

**ADVANCED LITHIUM
ELECTROCHEMISTRY (CAYMAN) CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

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

PWCR21000129

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these 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" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries as at September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine 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" as endorsed by the Financial Supervisory Commission.

Wu, Wei-Hao

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan
November 5, 2021

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

SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

	Assets	Notes	September 30, 2021	December 31, 2020	September 30, 2020
	Current assets				
1100	Cash and cash equivalents	6(1)	\$ 265,407	\$ 317,798	\$ 455,060
1136	Current financial assets at amortised cost, net	8	60,559	17,301	13,225
1150	Notes receivable, net	6(4) and 8	-	-	812
1170	Accounts receivable, net	6(4)	23,148	7,094	12,671
1180	Accounts receivable - related parties	6(4) and 7	-	-	-
1200	Other receivables		31,025	1,856	1,208
1210	Other receivables - related parties	7	-	-	-
1220	Current income tax assets		148	158	128
130X	Inventory	6(5)	41,258	38,708	51,199
1410	Prepayments	6(6)	95,805	48,415	43,836
1470	Other current assets	6(20)	5,281	3,473	2,235
11XX	Total current assets		<u>522,631</u>	<u>434,803</u>	<u>580,374</u>
	Non-current assets				
1510	Financial assets at fair value through profit or loss - non-current	6(2)	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	-	87,739	87,739
1550	Investments accounted for under equity method	6(7)	-	-	-
1600	Property, plant and equipment	6(8) and 8	451,889	479,952	478,610
1755	Right-of-use assets	6(9)	1,589	6,107	4,240
1780	Intangible assets	6(10)	38,755	58,214	64,455
1840	Deferred income tax assets		13,465	13,465	13,465
1900	Other non-current assets	6(2), 7 and 8	63,129	335,786	346,596
15XX	Total non-current assets		<u>568,827</u>	<u>981,263</u>	<u>995,105</u>
1XXX	Total assets		<u>\$ 1,091,458</u>	<u>\$ 1,416,066</u>	<u>\$ 1,575,479</u>

(Continued)

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

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2021	December 31, 2020	September 30, 2020
	Current liabilities				
2100	Short-term borrowings	6(11)	\$ 153,835	\$ 15,557	\$ 46,270
2130	Current contract liabilities	6(20)	6,052	2,017	573
2170	Accounts payable		11,812	9,138	5,628
2200	Other payables	6(12)	59,046	64,022	44,628
2220	Other payables - related parties	7	-	87,540	85,380
2250	Provisions for liabilities - current		34,818	34,818	34,818
2280	Current lease liabilities	6(9)	1,362	3,460	2,317
2320	Long-term liabilities, current portion	6(13)	22,193	14,312	14,193
2365	Current refund liabilities	6(20)	3,941	3,282	1,637
2399	Other current liabilities	7	19,695	2,840	3,788
21XX	Total current liabilities		<u>312,754</u>	<u>236,986</u>	<u>239,232</u>
	Non-current liabilities				
2540	Long-term borrowings	6(13)	170,023	131,022	134,645
2580	Non-current lease liabilities	6(9)	227	2,647	1,923
25XX	Total non-current liabilities		<u>170,250</u>	<u>133,669</u>	<u>136,568</u>
2XXX	Total liabilities		<u>483,004</u>	<u>370,655</u>	<u>375,800</u>
	Equity attributable to owners of parent				
	Share capital	6(16)			
3110	Common stock		920,997	1,600,197	1,600,197
	Capital surplus	6(17)			
3200	Capital surplus		123,521	123,521	123,521
	Accumulated deficit	6(18)			
3350	Accumulated deficit		(459,843)	(679,200)	(525,511)
	Other equity interest	6(19)			
3400	Other equity interest		23,779	878	1,457
31XX	Equity attributable to owners of the parent		<u>608,454</u>	<u>1,045,396</u>	<u>1,199,664</u>
36XX	Non-controlling interest		-	15	15
3XXX	Total equity		<u>608,454</u>	<u>1,045,411</u>	<u>1,199,679</u>
	Significant contingent liabilities and unrecognised contract commitments	9			
	Significant events after the balance sheet date	11			
3X2X	Total liabilities and equity		<u>\$ 1,091,458</u>	<u>\$ 1,416,066</u>	<u>\$ 1,575,479</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
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

				(UNAUDITED)	
		Three months ended September 30		Nine months ended September 30	
Items	Notes	2021	2020	2021	2020
4000 Operating revenue	6(20)	\$ 67,992	\$ 49,959	\$ 175,846	\$ 87,173
5000 Operating costs	6(5)(24)(25)	(80,493)	(80,632)	(230,496)	(207,774)
5950 Gross loss from operations		(12,501)	(30,673)	(54,650)	(120,601)
Operating expenses	6(24)(25)				
6100 Selling expenses		(20,100)	(16,898)	(54,317)	(40,288)
6200 Administrative expenses		(27,396)	(36,532)	(74,742)	(78,252)
6300 Research and development expenses		(10,711)	(10,281)	(32,096)	(28,290)
6450 Expected credit impairment gain (loss)	7 and 12(2)	48,740	(170)	49,867	(16,010)
6000 Total operating expenses		(9,467)	(63,881)	(111,288)	(162,840)
6900 Operating loss		(21,968)	(94,554)	(165,938)	(283,441)
Non-operating income and expenses					
7100 Interest income		19	20	316	413
7010 Other income	6(21) and 7	7,059	7,789	13,246	14,871
7020 Other gains and losses	6(22)	4,439	(5,191)	(2,827)	(34,210)
7050 Finance costs	6(23)	(2,523)	(1,273)	(6,719)	(3,877)
7055 Expected credit impairment loss	7 and 12(2)	-	(219,096)	(284,717)	(219,096)
7060 Share of loss of associates and joint ventures accounted for using equity method	6(7)	-	-	-	(171)
7000 Total non-operating income and expenses		8,994	(217,751)	(280,701)	(242,070)
7900 Loss before income tax		(12,974)	(312,305)	(446,639)	(525,511)
7950 Income tax expense	6(26)	-	-	-	-
8200 Loss for the period		(\$ 12,974)	(\$ 312,305)	(\$ 446,639)	(\$ 525,511)
Other comprehensive income	6(19)				
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 8,770	\$ -	\$ 8,770	(\$ 2,388)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		631	(1,243)	927	(177)
8300 Total other comprehensive income (loss) for the period		\$ 9,401	(\$ 1,243)	\$ 9,697	(\$ 2,565)
8500 Total comprehensive loss for the period		(\$ 3,573)	(\$ 313,548)	(\$ 436,942)	(\$ 528,076)
Loss attributable to:					
8610 Owners of parent		(\$ 12,974)	(\$ 312,305)	(\$ 446,639)	(\$ 525,511)
8620 Non-controlling interests		-	-	-	-
Total		(\$ 12,974)	(\$ 312,305)	(\$ 446,639)	(\$ 525,511)
Comprehensive loss attributable to:					
8710 Owners of parent		(\$ 3,573)	(\$ 313,548)	(\$ 436,942)	(\$ 528,076)
8720 Non-controlling interests		-	-	-	-
Total		(\$ 3,573)	(\$ 313,548)	(\$ 436,942)	(\$ 528,076)
Loss per share (in dollars)	6(27)				
9750 Basic loss per share		(\$ 0.14)	(\$ 3.53)	(\$ 4.85)	(\$ 6.62)

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
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent										
Notes	Capital Reserves					Other Equity Interest			Non-controlling interest	Total equity
	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total		
2020										
Balance at January 1, 2020	\$2,415,737	\$ 65,736	\$ 2,006	\$ 4,744	(\$1,115,540)	\$ 23,608	(\$ 19,586)	\$1,376,705	\$ -	\$1,376,705
Loss for the period	-	-	-	-	(525,511)	-	-	(525,511)	-	(525,511)
Other comprehensive loss for the period 6(19)	-	-	-	-	-	(177)	(2,388)	(2,565)	-	(2,565)
Total comprehensive income (loss) for the period	-	-	-	-	(525,511)	(177)	(2,388)	(528,076)	-	(528,076)
Issuance of shares 6(16)	300,000	48,000	-	-	-	-	-	348,000	-	348,000
Capital reduction to offset against accumulated deficit 6(16)	(1,115,540)	-	-	-	1,115,540	-	-	-	-	-
Share-based payments	-	2,849	-	186	-	-	-	3,035	-	3,035
Change in non-controlling interests	-	-	-	-	-	-	-	-	15	15
Balance at September 30, 2020	<u>\$1,600,197</u>	<u>\$ 116,585</u>	<u>\$ 2,006</u>	<u>\$ 4,930</u>	<u>(\$ 525,511)</u>	<u>\$ 23,431</u>	<u>(\$ 21,974)</u>	<u>\$1,199,664</u>	<u>\$ 15</u>	<u>\$1,199,679</u>
2021										
Balance at January 1, 2021	\$1,600,197	\$ 116,585	\$ 2,006	\$ 4,930	(\$ 679,200)	\$ 22,852	(\$ 21,974)	\$1,045,396	\$ 15	\$1,045,411
Loss for the period	-	-	-	-	(446,639)	-	-	(446,639)	-	(446,639)
Other comprehensive income for the period 6(19)	-	-	-	-	-	927	8,770	9,697	-	9,697
Total comprehensive income (loss) for the period	-	-	-	-	(446,639)	927	8,770	(436,942)	-	(436,942)
Capital reduction to offset against accumulated deficit 6(16)	(679,200)	-	-	-	679,200	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-	(15)	(15)
Proceeds from disposal of equity instruments at fair value through other comprehensive income 6(3)	-	-	-	-	(13,204)	-	13,204	-	-	-
Balance at September 30, 2021	<u>\$ 920,997</u>	<u>\$ 116,585</u>	<u>\$ 2,006</u>	<u>\$ 4,930</u>	<u>(\$ 459,843)</u>	<u>\$ 23,779</u>	<u>\$ -</u>	<u>\$ 608,454</u>	<u>\$ -</u>	<u>\$ 608,454</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

NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

(UNAUDITED)

	Notes	Nine months ended September 30	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 446,639)	(\$ 525,511)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	234,850	235,106
Depreciation (including right-of-use assets)	6(24)	40,013	52,746
Amortisation	6(24)	19,459	19,363
Net loss on financial assets at fair value through profit or loss	6(22)	1,522	20,289
Interest expense	6(23)	6,719	3,877
Interest income		(316)	(413)
Share of loss of associates and joint ventures accounted for under equity method	6(7)	-	171
Loss on disposal of property, plant and equipment	6(22)	902	164
Loss on disposal of investments	6(22)	4	-
Share-based payments	6(15)	-	3,035
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(1,522)	-
Notes receivable		-	75,925
Accounts receivable		(15,777)	2,449
Accounts receivable-related parties		3,503	(2,478)
Other receivables		(29,169)	1,967
Other receivables-related parties		46,042	-
Inventories		(2,550)	44,340
Prepayments		(47,390)	2,409
Other current assets		(1,808)	2,861
Changes in operating liabilities			
Contract liabilities		4,035	215
Notes payable		-	(21,055)
Accounts payable		2,674	(8,864)
Other payables		(2,769)	(86,884)
Refund liabilities		659	(4,146)
Other current liabilities		16,855	2,083
Cash outflow generated from operations		(170,703)	(182,351)
Interest received		316	413
Interest paid		(6,640)	(3,992)
Net cash flows used in operating activities		(177,027)	(185,930)

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ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	\$ 10,729	\$ -
Acquisition of financial assets at amortised cost		(43,258)	(7,000)
Proceeds from disposal of financial assets at amortised cost		-	33,700
Proceeds from disposal of subsidiaries (net of cash of subsidiary disposed)		28	-
Net cash flow from acquisition of subsidiaries (net of cash acquired)		-	558
Acquisition of property, plant and equipment	6(29)	(13,156)	(56,200)
Proceeds from disposal of property, plant and equipment		13	-
Acquisition of intangible assets	6(10)	-	(200)
Increase in refundable deposits		(12,380)	-
Decrease in refundable deposits		320	6,251
Net cash flows used in investing activities		(57,704)	(22,891)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		777,556	309,949
Decrease in short-term borrowings		(639,278)	(337,643)
Increase in long-term borrowings		60,000	157,860
Decrease in long-term borrowings		(13,118)	(125,998)
Payment of lease liabilities		(1,995)	(2,828)
Proceeds from issuance of shares	6(16)	-	348,000
Change in non-controlling interests		-	15
Net cash flows from financing activities		183,165	349,355
Effect of changes in foreign currency exchange		(825)	(3,976)
Net (decrease) increase in cash and cash equivalents		(52,391)	136,558
Cash and cash equivalents at beginning of period		317,798	318,502
Cash and cash equivalents at end of period		\$ 265,407	\$ 455,060

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
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

(UNAUDITED)

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 September 30, 2021, the number of shares authorised amounted to 92,099,689 shares with a par value of \$10 (in dollars) per share, and the paid-in capital was \$920,997.

The Company and its subsidiaries (collectively referred herein as the “Group”) are mainly engaged in the research, manufacture and sale 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 November 5, 2021.

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”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. 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’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of these consolidated financial statements is consistent with that for the year ended December 31, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
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 installation of electricity generation, transmission and distribution machinery, and manufacturing and distribution of batteries,	100	100	100	Note 3
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Investment holdings	100	100	100	
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Emerald Battery Technologies Co., Ltd.	Manufacturing and distribution of batteries and electronic components	-	99.7	99.7	Notes 1 and 2
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.	Advanced Lithium Electrochemistry (US), Corp.	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	100	-	-	Note 4
Advanced Lithium Electrochemistry (US) Corp.	Alees AU Pty Ltd.	Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery	100	-	-	Note 5

Note 1: The Company has acquired 75.70% shares of Emerald Battery Technologies Co., Ltd. on May 29, 2020. The Group's shareholding ratio in Emerald Battery Technologies Co., Ltd. increased to 99.70%, therefore, the Group obtained control over it and included it in the consolidated financial statements.

Note 2: The Company sold its 100% equity interest in Emerald Battery Technologies Co., Ltd. on March 5, 2021, and accordingly, the Company lost its control over the subsidiary.

Note 3: 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 4: The registration of Advanced Lithium Electrochemistry (US), LLC was completed on April 13, 2021, and the Company held a 100% equity interest in Advanced Lithium

Electrochemistry (US), LLC. On July 6, 2021, the Board of Directors resolved for the Company to change its name to Advanced Lithium Electrochemistry (US), Corp., and the capital injection had been completed on October 5, 2021.

Note 5: The registration of Alees AU Pty Ltd. was completed on September 7, 2021, and the Company held a 100% equity interest in Alees AU Pty Ltd. However, the capital injection was not fully completed as of November 5, 2021.

- 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) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income tax

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.

(6) 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.

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

There have been no significant changes as of September 30, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Demand deposits and Checking accounts	\$ 265,407	\$ 274,028	\$ 378,218
Time deposits	-	43,770	76,842
	<u>\$ 265,407</u>	<u>\$ 317,798</u>	<u>\$ 455,060</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 balance sheet date is the carrying amount of all cash and cash

equivalents.

B. Cash and cash equivalents pledged to others as collateral were classified as current financial assets at amortised cost, net. The information is provided in Note 8.

C. 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

Items	September 30, 2020	December 31, 2020	September 30, 2020
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Convertible bonds	\$ -	\$ -	\$ -
Valuation adjustment	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A . Financial assets designated as at fair value through profit or loss listed below:

Items	Three months ended September 30,	
	2021	2020
Financial assets designated as at fair value through profit or loss		
Convertible bonds-valuation	\$ -	(\$ 2,671)
Open-end funds	-	-
	<u>\$ -</u>	<u>(\$ 2,671)</u>
Items	Nine months ended September 30,	
	2021	2020
Financial assets designated as at fair value through profit or loss		
Convertible bonds-valuation	\$ -	(\$ 20,289)
Open-end funds	(1,522)	-
	<u>(\$ 1,522)</u>	<u>(\$ 20,289)</u>

B. 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.

C. The share consolidation implemented by FDG Electric Vehicles Limited was effective on September 5, 2019, thus, the conversion price of the Company's convertible bonds was increased from HK\$0.5 to HK\$10.

D. On August 19, 2020, FDG Electric Vehicles Limited announced that its joint and several provisional liquidators had given notice to the former Board of Directors to terminate their

position immediately in the Hong Kong Exchanges and Clearing Limited. 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 the 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. Due to the above, the Company transferred the convertible bonds to long-term receivables due from related parties. Please refer to Note 7(3) for details.

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

F. The Group has no financial assets at fair value through profit or loss pledged to others.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Non-current items:			
Equity instruments			
Unlisted stocks	\$ -	\$ 109,713	\$ 109,713
	-	109,713	109,713
Valuation adjustment	-	(21,974)	(21,974)
	<u>\$ -</u>	<u>\$ 87,739</u>	<u>\$ 87,739</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$0, \$87,739 and \$87,739 as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ -	\$ -
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 8,770	\$ 2,388)

C. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents financial assets at fair value through other comprehensive income held by the Group was \$0, \$87,739 and \$87,739, respectively.

D. In August 2021, the registration of capital reduction was completed by Advanced Lithium Electrochemistry (Guizhou) Limited. Accordingly, the fair value of the capital deducted by returning cash amounted to \$96,509 and the cumulative loss on disposal was \$13,204 which had been reclassified to 'Accumulated deficit'. Please refer to Note 7(3) for the details.

E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Notes and accounts receivable

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable – third parties	\$ -	\$ -	\$ 812
Accounts receivable – third parties	\$ 42,943	\$ 27,166	\$ 32,327
Accounts receivable – related parties	92,360	95,863	97,957
	135,303	123,029	130,284
Less: Allowance for bad debts	(112,155)	(115,935)	(117,613)
	\$ 23,148	\$ 7,094	\$ 12,671

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 3,631	\$ -	\$ 5,458	\$ -	\$ 12,311	\$ 812
Up to 30 days	10,931	-	246	-	150	-
31 to 90 days	8,586	-	1,390	-	210	-
91 to 180 days	-	-	-	-	-	-
Over 180 days	112,155	-	115,935	-	117,613	-
	\$ 135,303	\$ -	\$ 123,029	\$ -	\$ 130,284	\$ 812

The above ageing analysis was based on past due date.

B. As of September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$207,050.

C. For the nine months ended September 30, 2021 and 2020, interest income recognised in profit or loss was \$0 for both periods.

D. Details of the Group's notes and accounts receivable pledged to others as collateral are provided in Note 8.

E. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had outstanding discounted notes receivable amounting to \$0, \$0, and \$812, respectively. The Group has payment obligation when the drawers of the notes refuse to pay for the notes at maturity.

However, in general, the Group does not expect that the drawers of the notes would refuse to pay for the notes at maturity. The liabilities arising on discounted notes receivable were presented as bank borrowings and other payables.

F. As at September 30, 2021, December 31, 2020 and September 30, 2020, 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.

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

(5) Inventories

September 30, 2021			
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	\$ 12,569	(\$ 2,433)	\$ 10,136
Work in progress	1,982	(1,082)	900
Semi-finished goods	13,134	(7,104)	6,030
Finished goods	30,539	(6,347)	24,192
	<u>\$ 58,224</u>	<u>(\$ 16,966)</u>	<u>\$ 41,258</u>
December 31, 2020			
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	\$ 12,683	(\$ 1,659)	\$ 11,024
Work in progress	3,155	(1,988)	1,167
Semi-finished goods	9,710	(3,866)	5,844
Finished goods	34,948	(14,275)	20,673
	<u>\$ 60,496</u>	<u>(\$ 21,788)</u>	<u>\$ 38,708</u>
September 30, 2020			
	Cost	Allowance for value decline and obsolescence	Book value
Raw materials	\$ 15,880	(\$ 3,651)	\$ 12,229
Work in progress	3,363	(2,754)	609
Semi-finished goods	16,227	(7,591)	8,636
Finished goods	55,089	(25,364)	29,725
	<u>\$ 90,559</u>	<u>(\$ 39,360)</u>	<u>\$ 51,199</u>

Expenses and losses incurred on inventories for the period:

	Three months ended September 30,	
	2021	2020
Cost of inventories sold	\$ 62,319	\$ 69,493
Gain from price recovery of inventory	(1,685)	(23,571)
Loss on scrapping inventory	-	13,767
Unallocated fixed overhead cost	19,859	20,943
	<u>\$ 80,493</u>	<u>\$ 80,632</u>
	Nine months ended September 30,	
	2021	2020
Cost of inventories sold	\$ 172,382	\$ 104,231
Gain from price recovery of inventory	(4,815)	(288)
Loss on scrapping inventory	-	22,559
Unallocated fixed overhead cost	62,929	81,272
	<u>\$ 230,496</u>	<u>\$ 207,774</u>

For the three months and nine months ended September 30, 2021 and 2020, the gain on reversal resulted from the enhancement of inventories management.

(6) Prepayments

	September 30, 2020	December 31, 2020	September 30, 2020
Prepayment for purchases	\$ 46,974	\$ 1,786	\$ 173
Overpaid sales tax	37,869	38,592	38,249
Others	10,962	8,037	5,414
	<u>\$ 95,805</u>	<u>\$ 48,415</u>	<u>\$ 43,836</u>

(7) Investments accounted for under equity method

	2021	2020
At January 1	\$ -	\$ 1,395
Disposal of investments accounted for under equity method	-	(1,224)
Share of profit or loss of investments accounted for under the equity method	-	(171)
At September 30	<u>\$ -</u>	<u>\$ -</u>

	September 30, 2021	December 31, 2020	September 30, 2020
Emerald Battery Technologies Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A. Basic information

	Location	Interest held			Relationship	Measurement method
		September 30, 2021	December 31, 2020	September 30, 2020		
Emerald Battery Technologies Co., Ltd.	Taiwan	Note 1	Note 2	Note 2	Strategic alliance	Equity method

Note 1: The Company sold its 100% equity interest in Emerald Battery Technologies Co., Ltd. on

March 5, 2021, and accordingly, the Company lost its control over the subsidiary. Please refer to Note 6 (28) for the details of the disposal.

Note 2: The Company has acquired 75.70% shares of Emerald Battery Technologies Co., Ltd. on May 29, 2020. The Group's shareholding ratio in Emerald Battery Technologies Co., Ltd. increased to 99.70%, therefore, the Group obtained control over it and included it in the consolidated financial statements.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amount of the Group's individually immaterial associates amounted to \$0.

	Three months ended September 30,	
	2021	2020
Net loss for the period from continuing operations	\$ -	\$ -
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the period	<u>\$ -</u>	<u>\$ -</u>
	Nine months ended September 30,	
	2021	2020
Net loss for the period from continuing operations	\$ -	(\$ 171)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the period	<u>\$ -</u>	<u>(\$ 171)</u>

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2021</u>									
Cost	\$ 147,910	\$ 191,755	\$ 608,868	\$ 99,014	\$ 1,732	\$ 510	\$ 279,622	\$ 7,558	\$ 1,336,969
Accumulated depreciation and impairment	-	(67,525)	(542,787)	(76,225)	(1,203)	(510)	(168,767)	-	(857,017)
	<u>\$ 147,910</u>	<u>\$ 124,230</u>	<u>\$ 66,081</u>	<u>\$ 22,789</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ 110,855</u>	<u>\$ 7,558</u>	<u>\$ 479,952</u>
<u>2021</u>									
Opening net book amount as at January 1	\$ 147,910	\$ 124,230	\$ 66,081	\$ 22,789	\$ 529	\$ -	\$ 110,855	\$ 7,558	\$ 479,952
Additions	-	-	4,086	741	-	-	5,350	693	10,870
Disposals	-	(915)	-	-	-	-	-	-	(915)
Reclassifications	-	-	120	4,126	-	-	345	(4,591)	-
Depreciation charge	-	(5,153)	(13,706)	(3,454)	(125)	-	(15,580)	-	(38,018)
Closing net book amount as at September 30	<u>\$ 147,910</u>	<u>\$ 118,162</u>	<u>\$ 56,581</u>	<u>\$ 24,202</u>	<u>\$ 404</u>	<u>\$ -</u>	<u>\$ 100,970</u>	<u>\$ 3,660</u>	<u>\$ 451,889</u>
<u>At September 30, 2021</u>									
Cost	\$ 147,910	\$ 190,193	\$ 613,074	\$ 103,844	\$ 1,576	\$ 510	\$ 283,844	\$ 3,660	\$ 1,344,611
Accumulated depreciation and impairment	-	(72,031)	(556,493)	(79,642)	(1,172)	(510)	(182,874)	-	(892,722)
	<u>\$ 147,910</u>	<u>\$ 118,162</u>	<u>\$ 56,581</u>	<u>\$ 24,202</u>	<u>\$ 404</u>	<u>\$ -</u>	<u>\$ 100,970</u>	<u>\$ 3,660</u>	<u>\$ 451,889</u>

	Land	Buildings and structures	Machinery and equipment	Testing equipment	Office equipment	Leasehold improvements	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2020</u>									
Cost	\$ 147,910	\$ 178,391	\$ 592,482	\$ 95,286	\$ 22,852	\$ 297,133	\$ 234,323	\$ 14,910	\$ 1,583,287
Accumulated depreciation and impairment	-	(61,157)	(512,153)	(73,088)	(22,839)	(296,909)	(128,787)	-	(1,094,933)
	<u>\$ 147,910</u>	<u>\$ 117,234</u>	<u>\$ 80,329</u>	<u>\$ 22,198</u>	<u>\$ 13</u>	<u>\$ 224</u>	<u>\$ 105,536</u>	<u>\$ 14,910</u>	<u>\$ 488,354</u>
<u>2020</u>									
Opening net book amount as at January 1	\$ 147,910	\$ 117,234	\$ 80,329	\$ 22,198	\$ 13	\$ 224	\$ 105,536	\$ 14,910	\$ 488,354
Additions	-	13,943	1,845	3,096	99	-	15,379	5,976	40,338
Disposals	-	-	-	-	-	(164)	-	-	(164)
Reclassifications	-	-	-	2,075	534	-	12,481	(15,090)	-
Depreciation charge	-	(4,930)	(24,297)	(3,421)	(112)	(60)	(17,098)	-	(49,918)
Closing net book amount as at September 30	<u>\$ 147,910</u>	<u>\$ 126,247</u>	<u>\$ 57,877</u>	<u>\$ 23,948</u>	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ 116,298</u>	<u>\$ 5,796</u>	<u>\$ 478,610</u>
<u>At September 30, 2020</u>									
Cost	\$ 147,910	\$ 192,335	\$ 594,327	\$ 99,014	\$ 1,707	\$ 510	\$ 259,079	\$ 5,796	\$ 1,300,678
Accumulated depreciation and impairment	-	(66,088)	(536,450)	(75,066)	(1,173)	(510)	(142,781)	-	(822,068)
	<u>\$ 147,910</u>	<u>\$ 126,247</u>	<u>\$ 57,877</u>	<u>\$ 23,948</u>	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ 116,298</u>	<u>\$ 5,796</u>	<u>\$ 478,610</u>

A. No interest was capitalised to property, plant and equipment for the three months and nine months ended September 30, 2021 and 2020.

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.

(9) 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 1,589</u>	<u>\$ 6,107</u>	<u>\$ 4,240</u>
	<u>Three months ended September 30,</u>		
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 513</u>	<u>\$ 857</u>	
	<u>Nine months ended September 30,</u>		
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 1,995</u>	<u>\$ 2,828</u>	

- D. For the three months and nine months ended September 30, 2021 and 2020, the additions to right-of-use assets were \$0, \$4,196, \$0 and \$4,196, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ -	\$ 23
Expense on short-term lease contracts	4	7
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ -	\$ 72
Expense on short-term lease contracts	6	45

- F. For the nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$2,001 and \$2,945, respectively.

(10) Intangible assets

	License fees	Computer software	Total
<u>At January 1, 2021</u>			
Cost	\$ 302,314	\$ 22,188	\$ 324,502
Accumulated amortisation	(244,750)	(21,538)	(266,288)
	<u>\$ 57,564</u>	<u>\$ 650</u>	<u>\$ 58,214</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 57,564	\$ 650	\$ 58,214
Amortisation charge	(19,189)	(270)	(19,459)
Closing net book amount as at September 30	<u>\$ 38,375</u>	<u>\$ 380</u>	<u>\$ 38,755</u>
<u>At September 30, 2021</u>			
Cost	\$ 302,314	\$ 22,188	\$ 324,502
Accumulated amortisation	(263,939)	(21,808)	(285,747)
	<u>\$ 38,375</u>	<u>\$ 380</u>	<u>\$ 38,755</u>
	License fees	Computer software	Total
<u>At January 1, 2020</u>			
Cost	\$ 302,314	\$ 21,758	\$ 324,072
Accumulated amortisation	(219,165)	(21,289)	(240,454)
	<u>\$ 83,149</u>	<u>\$ 469</u>	<u>\$ 83,618</u>
<u>2020</u>			
Opening net book amount as at January 1	\$ 83,149	\$ 469	\$ 83,618
Additions	-	200	200
Amortisation charge	(19,189)	(174)	(19,363)
Closing net book amount as at September 30	<u>\$ 63,960</u>	<u>\$ 495</u>	<u>\$ 64,455</u>
<u>At September 30, 2020</u>			
Cost	\$ 302,314	\$ 21,958	\$ 324,272
Accumulated amortisation	(238,354)	(21,463)	(259,817)
	<u>\$ 63,960</u>	<u>\$ 495</u>	<u>\$ 64,455</u>
	<u>Three months ended September 30,</u>		
	<u>2021</u>	<u>2020</u>	
Operating costs	\$ 70	\$ 66	
Selling expenses	6,396	6,396	
Administrative expenses	20	-	
	<u>\$ 6,486</u>	<u>\$ 6,462</u>	

	Nine months ended September 30,	
	2021	2020
Operating costs	\$ 212	\$ 174
Selling expenses	19,189	19,189
Administrative expenses	58	-
	<u>\$ 19,459</u>	<u>\$ 19,363</u>

- A. The Group signed a license contract for reauthorisation with LiFeP04+C Licensing AG on July 4, 2011. Under the contract, the Group may not authorise license to others except for affiliates. Authorisation period is from September 1, 2011 to July 9, 2023. Under the contract, the Group needs to pay (1) fixed royalty of US\$10,000 thousand which is recognised as ‘intangible assets – license fee’ and is amortised over approximately 12 years; (2) royalty before the contract date, which was paid on July 14, 2011 and was recognised as expense for the year ended December 31, 2011; (3) royalty after the contract date, which is paid in accordance with the percentage of sales of powder during the authorization period. The Group recognised royalty expenses amounting to \$13,774, \$11,497, \$38,110, and \$27,563 for the three months and nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, December 31, 2020 and September 30, 2020, unpaid royalty were \$6,639, \$5,260 and \$4,523, respectively.
- B. The Group signed a second revised license contract on August 26, 2013. The schedule for plant construction was extended for 12 months, whereby the completion date for plant construction in Canada was extended from July 4, 2014 to July 4, 2015.
- C. The Group signed a third revised license contract on September 25, 2014. Except for revision of the amount of capital investment, full-time employee and total investment, the original plan of building a cathode materials plant with annual production of 1,000 tons in Quebec, Canada has been changed to building a plant for cathode materials, battery cell, battery module or integrated system of trolley bus at the choice of the Company or subsidiaries.
- D. The Group and LiFeP04+C Licensing AG reached an agreement whereby both parties agreed to negotiate and adjust the building construction plan to meet the future market demand and environment.

(11) Short-term borrowings

Type of borrowings	September 30, 2021	Interest rate range	Collateral
Bank borrowings			Cash in banks and
Secured borrowings	<u>\$ 153,835</u>	2.12%~2.25%	property, plant and equipment
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			Cash in banks and
Secured borrowings	<u>\$ 15,557</u>	2.15%	property, plant and equipment

Type of borrowings	September 30, 2020	Interest rate range	Collateral
Bank borrowings			Cash in banks and property, plant and equipment
Secured borrowings	\$ <u>46,270</u>	2.15%~2.25%	

For the three months and nine months ended September 30, 2021 and 2020, interest expense arising from short-term borrowings that were recognised in profit or loss amounted to \$768, \$862, \$2,397, and \$1,934, respectively.

(12) Other payables

	September 30, 2021	December 31, 2020	September 30, 2020
Wages and salaries payable	\$ 11,002	\$ 22,384	\$ 9,241
Professional services fees	8,738	7,741	7,776
Royalty payable	6,639	5,260	4,523
Payable on machinery and equipment	650	2,936	2,065
Others	32,017	25,701	21,023
	<u>\$ 59,046</u>	<u>\$ 64,022</u>	<u>\$ 44,628</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2021
Sunny Bank secured borrowings	Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly	3.75%	Property, plant and equipment	\$ 68,948
"	Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly	2.25%	"	65,697
"	Aug. 24, 2020 ~ May. 10, 2028, interest and principal payable monthly	4.75%	"	57,571
				<u>192,216</u>
Less: Current portion				(22,193)
				<u>\$ 170,023</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2020
Sunny Bank secured borrowings	Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly	3.75%	Property, plant and equipment	\$ 76,647
"	Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly	2.25%	"	68,687
				<u>145,334</u>
Less: Current portion				(14,312)
				<u>\$ 131,022</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2020
Sunny Bank secured borrowings	Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly	3.75%	Property, plant and equipment	\$ 79,165
"	Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly	2.25%	"	69,673
				148,838
Less: Current portion				(14,193)
				<u>\$ 134,645</u>

Interest expense on the long-term borrowings recognised in profit or loss amounted to \$1,755, \$398, \$4,322, and \$1,871 for the three months and nine months ended September 30, 2021 and 2020, respectively.

(14) 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 costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2021 and 2020 were \$1,196, \$1,203, \$3,632, and \$3,713, respectively.

(15) Share-based payment

- A. For the nine months ended September 30, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2020.07.08	572	NA	Vested immediately

Part of the share-based payment arrangements above are settled by equity.

- B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant weighted average information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per share (in dollars)
Cash capital increase reserved for employee preemption	2020.7.8	\$ 16.90	\$ 11.60	59.88%	0.06 years	-	0.34%	\$ 5.3057

Note: Volatility is calculated by using the Company's historical stock trading data (daily) with a period from the date the Company listed on Taipei Exchange to stock options grant date.

- C. Expenses incurred on share-based payment transactions are shown below:

	Three months ended September 30,	
	2021	2020
Equity-settled	\$ -	\$ 3,035
	Nine months ended September 30,	
	2021	2020
Equity-settled	\$ -	\$ 3,035

(16) Share capital

- A. As of September 30, 2021, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was \$920,997 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):

	2021	2020
Options outstanding at January 1	160,019,664	241,573,654
Cash capital increase	-	30,000,000
Capital reduction to cover the deficit	(67,919,975)	(111,553,990)
Options outstanding at September 30	92,099,689	160,019,664

- C. As resolved by the shareholders during their meeting on June 27, 2016, the Company planned to privately issue 46,000 thousand shares (14,250 thousand shares after capital reduction) with par value of \$10 per share. On August 23, 2016, the Board of Directors approved the price of private placement at \$35. The rights and obligations afforded by the ordinary shares in the private placement are the same with issued shares except that the shares in the private placement are not allowed to be traded freely within three years after delivery pursuant to Article 43-8 of Securities and Exchange Act.
- D. On April 10, 2020, the shareholders during its meeting resolved to reduce capital of 111,554 thousand shares in the ratio of 46.1780447% to offset against accumulated deficit. The capital reduction was completed in May 2020.

- E. On May 8, 2020, the Board of Directors during its meeting resolved to increase its capital by issuing 30,000 thousand new shares with a par value of NT\$10 (in dollars) per share, which was approved by the FSC on June 15, 2020. The issuance price was NT\$11.6 (in dollars) per share, and the capital increase was completed in August 2020.
- F. On April 15, 2021, the shareholders during its meeting resolved to reduce capital of 67,920 thousand shares in the ratio of 42.4447679% to offset against accumulated deficit. The capital reduction was completed in May 2021.

(17) 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.

(18) Retained earnings (accumulated deficit)

A. Under the Company's Articles of Incorporation, the Company shall appropriate net income in accordance with the appropriation plan proposed by the Board of Directors and approved at the stockholders' meeting. The Board of Directors shall propose the appropriation of net income in conformity with the following:

- (a) Pay all taxes;
- (b) The current year's earnings are to offset prior years' operating losses;
- (c) 10% of the remaining amount shall be set aside as legal reserve, until the legal reserve equals the total capital stock balance;
- (d) Set aside as special reserve in accordance with regulations governing listed companies or requests of the competent authority;
- (e) After setting aside in accordance with (a) through (c) stated above, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

The Board of Directors should determine the percentage for directors', supervisors' and employees' bonus when appropriating net income. However, stockholders can recommend the percentage during resolution. Any remaining profit is for dividend appropriation. The Company is at the early stage of industrial development, and enterprise life cycle is at the growing stage. In order to respond to future operating expansion plans, along with maintaining dividend balance and stockholders' return, the dividend policy is to appropriate through cash or new share issuance or through both or as bonus. The Board of Directors is authorized to determine actual appropriation percentage in accordance with the Company's Articles of Incorporation and regulations governing publicly listed companies, and takes into consideration the financials, business and operations. However, dividend appropriation should not be less than 10% of the remaining profit and cash dividends should not be less than 10% of the total dividends.

B. The Company has incurred operating losses for the year ended December 31, 2020, and thus had no earnings for distribution.

(19) Other equity items

	2021		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 21,974)	\$ 22,852	\$ 878
Valuation adjustment	8,770	-	8,770
Valuation adjustment to accumulated deficit	13,204	-	13,204
Foreign currency translation - Group	-	927	927
At September 30	<u>\$ -</u>	<u>\$ 23,779</u>	<u>\$ 23,779</u>

	2020		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 19,586)	\$ 23,608	\$ 4,022
Valuation adjustment	(2,388)	-	(2,388)
Foreign currency translation - Group	-	(177)	(177)
At September 30	<u>(\$ 21,974)</u>	<u>\$ 23,431</u>	<u>\$ 1,457</u>

(20) Operating revenue

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 September 30, 2021</u>		Battery powder			
		China	Other Asia Countries	Others	Total
Revenue from contracts with external customers		<u>\$ 27,048</u>	<u>\$ 8,518</u>	<u>\$ 32,426</u>	<u>\$ 67,992</u>

<u>Three months ended September 30, 2020</u>		Battery powder			
		China	Other Asia Countries	Others	Total
Revenue from contracts with external customers		<u>\$ 27,274</u>	<u>\$ 22,426</u>	<u>\$ 259</u>	<u>\$ 49,959</u>

<u>Nine months ended September 30, 2021</u>		Battery powder			
		China	Other Asia Countries	Others	Total
Revenue from contracts with external customers		<u>\$ 105,241</u>	<u>\$ 32,149</u>	<u>\$ 38,456</u>	<u>\$ 175,846</u>

<u>Nine months ended September 30, 2020</u>		Battery powder			
		China	Other Asia Countries	Others	Total
Revenue from contracts with external customers		<u>\$ 42,083</u>	<u>\$ 44,051</u>	<u>\$ 1,039</u>	<u>\$ 87,173</u>

A. Contract liabilities

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

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Contract liabilities-				
product sales contract	\$ 6,052	\$ 2,017	\$ 573	\$ 358

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

	Three months ended September 30,	
	2021	2020
Product sales contract	\$ 595	\$ -
	Nine months ended September 30,	
	2021	2020
Product sales contract	\$ 1,648	\$ -

B. When products are sold with a right of return, the entity will recognise revenue in the amount of consideration to which the entity expects to be entitled. The expected sales discounts and returns are not recognised in revenue. The entity recognises a refund liability and an asset representing its right to recover the products from the customer:

	September 30, 2021	December 31, 2020	September 30, 2020
Current asset recognised as right to recover products from customers (shown as 'Other current assets')	\$ 3,458	\$ 3,091	\$ 1,616
Current refund liabilities	(3,941)	(3,282)	(1,637)
	(\$ 483)	(\$ 191)	(\$ 21)

C. The Group's operating revenue was affected by the local epidemic countermeasures at the customers' country as a result of the COVID-19 pandemic for the nine months ended September 30, 2021 and 2020. The impact on the Group's operations will depend on the subsequent situation of the pandemic.

(21) Other income

	Three months ended September 30,	
	2021	2020
Rental income	\$ 1,050	\$ 1,570
Government grants (Note)	4,880	4,173
Other income	1,129	2,046
	<u>\$ 7,059</u>	<u>\$ 7,789</u>
	Nine months ended September 30,	
	2021	2020
Rental income	\$ 4,202	\$ 4,756
Government grants (Note)	4,880	7,479
Other income	4,164	2,636
	<u>\$ 13,246</u>	<u>\$ 14,871</u>

Note: The Group acquired government grants for operating expenses and working capital because the Group was eligible to relevant grants from the Ministry of Economic Affairs.

(22) Other gains and losses

	Three months ended September 30,	
	2021	2020
Losses on disposals of property, plant and equipment	(\$ 910)	\$ -
Foreign exchange gains (losses)	5,354	(2,512)
Losses on financial assets at fair value through profit or loss	-	(2,671)
Other losses	(5)	(8)
	<u>\$ 4,439</u>	<u>(\$ 5,191)</u>
	Nine months ended September 30,	
	2021	2020
Losses on disposals of property, plant and equipment	(\$ 902)	(\$ 164)
Losses on disposals of investments	(4)	-
Foreign exchange losses	(372)	(9,051)
Losses on financial assets at fair value through profit or loss	(1,522)	(20,289)
Compensation losses	-	(3,984)
Other losses	(27)	(722)
	<u>(\$ 2,827)</u>	<u>(\$ 34,210)</u>

(23) Finance costs

	Three months ended September 30,	
	2021	2020
Interest expense	\$ 2,523	\$ 1,273
	Nine months ended September 30,	
	2021	2020
Interest expense	\$ 6,719	\$ 3,877

(24) Expenses by nature

	Three months ended September 30,	
	2021	2020
Employee benefit expense	\$ 30,296	\$ 31,249
Depreciation charges on property, plant and equipment	12,304	16,263
Depreciation charges on right-of-use assets	513	857
Amortisation charges on intangible assets	6,486	6,462
	Nine months ended September 30,	
	2021	2020
Employee benefit expense	\$ 90,035	\$ 90,615
Depreciation charges on property, plant and equipment	38,018	49,918
Depreciation charges on right-of-use assets	1,995	2,828
Amortisation charges on intangible assets	19,459	19,363

(25) Employee benefit expense

	Three months ended September 30,	
	2021	2020
Wages and salaries	\$ 25,801	\$ 23,752
Share-based payments	-	3,035
Labour and health insurance fees	2,354	2,199
Pension costs	1,196	1,203
Other personnel expenses	945	1,060
	\$ 30,296	\$ 31,249

	Nine months ended September 30,	
	2021	2020
Wages and salaries	\$ 76,369	\$ 73,830
Share-based payments	-	3,035
Labour and health insurance fees	7,187	7,153
Pension costs	3,632	3,713
Other personnel expenses	2,847	2,884
	<u>\$ 90,035</u>	<u>\$ 90,615</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 September 30, 2021 and 2020, 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.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Prior year income tax overestimation	-	-
Total current tax:	<u>\$ -</u>	<u>\$ -</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -
Income tax expense (benefit)	<u>\$ -</u>	<u>\$ -</u>

	Nine months ended September 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Prior year income tax overestimation	-	-
Total current tax:	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -
Income tax expense (benefit)	\$ -	\$ -

(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. The liFePO4 lithium battery of the Group's subsidiary, Advanced Lithium Electrochemistry Co., Ltd., is eligible for the incentives stipulated under the Regulations to Encourage Manufacturers and Technical Service Providers in Emerging Significant Strategic Industries for five years (the privilege expires in December 2022).

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 2019 have been assessed and approved by the Tax Authority.

(27) Losses per share

	Three months ended September 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 12,974)	92,100	(\$ 0.14)
	Three months ended September 30, 2020		
	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	(\$ 312,305)	88,534	(\$ 3.53)

Nine months ended September 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands) Loss per share (in dollars)
<u>Basic loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 446,639)	92,100 (\$ 4.85)

Nine months ended September 30, 2020		
	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	(\$ 525,511)	79,433 (\$ 6.62)

Note 1: For the nine months ended September 30, 2020, the weighted average number of ordinary shares outstanding were retrospectively adjusted based on the capital reduction to offset accumulated deficit ratio of 46.1780447% in May 2020.

Note 2: For the three months and nine months ended September 30, 2021 and 2020, the weighted average number of ordinary shares outstanding were retrospectively adjusted based on the capital reduction to offset accumulated deficit ratio of 42.4447679% in May 2021.

(28) Business combinations

The Group has acquired 75.7% equity interest in Emerald Battery Technologies Co., Ltd. for a cash consideration of \$4,542 on May 29, 2020 and obtained control over Emerald Battery Technologies Co., Ltd. As a result of the acquisition, the Group expects to jointly participate in constructing energy storage facilities as well as developing energy storage systems for renewable energy in Taiwan. Since the date of January 1, 2020, the merger with Emerald Battery Technologies Co., Ltd., the operating revenue included in the consolidated statement of comprehensive income contributed by Emerald Battery Technologies Co., Ltd. was \$0. Emerald Battery Technologies Co., Ltd. also contributed loss before income tax of \$160 over the same period.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30,	
	2021	2020
Purchase of property, plant and equipment	\$ 10,870	\$ 40,338
Add: Opening balance of payable on equipment	2,936	17,927
Less: Ending balance of payable on equipment	(650)	(2,065)
Cash paid during the period	<u>\$ 13,156</u>	<u>\$ 56,200</u>

B. The Group sold 99.7% of shares in Emerald Battery Technologies Co., Ltd. on March 5, 2021 and therefore lost control over the subsidiary. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	<u>March 5, 2021</u>
Consideration received	
Cash	\$ 4,935
Carrying amount of the assets and liabilities	
Cash	\$ 4,907
Prepayments	<u>32</u>
Total net assets	<u>\$ 4,939</u>

(30) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Other payables- related parties</u>	<u>Lease liabilities</u>
At January 1, 2021	\$ 15,557	\$ 145,334	\$ 87,540	\$ 6,107
Changes in cash flow from financing activities	138,278	46,882	-	(1,995)
Changes in other non-cash items (Note)	<u>-</u>	<u>-</u>	<u>(87,540)</u>	<u>(2,523)</u>
At September 30, 2021	<u>\$ 153,835</u>	<u>\$ 192,216</u>	<u>\$ -</u>	<u>\$ 1,589</u>

Note: For changes in other non-cash items from other payables – related parties, please refer to Note7(3) for details.

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities</u>
At January 1, 2020	\$ 73,964	\$ 116,976	\$ 3,359
Changes in cash flow from financing activities	(27,694)	\$ 31,862	(2,828)
Changes in other non-cash items	<u>-</u>	<u>-</u>	<u>3,709</u>
At September 30, 2020	<u>\$ 46,270</u>	<u>\$ 148,838</u>	<u>\$ 4,240</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
FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd.	Other related party
Tianjin Sinopoly New Energy Technology Co., Ltd.	Other related party
Jillin Sinopoly New Energy Technology Co., Ltd.	Other related party
Aleees Eco Ark (Ningbo) Ltd.	Other related party
Advanced Lithium Electrochemistry (Guizhou) Limited	Other related party (Note 2)
Emerald Battery Technologies Co., Ltd.	Associate (Note 1)

Note 1: The Company was included in the consolidated financial statements starting from May 2020.

Note 2: The Company disposed all its investment in Advanced Lithium Electrochemistry (Guizhou) Limited in August 2021, thus, this company was not listed in related parties from then on.

(3) Significant related party transactions and balances:

A. Receivables from related parties:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable:			
- Other related parties			
FDG Investment Holdings Limited	\$ 69,978	\$ 73,106	\$ 75,762
Tianjin Sinopoly New Energy Technology Co., Ltd.	14,188	14,425	14,069
Others	8,194	8,332	8,126
	<u>92,360</u>	<u>95,863</u>	<u>97,957</u>
Less: Allowance for bad debts			
FDG Investment Holdings Limited	(69,978)	(73,106)	(75,762)
Tianjin Sinopoly New Energy Technology Co., Ltd.	(14,188)	(14,425)	(14,069)
Others	(8,194)	(8,332)	(8,126)
	<u>(92,360)</u>	<u>(95,863)</u>	<u>(97,957)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other receivables:			
- Other related parties			
FDG Investment Holdings Limited	\$ -	\$ 46,042	\$ 45,453
Aleees Eco Ark (Ningbo) Ltd.	10,641	10,641	10,641
	<u>10,641</u>	<u>56,683</u>	<u>56,094</u>
Less: Allowance for bad debts			
FDG Investment Holdings Limited	-	(46,042)	(45,453)
Aleees Eco Ark (Ningbo) Ltd.	(10,641)	(10,641)	(10,641)
	<u>(10,641)</u>	<u>(56,683)</u>	<u>(56,094)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. Other non-current assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</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)	(841,971)	(781,160)
	<u>\$ -</u>	<u>\$ 284,717</u>	<u>\$ 345,528</u>

On August 19, 2020, FDG Electric Vehicles Limited announced that its joint and several provisional liquidators had provided notice to their 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. Please refer to Note 6(2) for details.

C. Other current liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other advance receipts			
- Other related party	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,123</u>

D. Loans to /from related parties

Loans from related parties (shown as 'Other payables')

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
- Other related party			
Advanced Lithium Electrochemistry			
(Guizhou) Limited	\$ -	\$ 87,540	\$ 85,380

No interest was incurred on the loan for the three months and nine months ended September 30, 2021 and 2020.

E. Other transactions

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
FDG Investment Holdings Limited	\$ 1,050	\$ 1,665
FDG Kinetic (Chongqing) Lithium Ion Battery		
Materials Co., Ltd.	1,114	1,173
	<u>\$ 2,164</u>	<u>\$ 2,838</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
FDG Investment Holdings Limited	\$ 4,200	\$ 4,995
FDG Kinetic (Chongqing) Lithium Ion Battery		
Materials Co., Ltd.	3,941	1,173
	<u>\$ 8,141</u>	<u>\$ 6,168</u>

F. In 2017, the Group formally entered into a cooperative investment agreement with the Management Committee of Guizhou Guian New Area (through its wholly-owned affiliate, Development Investment Co., Ltd., hereinafter referred to as 'Guian New Area') and FDG Investment Limited (through its wholly-owned affiliate, FDG Kinetic (Guian) Holdings Limited). The joint venture company was established with a registered capital of RMB 250 million. FDG Investment Limited, Guian New Area, and the Company, holds 51%, 40% and 9% equity interest, respectively. As of March 6, 2021, only FDG Investment Limited has not completed its capital infusion. The Group plans to initiate a negotiation on another co-investment deal with Guian New Area with respect to new battery material production. In February 2021, the shareholders of Advanced Lithium Electrochemistry (Guizhou) Limited during their meeting resolved to reduce the capital by returning cash. In February 2021, the shareholders of Advanced Lithium Electrochemistry (Guizhou) Limited during their meeting resolved to reduce the capital by returning cash. The registration of capital reduction was completed in the end of August 2021, and the Group's borrowings from Advanced Lithium Electrochemistry (Guizhou) Limited were offset with the capital reduction. As of September 5, 2021, the capital investment still pending from FDG Investment Limited amounted to at least RMB 250 thousand.

(4) Key management compensation

	Three months ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 1,349	\$ 808
Post-employment benefits	30	30
	<u>\$ 1,379</u>	<u>\$ 838</u>
	Nine months ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 4,335	\$ 4,634
Post-employment benefits	89	88
	<u>\$ 4,424</u>	<u>\$ 4,722</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2021	December 31, 2020	September 30, 2020	
Bank deposits (shown as 'Current financial assets at amortised cost, net')	\$ 60,559	\$ 17,301	\$ 13,225	Short-term borrowings, letters of credit, trust and pledge for customs
Notes receivable	-	-	812	Short-term borrowings and discounted notes receivable
Refundable deposits paid (recognised in other non-current assets)	62,380	50,000	-	Asset preservation and pledge for customs
Property, plant and equipment	266,073	272,141	274,157	Short-term and long-term borrowings
	<u>\$ 389,012</u>	<u>\$ 339,442</u>	<u>\$ 288,194</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

- A. On July 18, 2016, the Group's subsidiary, Aleees Eco Ark Co., Ltd. (hereafter referred as "Aleees") received a notice of civil charge issued by Hsinchu District Court No. 105-Zon-Su-Zi-147 and on April 6, 2017, received continued indictment (hereafter referred as "Zon-Su-Zi-147"). In addition to that, a bill of indictment issued by Hsinchu District Court No. 107-Zon-Su-Zi-216 (hereafter referred as "Zon-Su-Zi-216") was received by Aleees on October 31, 2018. The civil charges Zon-Su-Zi-147 and Zon-Su-Zi-216 were filed by Hsin Chu Bus Co., Ltd. claiming for compensation for the driver's fee totaling \$34,946 and \$51,030, respectively, plus interest at 5% per annum until the debt is repaid. In its verdict on Zon-Su-Zi-147, the Hsinchu District Court stated that the accused, Aleees, shall compensate the complainant, Hsin Chu Bus Co., Ltd., for the driver's fee. In the Group's opinion, Aleees is not entirely accountable for the driver's fee, which involved the issue regarding land utilisation for recharging. As the Group believes that there was misinterpretation of the facts during the first trial, the Group has filed an appeal with the Taiwan High Court (No. 107-Zon-Su-Zi-805 (hereafter referred as "Zon-Su-Zi-

805”)), which had been denied by the Taiwan High Court on June 27, 2019. As of the reporting date, the ultimate outcome of the case cannot presently be determined. However, the Group has recognised the amount of possible losses after evaluation. The oral argument procedure for Zon-Su-Zi-216 was originally set on January 24, 2019 but the argument for the case is the same as that for Zon-Su-Zi-805, 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 reporting date, the effect to the Group cannot be estimated.

The land utilisation for recharging was recognised as illegal use by the government authority and Aleees believes it cannot provide recharge service due to the problem of land use right. The problem was caused by Hsinchu City Government handing over the land to Hsin Chu Bus Co., Ltd. which then commissioned Aleees to provide recharge service. However, Aleees was mandatorily asked to demolish any structures built on the land and recover the land, causing damages to Aleees. Thus, on July 6, 2017, Aleees filed for state compensation with the Hsinchu District Court against Hsinchu City Government, seeking for \$10,000 as compensation, and retained the right of claim for the remaining amount. The case is under trial with the Hsinchu District Court (No.106- Zon-Guo--Zi-2) and in order to avoid the differences in the judgments between the case and the abovementioned Zon-Su-Zi-805, the court decided to cease the appeal procedures for Zon-Su-Zi-2. As of the reporting date, the ultimate outcome of the case cannot presently be determined.

- B. The Company and FDG Electric Vehicles (Group) Co., Ltd. (hereinafter referred to as “FDG Electric Vehicles Limited”) established a long-term cooperative relationship, whereby both parties made investment in each other to achieve capital cooperation during the year ended December 31, 2016. In August 2020, the Company asked FDG Electric Vehicles Limited to early repay the convertible corporate bonds, but FDG Electric Vehicles Limited did not repay the bonds. To ensure the right of the Company and shareholders, the Company filed with the court a request for a ruling that prohibits the borrower, FDG Investment Holdings Limited (hereinafter referred to as FDG Investment Holdings), which is a subsidiary of FDG Electric Vehicles Limited, to transfer, pledge and dispose its shareholding of the Company's 14,250 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 14,250 thousand private placement shares (after completing the capital reduction in 2021).The Company pledged \$9,380 as collateral to the Taiwan Taoyuan District Court and received the execution order from the Court in April 2021 (110 Si-Zhi-Quan-Zi No. 78).

(2) Commitments

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Property, plant and equipment	\$ <u>22,762</u>	\$ <u>-</u>	\$ <u>-</u>

B. License reauthorization contract:

- (a) The Group has signed a license reauthorisation contract with LiFePO₄+C Licensing 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 Licensing AG completed an amendment for the license reauthorization contract on August 26, 2013. The amendment extends the construction of the plant and completing 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 Licensing AG has the right to claim an extension fee of US\$300,000 and to terminate the license 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 Licensing AG completed an amendment for the license 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 license contract, there may be a impact on the Group's operations and financials.
- (d) As of December 31, 2020, the Group originally needed to build a cathode materials plant, battery plant, pack plant (battery module plant) or electric bus system integration plant by July 4, 2015; however, the Group and license authoriser, LiFePO₄+C Licensing AG, both agreed that the current LFP material market is still in a competitive period. Both parties also agreed to negotiate and adjust the building construction plan to meet the future market demand and environment.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

During the extraordinary shareholders' meeting on October 7, 2021, the shareholders resolved the following:

In order to improve the financial structure and offset accumulated deficit, the Company plans to reduce \$320,997 thousand of capital by eliminating 32,100 thousand shares of common shares. The shares will be eliminated in proportion to the shares held by the shareholders and it is expected that approximately 348.532002 shares will be reduced for every one thousand shares. The ratio of capital reduction is approximately 34.8532002%. As of November 5, 2021, the process has not yet been completed.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio that are not to exceed 40% for the need of long-term stable capital resource, taking into account that the Group is within an emerging industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Total borrowings	\$ 346,051	\$ 160,891	\$ 195,108
Less: Cash and cash equivalents	(265,407)	(317,798)	(455,060)
Net debt	80,644	(156,907)	(259,952)
Total equity	608,454	1,045,411	1,199,679
Total capital	<u>\$ 689,098</u>	<u>\$ 888,504</u>	<u>\$ 939,727</u>
Debt to capital ratio	<u>11.7%</u>	<u>-</u>	<u>-</u>

(2) Financial instruments

A. Financial instruments by category

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ -	\$ 87,739	\$ 87,739
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	265,407	317,798	455,060
Current financial assets at amortised cost, net	60,559	17,301	13,225
Notes receivable	-	-	812
Accounts receivable (including related parties)	23,148	7,094	12,671
Other receivables (including related parties)	31,025	1,856	1,208
Guarantee deposits paid (shown as 'Other current assets')	63,129	51,069	1,069
Long-term receivables-related parties	-	284,717	345,528
	<u>\$ 443,268</u>	<u>\$ 767,574</u>	<u>\$ 917,312</u>
	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 153,835	\$ 15,557	\$ 46,270
Accounts payable	11,812	9,138	5,628
Other accounts payable	59,046	151,562	130,008
Long-term borrowings (including current portion)	192,216	145,334	148,838
Refund liabilities	3,941	3,282	1,637
	<u>\$ 420,850</u>	<u>\$ 324,873</u>	<u>\$ 332,381</u>
Lease liabilities	<u>\$ 1,589</u>	<u>\$ 6,107</u>	<u>\$ 4,240</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group evaluates abovementioned risks periodically in order to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group expected that currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 4,506	27.850	\$ 125,492
HKD : NTD	275,000	3.562	979,550
RMB : NTD	5,537	4.305	23,837
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 1,341	27.850	\$ 37,347
<u>Non-monetary items</u>			
RMB : NTD	\$ 14,200	4.305	\$ 61,132

December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 9,148	28.48	\$ 261,560
HKD : NTD	282,471	3.673	1,037,516
RMB : NTD	15,880	4.377	69,507
<u>Non-monetary items</u>			
RMB : NTD	\$ 22,500	4.377	\$ 98,483
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 865	28.48	\$ 24,635
<u>Non-monetary items</u>			
RMB : NTD	\$ 14,513	4.377	\$ 63,523
September 30, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 8,924	29.10	\$ 259,688
HKD : NTD	282,273	3.754	1,059,653
RMB : NTD	21,354	4.269	91,160
<u>Non-monetary items</u>			
RMB : NTD	\$ 22,500	4.269	\$ 96,053
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 736	29.10	\$ 21,418
<u>Non-monetary items</u>			
RMB : NTD	\$ 14,674	4.269	\$ 62,643

- v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2021 and 2020 amounted to \$5,354, (\$2,152), (\$372) and (\$9,051), respectively.

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

Nine months ended September 30, 2021			
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income (loss)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 1,255	\$ -
HKD : NTD	1%	9,796	-
RMB : NTD	1%	238	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 373)	\$ -
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	(\$ 611)

Nine months ended September 30, 2020			
	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%	\$ 2,597	\$ -
HKD : NTD	1%	10,597	-
RMB : NTD	1%	912	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 961
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 214)	\$ -
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	(\$ 626)

Price risk

- The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as financial assets at fair value through other comprehensive income measured at fair value or at fair value through profit or loss.
- The Group's investments in equity securities is comprised of foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by

1% with all other variables held constant, post-tax profit for the nine months ended September 30, 2021 and 2020 would change due to gains/losses on equity securities classified as at fair value through profit or loss, please refer to Note 12(3) H. Other components of investment would have increased/decreased by \$0 and \$877, respectively, as a result of other comprehensive income classified as investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group's borrowings are at floating rates. During the nine months ended September 30, 2021 and 2020, the Group's borrowings at variable rate were denominated in NTD.
- ii. At September 30, 2021 and 2020, if interest rates on NTD denominated borrowings had been 0.25% higher with all other variables held constant, post-tax profit for the nine months ended September 30, 2021 and 2020, would have been \$519 and \$293 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, including outstanding receivables and contractual cash flows of debt instruments at fair value through profit or loss. For bank and financial institutions, only institutions with good credit quality are accepted.
- ii. The Group adopts the assumption under IFRS 9 that if the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. In line with credit risk management procedure, the default occurs when the contract payments are not expected to be recovered and are reclassified to overdue receivables.
- iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with product types. The Group applies the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial

reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On September 30, 2021, December 31, 2020 and September 30, 2020, the provision matrix is as follows:

<u>September 30, 2021</u>	<u>disclosure</u>	<u>due</u>	<u>days past</u>	<u>days past</u>	<u>days past</u>	<u>past due</u>	<u>days</u>	<u>Total</u>
Expected loss rate	100%	0%	0%	0%	0%	0-30%	100%	
Total book value								
- Accounts receivable	\$ 3,220	\$ 3,631	\$ 19,517	\$ -	\$ -	\$ -	\$ 108,935	\$ 135,303
- Other receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,641	\$ 10,641
Loss allowance	<u>\$ 3,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,576</u>	<u>\$ 122,796</u>

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

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

<u>December 31, 2020</u>	<u>disclosure</u>	<u>due</u>	<u>days past</u>	<u>days past</u>	<u>days past</u>	<u>past due</u>	<u>days</u>	<u>Total</u>
Expected loss rate	100%	0%	0%	0%	0-7%	0-66%	100%	
Total book value								
- Accounts receivable	\$ 3,220	\$ 5,458	\$ 1,303	\$ 333	\$ -	\$ -	\$ 112,715	\$ 123,029
- Other receivables	\$ 8,416	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,312	\$ 56,728
Loss allowance	<u>\$ 11,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,027</u>	<u>\$ 172,663</u>

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

Expected loss rate	75%	0%	0%	0%	0%	0%	0%	
Total book value	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688
Loss allowance	<u>\$ 841,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,971</u>

September 30, 2020	disclosure	due	days past	days past	days past	past due	days	Total
Expected loss rate	100%	0%	0%	0%-1%	0%-8%	0-57%	100%	
Total book value								
- Accounts receivable	\$ 3,220	\$ 12,311	\$ 300	\$ 60	\$ -	\$ -	\$ 114,393	\$ 130,284
- Other receivables	\$ 7,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,093	\$ 56,094
Loss allowance	<u>\$ 10,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,486</u>	<u>\$ 173,707</u>

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

Expected loss rate	69%	0%	0%	0%	0%	0%	0%	
Total book value	\$ 1,126,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,688
Loss allowance	<u>\$ 781,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781,160</u>

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

2021					
	Accounts receivable	Other receivables	Long-term receivables	Total	
At January 1	\$ 115,935	\$ 56,728	\$ 841,971	\$ 1,014,634	
Provision for impairment	-	-	284,717	284,717	
Reversal of impairment loss	(3,780)	(46,087)	-	(49,867)	
At September 30	<u>\$ 112,155</u>	<u>\$ 10,641</u>	<u>\$ 1,126,688</u>	<u>\$ 1,249,484</u>	

2020					
	Accounts receivable	Other receivables	Long-term receivables	Total	
At January 1	\$ 105,400	\$ 56,888	\$ -	\$ 162,288	
Provision for impairment	12,213	3,797	219,096	235,106	
Transfer			562,064	562,064	
Write-offs	-	(4,591)	-	(4,591)	
At September 30	<u>\$ 117,613</u>	<u>\$ 56,094</u>	<u>\$ 781,160</u>	<u>\$ 954,867</u>	

- A. Transfer refers to convertible bonds which expired in advance on August 31, 2020, therefore, the Company transferred the convertible bonds to long-term receivables due from related parties. Please refer to Note 6(2) for details.
- B. For provisioned loss in the three months and nine months ended September 30, 2021 and 2020, the impairment losses (gains) arising from customers' contracts and other receivables are (\$49,867), \$170, (\$49,867) and \$16,010, respectively. In addition, loss recognised from long-term receivables amounted to \$0, \$219,096, \$284,717 and

\$219,096, respectively.

- viii. The amount recognised under the financial assets at amortised cost are mainly restricted deposits. Such financial institutions are with high credit quality, so it expects that the probability of counterparty default is remote.

(c) Liquidity risk

- i. Cash flow forecasting is performed and aggregated by Group treasury. Group treasury monitors rolling forecasts of the operating entities' liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. The Group has the following undrawn borrowing facilities:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Floating rate:			
Expiring within one year	\$ 212,743	\$ 371,877	\$ 344,421
Expiring more than one year	-	-	-
	<u>\$ 212,743</u>	<u>\$ 371,877</u>	<u>\$ 344,421</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>
September 30, 2021				
Short-term borrowings	\$ 153,835	\$ -	\$ -	\$ -
Accounts payable	11,812	-	-	-
Other payables	59,046	-	-	-
Long-term borrowings (including current portion)	28,607	28,607	85,820	77,813
Refund liabilities	3,941	-	-	-
Lease liability	1,362	227	-	-
December 31, 2020				
Short-term borrowings	\$ 15,557	\$ -	\$ -	\$ -
Accounts payable	9,138	-	-	-
Other payables	64,022	-	-	-
Other payables to related parties	87,540	-	-	-
Long-term borrowings (including current portion)	18,515	18,515	55,544	74,879
Refund liabilities	3,282	-	-	-
Lease liability	3,460	2,647	-	-

<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>
September 30, 2020				
Short-term borrowings	\$ 46,270	\$ -	\$ -	\$ -
Notes payable	5,628			
Other payables	44,628	-	-	-
Other payables to related parties	85,380	-	-	-
Long-term borrowings (including current portion)	14,666	15,139	49,674	101,838
Refund liabilities	1,637	-	-	-
Lease liability	2,317	1,923	-	-

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in convertible bonds and equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, restricted cash (shown as 'Other current asset and other non-current asset), short-term borrowings, notes payable, accounts payable, other payables and long-term liabilities (including current portion) are approximate to their fair values.

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at September 30, 2021, December 31, 2020 and September 30, 2020 is as follows:

September 30, 2021 : None.

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 87,739	\$ 87,739

September 30, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 87,739	\$ 87,739

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

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

	Listed shares
Market quoted price	Closing price

- (b) For high-complexity financial instruments, the fair value is measured by the appraiser assigned by the Group using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market and involve subjective judgement by the management and appraiser. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3) H.

E. For the nine months ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 3.

F. The following chart is the movement of Level 3 for the nine months ended September 30, 2021 and 2020:

	2021	
	<u>Non-derivative instrument</u>	<u>Hybird instrument</u>
At January 1 (September 30)	\$ 87,739	\$ -
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	8,770	-
Disposal	(96,509)	-
At September 30	\$ -	\$ -

	2020	
	Non-derivative instrument	Hybird instrument
At January 1	\$ 90,127	\$ 584,913
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	-	(20,289)
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(2,388)	-
Transfer out from level 3	-	(564,624)
At September 30	\$ 87,739	\$ -

Notes: Transfer refers to convertible bonds which expired in advance on August 31, 2020, therefore, the Company transferred the convertible bonds to long-term receivables due from related parties. Please refer to Note 6(2) for details.

G. The valuation for convertible bonds whose fair value is categorised as Level 3 is conducted by the appraiser assigned by the Group.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

September 30, 2021 : None.

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 87,739	Net asset value	N/A	N/A	N/A

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 87,739	Net asset value	N/A	N/A	N/A

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed: September 30, 2021, December 31, 2020 and September 30, 2020: There was no effect from changes in the valuation parameter.

(4) Other Matter

The growth of the Group's operating revenue was affected by the COVID-19 global pandemic. After the assessment, the pandemic has no significant impact on the Group's going concern, impairment of assets and financing risks, and the impact on the Group's operations will depend on the subsequent situation of the pandemic.

13. SUPPLEMENTARY DISCLOSURES

The disclosures on investee companies were based on financial statements audited by independent auditors and the following transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only. The related information on investee companies was translated using the average rates of USD:NTD = 1:27.97 and USD:NTD = 1:27.85 for the nine months ended September 30, 2021 and 2020, respectively.

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: 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: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

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 September 30, 2021:

	Materials	Electric vehicles	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 67,992	\$ -	\$ -	\$ -	\$ 67,992
Total segment income (loss)	(\$ 59,048)	\$ 47,900	(\$ 10,820)	\$ -	(\$ 21,968)

Nine months ended September 30, 2021:

	Materials	Electric vehicles	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 175,846	\$ -	\$ -	\$ -	\$ 175,846
Total segment income (loss)	(\$ 183,644)	\$ 48,199	(\$ 30,493)	\$ -	(\$ 165,938)

Three months ended September 30, 2020:

	Materials	Electric vehicles	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 49,959	\$ -	\$ -	\$ -	\$ 49,959
Total segment income (loss)	(\$ 74,729)	\$ 340	(\$ 20,165)	\$ -	(\$ 94,554)

Nine months ended September 30, 2020:

	Materials	Electric vehicles	Others	Eliminations	Total
Inter-segment revenue - external customers	\$ 87,173	\$ -	\$ -	\$ -	\$ 87,173
Total segment income (loss)	(\$ 245,281)	(\$ 3,167)	(\$ 34,993)	\$ -	(\$ 283,441)

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

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

Loans to others
Nine months ended September 30, 2021

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 nine months ended September 30, 2021	Balance at September 30, 2021 (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	\$ 160,000	\$ 110,000	\$ 110,000	-	Short-term financing	\$ -	Working capital financing	\$ -	None	-	\$ 204,335	\$ 204,335	

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 investees companies accounted for using equity method, the ceiling of the total lending is 40% of the parent company's net assets while the ceiling of individual lending is 40% 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

Nine months ended September 30, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2021	Outstanding endorsement/ guarantee amount at September 30, 2021	Actual amount drawn down (Note 4)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China	Footnote
0	Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry Co., Ltd.	(2)	\$ 608,454	\$ 608,480	\$ 562,217	\$ 349,474	\$ -	92.40%	\$ 608,454	Y	N	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 50% of the Company's net assets based on the latest financial statements audited or reviewed by accountants; unless agreed by stockholders, the ceiling the celing of the Company and its subsidiaries' guarantee to other companies and individual entity is 50% 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 logn 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 woth limit.

Note 4: The amount drawn down is the actual credit line endorsees / guarantees obtained from banks.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine months ended September 30, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2021	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
Nine months ended September 30, 2021

Table 4

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	\$ 70,000	Note 5	10%
2	Advanced Lithium Electrochemistry (HK) Ltd.	Advanced Lithium Electrochemistry (China Shanghai) Ltd.	1	Payment on behalf of others	85,780	Note 6	8%

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.

Note 6: It refers to payment collected and paid between affiliates.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
Names, locations and other information of investee companies (not including uinvestees in Mainland China)
Nine months ended September 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss) of the investee for the nine months ended September 30, 2021	Investment income (loss) recognised by the Company for the nine months ended September 30, 2021	Footnote
				Balance as at September 30, 2021	Balance as at December 31, 2020	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	\$ 2,108,514	\$ 2,108,514	155,647,125	100	\$ 510,837	(\$ 167,172)	(\$ 167,189)	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	28,691	36,737	36,737	Subsidiary (Note 2)
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (HK) Co., Ltd.	Hong Kong	Various types of investments	592,862	592,862	19,330,000	100	36,527	1,364	1,364	Subsidiary
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Emerald Battery Technologies Co., Ltd.	Taiwan	Manufacturing and distribution of battery and its peripherals	-	40,542	-	-	-	(1)	(1)	Note 3 and 4
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.	Advanced Lithium Electrochemistry (US), Corp	America	Research, manufacturing and sale of LFP-NCO and key materials of olivine-type structure lithium battery	-	-	-	-	-	-	-	Note 5
Advanced Lithium Electrochemistry (US), Corp	Alees AU Pty Ltd.	Australia	Research, manufacturing and sale of LFP-NCO and key materials of olivine-type structure lithium battery	-	-	-	-	-	-	-	Note 6

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 the liquidation.

Note 3: The Company has acquired 75.70% shares of Emerald Battery Technologies Co., Ltd. on May 29, 2020. The Group's shareholding ratio in Emerald Battery Technologies Co., Ltd. increased to 99.70%, therefore, the Group obtained control over it and included it in the consolidated financial statements.

Note 4: The Company sold its 100% equity interest in Emerald Battery Technologies Co., Ltd. on March 5, 2021 so that the Company lost its control over the subsidiary.

Note 5: The company was established on April 13, 2021 in share capital amounting to USD 1 million. The Company held a 100% equity interest in it, and the capital injection was completed on October 5, 2021.

Note 6: The company was established on September 7, 2021 in share capital amounting to AUD 1.3 million. The Company held a 100% equity interest in it. However, the capital injection was not completed as of November 5, 2021.

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

Information on investments in Mainland China

Nine months ended September 30, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2021 (Note 2)	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote
Advanced Lithium Electrochemistry (China Shanghai) Ltd.	Design of battery and trading	\$481,203	Note 1	\$ -	Remitted to Mainland China	Remitted back to Taiwan	\$ -	\$ -	100	\$ 1,465	(\$ 61,132)	\$ -	

Company name (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	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: 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

Nine months ended September 30, 2021

Table 7

Investee	Shares held as at September 30, 2021	
	Number of shares	Ownership
FDG Kinetic Limited's custodian account with KGI BANK	14,249,581	15.47%

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.