041	\$ 9,190	\$ -	\$ -	\$ 272,231
Total segment loss	(\$ 83,433)	(\$ 8,539)	(\$ 17,690)	\$ -	(\$ 109,662)

Six months ended June 30, 2023:

	Cathode Material revenue	Licensing Engagement revenue	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 443,117	\$ 100,480	\$ -	\$ -	\$ 543,597
Total segment loss	(\$ 209,643)	\$ 71,032	(\$ 38,316)	\$ -	(\$ 176,927)

(4) Reconciliation for segment income (loss): None.

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

Loans to others
Six months ended June 30, 2024

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 six months ended June 30, 2024	Balance at June 30, 2024 (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	\$ 120,000	\$ 80,000	\$ 57,500	-	Short-term financing	-	Working capital financing	-	None	-	\$ 235,127	\$ 235,127	

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.

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

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

Provision of endorsements and guarantees to others

Six months ended June 30, 2024

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2024	Outstanding endorsement/ guarantee amount at June 30, 2024	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
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(2)	\$ 1,238,522	\$ 538,000	\$ 538,000	\$ 200,000	-	86.88%	\$ 1,238,522	Y	N	N	
1	Advanced Lithium Electrochemistry Co., Ltd.	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	(3)	1,157,636	35,370	-	-	-	-	1,157,636	N	Y	N	

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

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Unless agreed by stockholders, the ceiling of the Company's guarantee to other companies and individual entity is 200% of the Company's net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling of the Company and its subsidiaries' guarantee to other companies and individual entity is 200% of the Company's net assets based on the latest financial statements audited or reviewed by independent accountants. The Company may provide endorsements and guarantees to the entities that are directly or indirectly owned by the Company for more than 90% ownership as long as the total amount is not higher than 10% of the Company's net worth. For the entities that are 100% directly or indirectly owned by the Company are not subject to the 10% net worth limit.

Note 4: The amount drawn down is the actual credit line obtained from banks or the endorsement/ guarantee actually completed.

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

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Six months ended June 30, 2024

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2024			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
Advanced Lithium Electrochemistry Co., Ltd.	ABITL Income Umbrella Multi-asset Income Fund-Accumulate	None	Financial assets at fair value through profit or loss	1,016,949.15	\$ 16,190	-	\$ 16,190	
Advanced Lithium Electrochemistry Co., Ltd.	Franklin Templeton SinoAm Multi-Asset Income Fund-Accu.-USD	None	Financial assets at fair value through profit or loss	1,297,577.90	16,765	-	16,765	

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Six months ended June 30, 2024

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2024	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
 Six months ended June 30, 2024

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	57,500	Note 5	5%

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)
Six months ended June 30, 2024

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2024			Net profit (loss) of the investee for the six months ended June 30, 2024	Investment income (loss) recognised by the Company for the six months ended June 30, 2024	Footnote
				Balance as at June 30, 2024	Balance as at December 31, 2023	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	\$ 3,018,443	246,640,000	100	\$ 587,818	(\$ 98,498)	(\$ 98,498)	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	11,420	(2,530)	(2,530)	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	(784)	(1,056)	(1,056)	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Aleees US, Corp.	America	Investment holdings	102,490	86,017	34,300,000	100	11,220	(22,580)	(22,580)	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	-	-	80	0.01	-	-	-	Subsidiary of subsidiary (Note 3)
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	5,460	(3,271)	(3,271)	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	780	(133)	(133)	Subsidiary of subsidiary
Aleees US, Corp.	Aleees Texas, LLC	America	Overseas clients developing and services of cathode materials for lithium-ion batteries	40,378	30,748	1,300,000	100	385	(10,582)	(10,582)	Subsidiary of subsidiary
Aleees US, Corp.	Aleees UK. Ltd.	United Kingdom	Overseas clients developing and services of cathode materials for lithium-ion batteries	21,550	17,455	550,000	100	926	(8,400)	(8,400)	Subsidiary of subsidiary
Aleees US, Corp.	Aleees India Technology Private Limited	India	Overseas clients developing and services of cathode materials for lithium-ion batteries	3,113	-	799,920	99.99	3,054	(55)	(55)	Subsidiary of subsidiary (Note 3)

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 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

Six months ended June 30, 2024

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	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2024		Accumulated amount of remittance from Taiwan to Mainland China	Net income of investee for the six months ended June 30, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2024	Book value of investments in Mainland China as of June 30, 2024	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2024	Footnote
				as of January 1, 2024	Remitted to Mainland China	Remitted back to Taiwan	as of June 30, 2024	ended June 30, 2024		ended June 30, 2024	2024	June 30, 2024	
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	\$ 481,203	Note 1	\$ -	\$ -	\$ -	\$ -	(\$ 1,089)	100	(\$ 1,089)	(\$ 1,932)	\$ -	

Company name (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2024	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

Six months ended June 30, 2024

Table 8

Investee	Shares held as at June 30, 2024	
	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.