

**ADVANCED LITHIUM
ELECTROCHEMISTRY (CAYMAN) CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR22000151

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, 2022 and 2021, 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, 2022 and 2021, 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 10, 2022

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, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

| | Assets | Notes | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------|--|------------|---------------------|---------------------|---------------------|
| Current assets | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 329,757 | \$ 217,101 | \$ 265,407 |
| 1136 | Current financial assets at amortised cost, net | 8 | 72,217 | 51,156 | 60,559 |
| 1170 | Accounts receivable, net | 6(3) | 56,220 | 38,456 | 23,148 |
| 1180 | Accounts receivable - related parties | 6(3) and 7 | - | - | - |
| 1200 | Other receivables | | 5,890 | 10,729 | 31,025 |
| 1210 | Other receivables - related parties | 7 | - | - | - |
| 1220 | Current income tax assets | | 130 | 148 | 148 |
| 130X | Inventory | 6(4) | 295,541 | 68,298 | 41,258 |
| 1410 | Prepayments | 6(5) | 67,995 | 89,005 | 95,805 |
| 1470 | Other current assets | | 7,114 | 5,781 | 5,281 |
| 11XX | Total current assets | | <u>834,864</u> | <u>480,674</u> | <u>522,631</u> |
| Non-current assets | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | - | - | - |
| 1535 | Non-current financial assets at amortised cost, net | 8 | 20,002 | 20,000 | - |
| 1550 | Investments accounted for under equity method | 6(6) | - | - | - |
| 1600 | Property, plant and equipment | 6(7) and 8 | 496,539 | 484,017 | 451,889 |
| 1755 | Right-of-use assets | 6(8) | 2,070 | 1,249 | 1,589 |
| 1780 | Intangible assets | | 13,870 | 32,346 | 38,755 |
| 1840 | Deferred income tax assets | | 13,465 | 13,465 | 13,465 |
| 1900 | Other non-current assets | 7 and 8 | 64,245 | 63,327 | 63,129 |
| 15XX | Total non-current assets | | <u>610,191</u> | <u>614,404</u> | <u>568,827</u> |
| 1XXX | Total assets | | <u>\$ 1,445,055</u> | <u>\$ 1,095,078</u> | <u>\$ 1,091,458</u> |

(Continued)

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

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

| Liabilities and Equity | Notes | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--|--|---------------------|---------------------|---------------------|
| Current liabilities | | | | |
| 2100 | Short-term borrowings | 6(9) \$ 127,305 | \$ 150,000 | \$ 153,835 |
| 2130 | Current contract liabilities | 6(18) 80,870 | 28,840 | 6,052 |
| 2170 | Accounts payable | 130,457 | 25,640 | 11,812 |
| 2200 | Other payables | 6(10) 123,013 | 117,072 | 59,046 |
| 2250 | Provisions for liabilities - current | 34,818 | 34,818 | 34,818 |
| 2280 | Current lease liabilities | 6(8) 1,094 | 1,249 | 1,362 |
| 2320 | Long-term liabilities, current portion | 6(11) 15,478 | 27,957 | 22,193 |
| 2365 | Current refund liabilities | 6(18) 7,163 | 6,278 | 3,941 |
| 2399 | Other current liabilities | 8,840 | 2,685 | 19,695 |
| 21XX | Total current liabilities | <u>529,038</u> | <u>394,539</u> | <u>312,754</u> |
| Non-current liabilities | | | | |
| 2540 | Long-term borrowings | 6(11) 117,087 | 203,790 | 170,023 |
| 2580 | Non-current lease liabilities | 6(8) 976 | - | 227 |
| 25XX | Total non-current liabilities | <u>118,063</u> | <u>203,790</u> | <u>170,250</u> |
| 2XXX | Total liabilities | <u>647,101</u> | <u>598,329</u> | <u>483,004</u> |
| Equity attributable to owners of parent | | | | |
| | Share capital | 6(14) | | |
| 3110 | Common stock | 700,000 | 600,000 | 920,997 |
| | Capital surplus | 6(15) | | |
| 3200 | Capital surplus | 515,044 | 123,521 | 123,521 |
| | Accumulated deficit | 6(16) | | |
| 3350 | Accumulated deficit | (440,662) (| 250,893) (| 459,843) |
| | Other equity interest | 6(17) | | |
| 3400 | Other equity interest | 23,572 | 24,121 | 23,779 |
| 31XX | Equity attributable to owners of the parent | <u>797,954</u> | <u>496,749</u> | <u>608,454</u> |
| 36XX | Non-controlling interest | - | - | - |
| 3XXX | Total equity | <u>797,954</u> | <u>496,749</u> | <u>608,454</u> |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | |
| 3X2X | Total liabilities and equity | <u>\$ 1,445,055</u> | <u>\$ 1,095,078</u> | <u>\$ 1,091,458</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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)
(UNAUDITED)

| Items | Notes | Three months ended September 30 | | Nine months ended September 30 | | |
|-------|--|---------------------------------|---------------|--------------------------------|---------------|---------------|
| | | 2022 | 2021 | 2022 | 2021 | |
| 4000 | Operating revenue | 6(18) | \$ 120,753 | \$ 67,992 | \$ 344,114 | \$ 175,846 |
| 5000 | Operating costs | 6(4)(22)(23) | (152,241) | (80,493) | (385,054) | (230,496) |
| 5950 | Gross loss from operations | | (31,488) | (12,501) | (40,940) | (54,650) |
| | Operating expenses | 6(22)(23) | | | | |
| 6100 | Selling expenses | | (25,603) | (20,100) | (76,617) | (54,317) |
| 6200 | Administrative expenses | | (45,406) | (27,396) | (130,628) | (74,742) |
| 6300 | Research and development expenses | | (16,334) | (10,711) | (53,941) | (32,096) |
| 6450 | Expected credit impairment gain | 7 and 12(2) | - | 48,740 | - | 49,867 |
| 6000 | Total operating expenses | | (87,343) | (9,467) | (261,186) | (111,288) |
| 6900 | Operating loss | | (118,831) | (21,968) | (302,126) | (165,938) |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 280 | 19 | 470 | 316 |
| 7010 | Other income | 6(19) and 7 | 94 | 7,059 | 338 | 13,246 |
| 7020 | Other gains and losses | 6(20) | (5,528) | 4,439 | (2,838) | (2,827) |
| 7050 | Finance costs | 6(21) | (2,139) | (2,523) | (9,134) | (6,719) |
| 7055 | Expected credit impairment loss | 7 and 12(2) | - | - | - | (284,717) |
| 7060 | Share of profit of associates and joint ventures accounted for using equity method | 6(6) | - | - | - | - |
| 7000 | Total non-operating income and expenses | | (7,293) | 8,994 | (11,164) | (280,701) |
| 7900 | Loss before income tax | | (126,124) | (12,974) | (313,290) | (446,639) |
| 7950 | Income tax expense | 6(24) | - | - | - | - |
| 8200 | Loss for the period | | (\$ 126,124) | (\$ 12,974) | (\$ 313,290) | (\$ 446,639) |
| | Other comprehensive income | 6(17) | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | 6(2) | \$ - | \$ 8,770 | \$ - | \$ 8,770 |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | 551 | 631 | (549) | 927 |
| 8300 | Total other comprehensive income (loss) for the period | | \$ 551 | \$ 9,401 | (\$ 549) | \$ 9,697 |
| 8500 | Total comprehensive loss for the period | | (\$ 125,573) | (\$ 3,573) | (\$ 313,839) | (\$ 436,942) |
| | Loss attributable to: | | | | | |
| 8610 | Owners of parent | | (\$ 126,124) | (\$ 12,974) | (\$ 313,290) | (\$ 446,639) |
| 8620 | Non-controlling interests | | - | - | - | - |
| | Total | | (\$ 126,124) | (\$ 12,974) | (\$ 313,290) | (\$ 446,639) |
| | Comprehensive loss attributable to: | | | | | |
| 8710 | Owners of parent | | (\$ 125,573) | (\$ 3,573) | (\$ 313,839) | (\$ 436,942) |
| 8720 | Non-controlling interests | | - | - | - | - |
| | Total | | (\$ 125,573) | (\$ 3,573) | (\$ 313,839) | (\$ 436,942) |
| | Loss per share (in dollars) | 6(25) | | | | |
| 9750 | Basic loss per share | | (\$ 1.80) | (\$ 0.22) | (\$ 4.81) | (\$ 7.44) |

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| Equity attributable to owners of the parent | | | | | | | | | | | | |
|---|------------------|---------------------------------|-------------------------------|--------------------------------|-----------------------------------|------------------|------------------------|--|--|-------------------|-----------------------------|-------------------|
| | Capital Reserves | | | | | | Other Equity Interest | | | | | |
| | Notes | Share capital - common stock | Additional paid-in capital | Treasury stock transactions | Capital surplus, share options | 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 | Non-controlling interest | Total equity |
| <u>2021</u> | | | | | | | | | | | | |
| 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(17) | - | - | - | - | - | - | 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(14) | (679,200) | - | - | - | 679,200 | - | - | - | - | - | - |
| Disposal of subsidiary | | - | - | - | - | - | - | - | - | - | (15) | (15) |
| Proceeds from disposal of equity instruments at fair value through other comprehensive income | 6(2) | - | - | - | - | (13,204) | - | - | 13,204 | - | - | - |
| Balance at September 30, 2021 | | <u>\$ 920,997</u> | <u>\$ 116,585</u> | <u>\$ 2,006</u> | <u>\$ -</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> |
| <u>2022</u> | | | | | | | | | | | | |
| Balance at January 1, 2022 | | \$ 600,000 | \$ 116,585 | \$ 2,006 | \$ - | \$ 4,930 | (\$ 250,893) | \$ 24,121 | \$ - | \$ 496,749 | \$ - | \$ 496,749 |
| Loss for the period | | - | - | - | - | - | (313,290) | - | - | (313,290) | - | (313,290) |
| Other comprehensive loss for the period | 6(17) | - | - | - | - | - | - | (549) | - | (549) | - | (549) |
| Total comprehensive loss for the period | | - | - | - | - | - | (313,290) | (549) | - | (313,839) | - | (313,839) |
| Issuance of shares | 6(14) | 100,000 | 495,556 | - | - | - | - | - | - | 595,556 | - | 595,556 |
| Compensation costs of employee stock warrants | 6(13) | - | - | - | 19,488 | - | - | - | - | 19,488 | - | 19,488 |
| Employee stock warrants expired | | - | - | - | (14,787) | 14,787 | - | - | - | - | - | - |
| Employee stock warrants exercised | | - | 4,701 | - | (4,701) | - | - | - | - | - | - | - |
| Capital surplus used to offset against accumulated deficit | | - | (116,585) | (2,006) | - | (4,930) | 123,521 | - | - | - | - | - |
| Balance at September 30, 2022 | | <u>\$ 700,000</u> | <u>\$ 500,257</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,787</u> | <u>(\$ 440,662)</u> | <u>\$ 23,572</u> | <u>\$ -</u> | <u>\$ 797,954</u> | <u>\$ -</u> | <u>\$ 797,954</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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | Nine months ended September 30 | |
|---|-------|--------------------------------|--------------------|
| | | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (\$ 313,290) | (\$ 446,639) |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit impairment loss | 12(2) | - | 234,850 |
| Depreciation (including right-of-use assets) | 6(22) | 40,760 | 40,013 |
| Amortisation | 6(22) | 19,542 | 19,459 |
| Net loss on financial assets at fair value through profit or loss | 6(20) | 133 | 1,522 |
| Interest expense | 6(21) | 9,134 | 6,719 |
| Interest income | | (470) | (316) |
| Loss on disposal of property, plant and equipment | 6(20) | - | 902 |
| Loss on disposal of investments | 6(20) | - | 4 |
| Share-based payments | 6(13) | 19,488 | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | (133) | (1,522) |
| Accounts receivable | | (17,764) | (15,777) |
| Accounts receivable-related parties | | - | 3,503 |
| Other receivables | | 4,839 | (29,169) |
| Other receivables-related parties | | - | 46,042 |
| Inventories | | (227,243) | (2,550) |
| Prepayments | | 21,010 | (47,390) |
| Other current assets | | (1,333) | (1,808) |
| Changes in operating liabilities | | | |
| Contract liabilities | | 52,030 | 4,035 |
| Accounts payable | | 104,817 | 2,674 |
| Other payables | | 24,383 | (2,769) |
| Refund liabilities | | 885 | 659 |
| Other current liabilities | | <u>6,155</u> | <u>16,855</u> |
| Cash outflow generated from operations | | (257,057) | (170,703) |
| Interest received | | 470 | 316 |
| Interest paid | | (9,134) | (6,640) |
| Net cash flows used in operating activities | | <u>(265,721)</u> | <u>(177,027)</u> |

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | Nine months ended September 30 | |
|---|-------|--------------------------------|-------------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | \$ - | \$ 10,729 |
| Proceeds from disposal of financial assets at amortised cost | | 51,341 | - |
| Acquisition of financial assets at amortised cost | | (72,406) | (43,258) |
| Proceeds from disposal of subsidiaries (net of cash of subsidiary disposed) | | - | 28 |
| Acquisition of property, plant and equipment | 6(26) | (70,088) | (13,156) |
| Proceeds from disposal of property, plant and equipment | | - | 13 |
| Acquisition of intangible assets | | (1,066) | - |
| Increase in refundable deposits | | (918) | (12,380) |
| Decrease in refundable deposits | | - | 320 |
| Net cash flows used in investing activities | | <u>(93,137)</u> | <u>(57,704)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term borrowings | | 127,305 | 777,556 |
| Decrease in short-term borrowings | | (150,000) | (639,278) |
| Increase in long-term borrowings | | - | 60,000 |
| Decrease in long-term borrowings | | (99,182) | (13,118) |
| Payment of lease liabilities | | (1,636) | (1,995) |
| Proceeds from issuance of shares | 6(14) | <u>595,556</u> | <u>-</u> |
| Net cash flows from financing activities | | <u>472,043</u> | <u>183,165</u> |
| Effect of changes in foreign currency exchange | | <u>(529)</u> | <u>(825)</u> |
| Net increase (decrease) in cash and cash equivalents | | 112,656 | (52,391) |
| Cash and cash equivalents at beginning of period | | <u>217,101</u> | <u>317,798</u> |
| Cash and cash equivalents at end of period | | <u>\$ 329,757</u> | <u>\$ 265,407</u> |

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(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, 2022, the number of shares authorised amounted to 70,000,000 shares with a par value of \$10 (in dollars) per share, and the paid-in capital was \$700,000.

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

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

These consolidated financial statements were reported to the Board of Directors on November 10, 2022.

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 2022 are as follows:

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

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

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

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

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

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

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

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

| 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 |
| Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’ | January 1, 2024 |
| IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’ | January 1, 2023 |
| Amendments to IAS 1, ‘Classification of liabilities as current or noncurrent’ | 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, 2021, 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, 2021.

(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. The basis for preparation of these consolidated financial statements is consistent with that for the year ended December 31, 2021.
- B. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | | Remark |
|--|---|---|--------------------|-------------------|--------------------|--------|
| | | | September 30, 2022 | December 31, 2021 | September 30, 2021 | |
| Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Advanced Lithium Electrochemistry Co., Ltd. | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 100 | 100 | 100 | |
| Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Aleees Eco Ark Co., Ltd. | Manufacturing and installation of electricity generation, transmission and distribution of machinery, and manufacturing and distribution of batteries, cars and peripherals | 100 | 100 | 100 | Note 1 |
| Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Advanced Lithium Electrochemistry (HK) Co., Ltd. | Investment holdings | 100 | 100 | 100 | |
| Advanced Lithium Electrochemistry (HK) Co., Ltd. | Advanced Lithium Electrochemistry (China Shanghai) Ltd. | Research and development, trading | 100 | 100 | 100 | |
| Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Aleees US, Corp. | Investment holdings | 100 | 100 | 100 | Note 2 |
| Aleees US, Corp. | Aleees AU Pty. Ltd. | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 100 | 100 | 100 | Note 3 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | | Remark |
|------------------|--------------------|--|--------------------|-------------------|--------------------|--------|
| | | | September 30, 2022 | December 31, 2021 | September 30, 2021 | |
| Aleees US, Corp. | Aleees Texas, LLC | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 100 | - | - | Note 4 |
| Aleees US, Corp. | Aleees EU SARL | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 100 | - | - | Note 5 |
| Aleees US, Corp. | Aleees UK, Ltd. | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 100 | - | - | Note 6 |

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

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

Note 3: The registration of Alees AU Pty Ltd. was completed on September 7, 2021, and the Company held a 100% equity interest in Alees AU Pty. Ltd.. The subsidiary has been renamed as Aleees AU Pty. Ltd. on May 20, 2022.

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

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

Note 6: The registration of Aleees UK, Ltd. was completed on August 31, 2022, and the Company held a 100% equity interest in Aleees UK, Ltd. No capital was injected as of November 10, 2022.

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

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

There have been no significant changes as of September 30, 2022. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Demand deposits and Checking accounts | <u>\$ 329,757</u> | <u>\$ 217,101</u> | <u>\$ 265,407</u> |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at the balance sheet date is the carrying amount of all cash and cash equivalents.

B. 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 other comprehensive income

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|----------------------|---------------------------|--------------------------|---------------------------|
| Non-current items: | | | |
| Equity instruments | | | |
| Unlisted stocks | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Valuation adjustment | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$0 as at September 30, 2022, December 31, 2021 and September 30, 2021.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the three months and nine months ended September 30, 2022 and 2021 were \$0, \$8,770, \$0, \$8,770, respectively.

C. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents financial assets at fair value through other

comprehensive income held by the Group was \$0.

- D. In August 2021, the registration of capital reduction was completed by Advanced Lithium Electrochemistry (Guizhou) Limited. Accordingly, the fair value of the capital reduction by returning cash amounted to \$96,509 and the cumulative loss on disposal was \$13,204 which had been reclassified to 'Accumulated deficit'. Refer to Note 7(3) for the details.
- E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(3) Accounts receivable

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Accounts receivable – third parties | \$ 76,166 | \$ 58,402 | \$ 42,943 |
| Accounts receivable – related parties | <u>91,108</u> | <u>91,108</u> | <u>92,360</u> |
| | 167,274 | 149,510 | 135,303 |
| Less: Allowance for bad debts | (<u>111,054</u>) | (<u>111,054</u>) | (<u>112,155</u>) |
| | <u>\$ 56,220</u> | <u>\$ 38,456</u> | <u>\$ 23,148</u> |

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

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|----------------|----------------------------|----------------------------|----------------------------|
| | <u>Accounts receivable</u> | <u>Accounts receivable</u> | <u>Accounts receivable</u> |
| Not past due | \$ 32,232 | \$ 21,135 | \$ 3,631 |
| Up to 30 days | 18,199 | 8,870 | 10,931 |
| 31 to 90 days | - | 8,451 | 8,586 |
| 91 to 180 days | 1,585 | - | - |
| Over 180 days | <u>115,258</u> | <u>111,054</u> | <u>112,155</u> |
| | <u>\$ 167,274</u> | <u>\$ 149,510</u> | <u>\$ 135,303</u> |

The above ageing analysis was based on past due date.

- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$123,029.
- C. For the nine months ended September 30, 2022 and 2021, interest income recognised in profit or loss was \$0 for both periods.
- D. The Group has no notes and accounts receivable pledged to others as collateral.
- E. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes receivable and accounts receivable held by the Group was the book value.
- F. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

| | September 30, 2022 | | |
|---------------------|--------------------|---|-------------------|
| | Cost | Allowance for value decline and obsolescence | Book value |
| Raw materials | \$ 142,087 | (\$ 2,333) | \$ 139,754 |
| Work in progress | 22,718 | (2,984) | 19,734 |
| Semi-finished goods | 101,840 | (21,918) | 79,922 |
| Finished goods | 81,143 | (25,012) | 56,131 |
| | <u>\$ 347,788</u> | <u>(\$ 52,247)</u> | <u>\$ 295,541</u> |

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

| | 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> |

Expenses and losses incurred on inventories for the period:

| | Three months ended September 30, | |
|--|----------------------------------|-------------------|
| | 2022 | 2021 |
| Cost of inventories sold | \$ 91,199 | \$ 62,319 |
| Loss on decline in market value (gain from price recovery of inventory) | 42,378 (| 1,685) |
| Unallocated fixed overhead cost | 18,664 | 19,859 |
| | <u>\$ 152,241</u> | <u>\$ 80,493</u> |
| | Nine months ended September 30, | |
| | 2022 | 2021 |
| Cost of inventories sold | \$ 290,057 | \$ 172,382 |
| Loss on decline in market value (gain from price recovery of inventory) | 37,785 (| 4,815) |
| Unallocated fixed overhead cost | 57,212 | 62,929 |
| | <u>\$ 385,054</u> | <u>\$ 230,496</u> |

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

(5) Prepayments

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| Prepayment for purchases | \$ 7,462 | \$ 44,083 | \$ 46,974 |
| Overpaid sales tax | 40,350 | 34,805 | 37,869 |
| Others | 20,183 | 10,117 | 10,962 |
| | <u>\$ 67,995</u> | <u>\$ 89,005</u> | <u>\$ 95,805</u> |

(6) Investments accounted for under equity (September 30, 2022, December 31, 2021 and September 30, 2021 : None.)

Basic information

| <u>Company name</u> | <u>Location</u> | <u>Interest held</u> <u>September 30,</u> <u>2021</u> | <u>Relationship</u> | <u>Measurement</u> <u>method</u> |
|---------------------------------------|-----------------|---|---------------------|-------------------------------------|
| Emerald Batter Technologies Co., Ltd. | Taiwan | Note 1 | Strategic alliance | Equity method |

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

(7) Property, plant and equipment

| | Land | Buildings and structures | Machinery equipment | Testing equipment | Office equipment | Leasehold improvements | Others | Construction in progress and equipment to be inspected | Total |
|--|-------------------|-----------------------------|------------------------|----------------------|---------------------|---------------------------|-------------------|---|-------------------|
| <u>At January 1, 2022</u> | | | | | | | | | |
| Cost | \$ 147,910 | \$ 192,593 | \$ 620,329 | \$ 106,108 | \$ 1,576 | \$ 510 | \$ 295,497 | \$ 16,860 | \$ 1,381,383 |
| Accumulated depreciation and impairment | - | (73,707) | (557,891) | (80,768) | (1,214) | (510) | (183,276) | - | (897,366) |
| | <u>\$ 147,910</u> | <u>\$ 118,886</u> | <u>\$ 62,438</u> | <u>\$ 25,340</u> | <u>\$ 362</u> | <u>\$ -</u> | <u>\$ 112,221</u> | <u>\$ 16,860</u> | <u>\$ 484,017</u> |
| <u>2022</u> | | | | | | | | | |
| Opening net book amount as at January 1 | \$ 147,910 | \$ 118,886 | \$ 62,438 | \$ 25,340 | \$ 362 | \$ - | \$ 112,221 | \$ 16,860 | \$ 484,017 |
| Additions | - | 2,773 | 17,310 | 623 | 5 | - | 18,703 | 12,232 | 51,646 |
| Reclassifications | - | - | 5,698 | - | - | - | - | (5,698) | - |
| Net exchange differences | - | - | - | - | - | - | - | - | - |
| Depreciation charge | - | (5,072) | (13,521) | (3,320) | (126) | - | (17,085) | - | (39,124) |
| Closing net book amount as at September 30 | <u>\$ 147,910</u> | <u>\$ 116,587</u> | <u>\$ 71,925</u> | <u>\$ 22,643</u> | <u>\$ 241</u> | <u>\$ -</u> | <u>\$ 113,839</u> | <u>\$ 23,394</u> | <u>\$ 496,539</u> |
| <u>At September 30, 2022</u> | | | | | | | | | |
| Cost | \$ 147,910 | \$ 195,366 | \$ 640,692 | \$ 103,069 | \$ 1,573 | \$ 510 | \$ 312,712 | \$ 23,394 | \$ 1,425,226 |
| Accumulated depreciation and impairment | - | (78,779) | (568,767) | (80,425) | (1,332) | (510) | (198,874) | - | (928,687) |
| | <u>\$ 147,910</u> | <u>\$ 116,587</u> | <u>\$ 71,925</u> | <u>\$ 22,644</u> | <u>\$ 241</u> | <u>\$ -</u> | <u>\$ 113,838</u> | <u>\$ 23,394</u> | <u>\$ 496,539</u> |

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Machinery equipment</u> | <u>Testing equipment</u> | <u>Office equipment</u> | <u>Leasehold improvements</u> | <u>Others</u> | <u>Construction in progress and equipment to be inspected</u> | <u>Total</u> |
|--|-------------------|-------------------------------------|--------------------------------|------------------------------|-----------------------------|-----------------------------------|-------------------|---|-------------------|
| <u>At January 1, 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> |

A. No interest was capitalised to property, plant and equipment for the three months and nine months ended September 30, 2022 and 2021.

B. The Group's buildings and structures include buildings and improvements, piping and system construction which are depreciated over 25 years and 6 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements — lessee

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The warehouses leased by the Group have lease terms which were not longer than 12 months.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|-----------|---|----------------------------|---------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Buildings | <u>\$ 2,070</u> | <u>\$ 1,249</u> | <u>\$ 1,589</u> |
| | <u>Three months ended September 30,</u> | | |
| | <u>2022</u> | <u>2021</u> | |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> | |
| Buildings | <u>\$ 557</u> | <u>\$ 513</u> | |
| | <u>Nine months ended September 30,</u> | | |
| | <u>2022</u> | <u>2021</u> | |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> | |
| Buildings | <u>\$ 1,636</u> | <u>\$ 1,995</u> | |

D. For the three months and nine months ended September 30, 2022 and 2021, the additions to right-of-use assets were \$0, \$0, \$2,458 and \$0, respectively.

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

| | <u>Three months ended September 30,</u> | |
|---------------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Items affecting profit or loss</u> | | |
| Expense on short-term lease contracts | <u>\$ 943</u> | <u>\$ 4</u> |
| | <u>Nine months ended September 30,</u> | |
| | <u>2022</u> | <u>2021</u> |
| <u>Items affecting profit or loss</u> | | |
| Expense on short-term lease contracts | <u>\$ 2,652</u> | <u>\$ 6</u> |

F. For the nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases were \$4,288 and \$2,001, respectively.

(9) Short-term borrowings

| <u>Type of borrowings</u> | <u>September 30, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|---------------------------|----------------------------|--|
| Bank borrowings | | | Current financial assets |
| Secured borrowings | <u>\$ 127,305</u> | 2.25%~4.75% | at amortised cost, net and Property, plant and equipment |
| <u>Type of borrowings</u> | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank borrowings | | | Property, plant and |
| Secured borrowings | <u>\$ 150,000</u> | 2.25% | equipment |
| <u>Type of borrowings</u> | <u>September 30, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank borrowings | | | Current financial assets |
| Secured borrowings | <u>\$ 153,835</u> | 2.12%~2.25% | at amortised cost, net and Property, plant and equipment |

For the three months and nine months ended September 30, 2022 and 2021, interest expense arising from short-term borrowings that were recognised in profit or loss amounted to \$949, \$768, \$3,927 and \$2,397, respectively.

(10) Other payables

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|----------------------------|---------------------------|--------------------------|---------------------------|
| Wages and salaries payable | \$ 12,945 | \$ 25,309 | \$ 11,002 |
| Professional services fees | 11,111 | 10,222 | 8,738 |
| Payables on equipment | 13,570 | 32,012 | 650 |
| Others | 85,387 | 49,529 | 38,656 |
| | <u>\$ 123,013</u> | <u>\$ 117,072</u> | <u>\$ 59,046</u> |

(11) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate | Collateral | September 30, 2022 |
|----------------------------------|---|---------------|--|--------------------|
| Sunny Bank secured borrowings | Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly | 3.75% | Property, plant and equipment | \$ 30,030 |
| " | Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly | 2.53% | " | 61,676 |
| " | Dec. 28, 2021 ~ Dec. 28, 2028, interest and principal payable monthly | 4.70% | Property, plant and equipment and Non- current financial assets at amortised cost, net | 40,859 |
| | | | | 132,565 |
| Less: Current portion | | | | (15,478) |
| | | | | \$ 117,087 |
| Type of borrowings | Borrowing period and repayment term | Interest rate | Collateral | December 31, 2021 |
| Sunny Bank secured borrowings | Aug. 24, 2020 ~ Aug. 24, 2027, interest and principal payable monthly | 3.75% | Property, plant and equipment | \$ 66,333 |
| " | Aug. 24, 2020 ~ Aug. 24, 2035, interest and principal payable monthly | 2.25% | " | 64,689 |
| " | May 10, 2021 ~ May 10, 2028, interest and principal payable monthly (Note 1) | 4.75% | " | 55,725 |
| " | Dec. 28, 2021 ~ Dec. 28, 2028, interest and principal payable monthly | 4.75% | Property, plant and equipment and Non- current financial assets at amortised cost, net | 45,000 |
| | | | | 231,747 |
| Less: Current portion | | | | (27,957) |
| | | | | \$ 203,790 |

| 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 (Note 1) | 4.75% | " | 57,571 |
| | | | | 192,216 |
| Less: Current portion | | | | (22,193) |
| | | | | <u>\$ 170,023</u> |

Interest expense on the long-term borrowings recognised in profit or loss amounted to \$1,191, \$1,755, \$5,206 and \$4,322 for three months and nine months ended September 30, 2022 and 2021, respectively.

Note 1: The borrowings have been repaid in advance in June 2022.

(12) Pensions

- A. Effective July 1, 2005, Advanced Lithium Electrochemistry Co., Ltd., Aleees Eco Ark Co., Ltd. and Emerald Battery Technologies Co., Ltd. have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company's Mainland China subsidiary, Advanced Lithium Electrochemistry (China Shanghai) Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on 21% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- C. The pension contribution methods of the subsidiaries of the Company's subsidiaries, Aleees EU SARL and Aleees Texas, LLC are not mandatorily required by local laws and regulations and vary according to the system of individual entity.
- D. The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2022 and 2021 were \$1,714, \$1,196, \$4,439 and \$3,632, respectively.

(13) Share-based payment

- A. For the nine months ended September 30, 2022, the Group's share-based payment arrangements were as follows (For the nine months ended September 30, 2021: None.):

| Type of arrangement | Grant date | Quantity granted (thousand shares) | Contract period | Vesting conditions |
|---|------------|---------------------------------------|--------------------|--------------------|
| Cash capital increase reserved for employee preemption | 2022.3.23 | 742 | NA | Vested immediately |

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

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

| Type of arrangement | Grant date | Stock price (in dollars) | Exercise price (in dollars) | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per share (in dollars) |
|--|------------|-----------------------------|--------------------------------|---------------------------------|-------------------------|-----------------------|-------------------------------|---|
| Cash capital increase reserved for employee preemption | 2022.3.23 | \$ 86.1 | \$ 60.0 | 63.02% | 0.09 years | - | 0.59% | \$ 26.2643 |

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

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

| | Three months ended September 30, | |
|----------------|----------------------------------|------|
| | 2022 | 2021 |
| Equity-settled | \$ - | \$ - |

| | Nine months ended September 30, | |
|----------------|---------------------------------|------|
| | 2022 | 2021 |
| Equity-settled | \$ 19,488 | \$ - |

(14) Share capital

- A. As of September 30, 2022, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was \$700,000 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. Movements in the number of the Company's ordinary shares outstanding are as follows (in shares):

| | 2022 | 2021 |
|--|------------|--------------|
| Options outstanding at January 1 | 60,000,000 | 160,019,664 |
| Cash capital increase | 10,000,000 | - |
| Capital reduction to cover the deficit | - | (67,919,975) |
| Options outstanding at September 30 | 70,000,000 | 92,099,689 |

- C. As resolved by the shareholders during their meeting on June 27, 2016, the Company planned to privately issue 46,000 thousand shares (9,283 thousand shares after capital reduction) with par value of \$10 per share. On August 23, 2016, the Board of Directors approved the price of private placement at \$35. The rights and obligations afforded by the ordinary shares in the private placement are the same with issued shares except that the shares in the private placement are not

allowed to be traded freely within three years after delivery pursuant to Article 43-8 of Securities and Exchange Act.

- D. On April 15, 2021, the shareholders during their meeting resolved to reduce capital of 67,920 thousand shares in the ratio of 42.4447679% to offset against accumulated deficit. The capital reduction was completed in May 2021.
- E. On October 7, 2021, the shareholders during their special meeting resolved to reduce capital of 32,100 thousand shares in the ratio of 34.8532002% to offset against accumulated deficit. The capital reduction was completed in November 2021.
- F. On December 10, 2021, the Board of Directors during its meeting resolved to increase its capital by issuing 10,000 thousand new shares with a par value of NT\$10 (in dollars) per share, which was approved by the FSC on March 8, 2022. The issuance price was NT\$60 (in dollars) per share, and the capital increase was completed in May 2022.

(15) Capital surplus

The Board of Directors exercises its authority accordingly when appropriating net income, for which provision is appropriated to be paid for contingencies and commitments, dividends, operations, investments or other purposes.

(16) Retained earnings (accumulated deficit)

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

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

The Board of Directors should determine the percentage for directors', supervisors' and employees' bonus when appropriating net income. However, stockholders can recommend the percentage during resolution. Any remaining profit is for dividend appropriation. The Company is at the early stage of industrial development, and enterprise life cycle is at the growing stage. In order to respond to future operating expansion plans, along with maintaining dividend balance and stockholders' return, the dividend policy is to appropriate through cash or new share issuance or through both or as bonus. The Board of Directors is authorized to determine actual appropriation percentage in accordance with the Company's Articles of Incorporation and regulations governing publicly listed companies, and takes into

consideration the financials, business and operations. However, dividend appropriation should not be less than 10% of the remaining profit and cash dividends should not be less than 10% of the total dividends.

B. The Company has incurred operating losses for the year ended December 31, 2021, and thus had no earnings for distribution.

(17) Other equity items

| | 2022 | | |
|--------------------------------------|---|-------------------------|------------------|
| | Unrealised gains (losses) on valuation | Currency translation | Total |
| At January 1 | \$ - | \$ 24,121 | \$ 24,121 |
| Foreign currency translation - Group | - | (549) | (549) |
| At September 30 | <u>\$ -</u> | <u>\$ 23,572</u> | <u>\$ 23,572</u> |

| | 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> |

(18) 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, 2022</u> | Battery powder | | | | |
|--|------------------|----------------------|-----------------|---------------|-------------------|
| | China | Other Asia Countries | Europe | Others | Total |
| Revenue from contracts with external customers | <u>\$ 55,122</u> | <u>\$ 56,708</u> | <u>\$ 8,415</u> | <u>\$ 508</u> | <u>\$ 120,753</u> |

| <u>Three months ended September 30, 2021</u> | Battery powder | | | | |
|--|------------------|----------------------|------------------|---------------|------------------|
| | China | Other Asia Countries | Europe | Others | Total |
| Revenue from contracts with external customers | <u>\$ 27,048</u> | <u>\$ 8,518</u> | <u>\$ 31,987</u> | <u>\$ 439</u> | <u>\$ 67,992</u> |

| <u>Nine months ended September 30, 2022</u> | Battery powder | | | | |
|--|------------------|----------------------|------------------|-----------------|-------------------|
| | China | Other Asia Countries | Europe | Others | Total |
| Revenue from contracts with external customers | <u>\$ 83,686</u> | <u>\$ 223,316</u> | <u>\$ 34,447</u> | <u>\$ 2,665</u> | <u>\$ 344,114</u> |

| <u>Nine months ended September 30, 2021</u> | Battery powder | | | | |
|--|-------------------|----------------------|------------------|---------------|-------------------|
| | China | Other Asia Countries | Europe | Others | Total |
| Revenue from contracts with external customers | <u>\$ 105,241</u> | <u>\$ 32,149</u> | <u>\$ 37,722</u> | <u>\$ 734</u> | <u>\$ 175,846</u> |

A. Contract liabilities

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

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> | <u>January 1, 2021</u> |
|------------------------|---------------------------|--------------------------|---------------------------|------------------------|
| Contract liabilities- | | | | |
| product sales contract | \$ 80,870 | \$ 28,840 | \$ 6,052 | \$ 2,017 |

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

| | <u>Three months ended September 30,</u> | |
|------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Product sales contract | \$ 6,292 | \$ 595 |
| | <u>Nine months ended September 30,</u> | |
| | <u>2022</u> | <u>2021</u> |
| Product sales contract | \$ 28,516 | \$ 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:

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|--|---------------------------|--------------------------|---------------------------|
| Current asset recognised as right to recover products from customers (shown as 'Other current assets') | \$ 4,685 | \$ 5,183 | \$ 3,458 |
| Current refund liabilities | (7,163) | (6,278) | (3,941) |
| | <u>(\$ 2,478)</u> | <u>(\$ 1,095)</u> | <u>(\$ 483)</u> |

C. The Group's operating revenue was affected by the preventive measures implemented locally at the customers' country as a result of the COVID-19 pandemic for 2021. The impact on the Group's operations will depend on the subsequent situation of the pandemic.

(19) Other income

| | Three months ended September 30, | |
|-------------------|----------------------------------|------------------|
| | 2022 | 2021 |
| Rental income | \$ - | \$ 1,050 |
| Government grants | - | 4,880 |
| Other income | 94 | 1,129 |
| | <u>\$ 94</u> | <u>\$ 7,059</u> |
| | Nine months ended September 30, | |
| | 2022 | 2021 |
| Rental income | \$ - | \$ 4,202 |
| Government grants | 203 | 4,880 |
| Other income | 135 | 4,164 |
| | <u>\$ 338</u> | <u>\$ 13,246</u> |

(20) Other gains and losses

| | Three months ended September 30, | |
|---|----------------------------------|-------------------|
| | 2022 | 2021 |
| Losses on disposal of property, plant and equipment | \$ - | (\$ 910) |
| Losses on disposals of investments | - | - |
| Foreign exchange (losses) gains | (5,516) | 5,354 |
| Losses on financial assets at fair value through profit or loss | - | - |
| Other losses | (12) | (5) |
| | <u>(\$ 5,528)</u> | <u>\$ 4,439</u> |
| | Nine months ended September 30, | |
| | 2022 | 2021 |
| Losses on disposals of property, plant and equipment | \$ - | (\$ 902) |
| Losses on disposals of investments | - | (4) |
| Foreign exchange losses | (2,686) | (372) |
| Losses on financial assets at fair value through profit or loss | (133) | (1,522) |
| Other losses | (19) | (27) |
| | <u>(\$ 2,838)</u> | <u>(\$ 2,827)</u> |

(21) Finance costs

| | Three months ended September 30, | |
|------------------|----------------------------------|----------|
| | 2022 | 2021 |
| Interest expense | \$ 2,139 | \$ 2,523 |

| | Nine months ended September 30, | |
|------------------|---------------------------------|----------|
| | 2022 | 2021 |
| Interest expense | \$ 9,134 | \$ 6,719 |

(22) Expenses by nature

| | Three months ended September 30, | |
|---|----------------------------------|-----------|
| | 2022 | 2021 |
| Employee benefit expense | \$ 47,673 | \$ 30,296 |
| Depreciation charges on property, plant and equipment | 13,400 | 12,304 |
| Depreciation charges on right-of-use assets | 557 | 513 |
| Amortisation charges on intangible assets | 6,524 | 6,486 |

| | Nine months ended September 30, | |
|---|---------------------------------|-----------|
| | 2022 | 2021 |
| Employee benefit expense | \$ 147,961 | \$ 90,035 |
| Depreciation charges on property, plant and equipment | 39,124 | 38,018 |
| Depreciation charges on right-of-use assets | 1,636 | 1,995 |
| Amortisation charges on intangible assets | 19,542 | 19,459 |

(23) Employee benefit expense

| | Three months ended September 30, | |
|----------------------------------|----------------------------------|------------------|
| | 2022 | 2021 |
| Wages and salaries | \$ 41,539 | \$ 25,801 |
| Share-based payments | - | - |
| Labour and health insurance fees | 3,179 | 2,354 |
| Pension costs | 1,714 | 1,196 |
| Other personnel expenses | 1,241 | 945 |
| | <u>\$ 47,673</u> | <u>\$ 30,296</u> |

| | Nine months ended September 30, | |
|----------------------------------|---------------------------------|------------------|
| | 2022 | 2021 |
| Wages and salaries | \$ 111,979 | \$ 76,369 |
| Share-based payments | 19,488 | - |
| Labour and health insurance fees | 8,719 | 7,187 |
| Pension costs | 4,439 | 3,632 |
| Other personnel expenses | 3,336 | 2,847 |
| | <u>\$ 147,961</u> | <u>\$ 90,035</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, 2022 and 2021, thus, the Company did not recognise employees' compensation and directors' and supervisors' remuneration.
- C. Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | <u>Three months ended September 30,</u> | |
|---|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| 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 | <u>\$ -</u> | <u>\$ -</u> |
| Income tax expense (benefit) | <u>\$ -</u> | <u>\$ -</u> |
| | <u>Nine months ended September 30,</u> | |
| | <u>2022</u> | <u>2021</u> |
| 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 | <u>\$ -</u> | <u>\$ -</u> |
| Income tax expense (benefit) | <u>\$ -</u> | <u>\$ -</u> |

(b) The income tax charge/(credit) relating to components of other comprehensive income is as follows: None.

(c) The income tax charged/(credited) to equity during the 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 2020 have been assessed and approved by the Tax Authority.

(25) Loss per share

| <u>Three months ended September 30, 2022</u> | | |
|---|---|--|
| <u>Amount</u> <u>after tax</u> | <u>Weighted average</u> <u>number of ordinary</u> <u>shares outstanding</u> <u>(shares in thousands)</u> | <u>Loss per share</u> <u>(in dollars)</u> |
| <u>Basic loss per share</u> | | |
| Loss attributable to ordinary shareholders of the parent | (\$ 126,124) 70,000 | (\$ 1.80) |
| <u>Three months ended September 30, 2021</u> | | |
| <u>Amount</u> <u>after tax</u> | <u>Weighted average</u> <u>number of ordinary</u> <u>shares outstanding</u> <u>(shares in thousands)</u> | <u>Loss per share</u> <u>(in dollars)</u> |
| <u>Basic loss per share</u> | | |
| Loss attributable to ordinary shareholders of the parent | (\$ 12,974) 60,000 | (\$ 0.22) |
| <u>Nine months ended September 30, 2022</u> | | |
| <u>Amount</u> <u>after tax</u> | <u>Weighted average</u> <u>number of ordinary</u> <u>shares outstanding</u> <u>(shares in thousands)</u> | <u>Loss per share</u> <u>(in dollars)</u> |
| <u>Basic loss per share</u> | | |
| Loss attributable to ordinary shareholders of the parent | (\$ 313,290) 65,165 | (\$ 4.81) |
| <u>Nine months ended September 30, 2021</u> | | |
| <u>Amount</u> <u>after tax</u> | <u>Weighted average</u> <u>number of ordinary</u> <u>shares outstanding</u> <u>(shares in thousands)</u> | <u>Loss per share</u> <u>(in dollars)</u> |
| <u>Basic loss per share</u> | | |
| Loss attributable to ordinary shareholders of the parent | (\$ 446,639) 60,000 | (\$ 7.44) |

Note 1: For the three months and nine months ended September 30, 2021, the weighted average number of ordinary shares outstanding were retrospectively adjusted based on the capital reduction to offset accumulated deficit ratio of 34.8532002% in November 2021.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | Nine months ended September 30, | |
|--|---------------------------------|------------------|
| | 2022 | 2021 |
| Purchase of property, plant and equipment | \$ 51,646 | \$ 10,870 |
| Add: Opening balance of payable on equipment | 32,012 | 2,936 |
| Less: Ending balance of payable on equipment | (13,570) | (650) |
| Cash paid during the period | <u>\$ 70,088</u> | <u>\$ 13,156</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:

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

(27) Changes in liabilities from financing activities

| | Short-term borrowings | Long-term borrowings (including current portion) | Other payables-related parties | Lease liabilities |
|--|-----------------------|--|--------------------------------|-------------------|
| At January 1, 2022 | \$ 150,000 | \$ 231,747 | \$ - | \$ 1,249 |
| Changes in cash flow from financing activities | (22,695) | (99,182) | - | (1,636) |
| Changes in other non-cash items | - | - | - | 2,457 |
| At September 30, 2022 | <u>\$ 127,305</u> | <u>\$ 132,565</u> | <u>\$ -</u> | <u>\$ 2,070</u> |

| | Short-term borrowings | Long-term borrowings (including current portion) | Other payables-related parties | Lease liabilities |
|--|-----------------------|--|--------------------------------|-------------------|
| 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) | - | - | (87,540) | (2,523) |
| At September 30, 2021 | <u>\$ 153,835</u> | <u>\$ 192,216</u> | <u>\$ -</u> | <u>\$ 1,589</u> |

NOTE: For other non-cash changes of other payables-related parties, refer to Note 7(3).

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party: None.

(2) Names of related parties and relationship:

| Names of related parties | Relationship with the Group |
|---|------------------------------|
| FDG Electric Vehicles Limited | Other related party |
| FDG Kinetic Limited | Other related party |
| FDG Investment Holdings Limited | Other related party |
| FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd. | Other related party |
| Tianjin Sinopoly New Energy Technology Co., Ltd. | Other related party |
| Jillin Sinopoly New Energy Technology Co., Ltd. | Other related party |
| Aleees Eco Ark (Ningbo) Ltd. | Other related party |
| Advanced Lithium Electrochemistry (Guizhou) Limited | Other related party (Note 2) |
| Emerald Battery Technologies Co., Ltd. | Associate (Note 1) |

Note 1: The Company disposed all its investment in Emerald Battery Technologies Co., Ltd. in March 2021, thus, this company was listed in associates from then on.

Note 2: The Company disposed all its investment in Advanced Lithium Electrochemistry (Guizhou) Limited in August 2021, thus, this company was not considered a related party from then on. The company was renamed as Guizhou Gui'an Industry Real Estate Co., Ltd..

(3) Significant related party transactions and balances:

A. Receivables from related parties:

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|--|---------------------------|--------------------------|---------------------------|
| Accounts receivable: | | | |
| - Other related parties | | | |
| FDG Investment Holdings Limited | \$ 68,523 | \$ 68,523 | \$ 69,978 |
| Tianjin Sinopoly New Energy Technology Co., Ltd. | 14,316 | 14,316 | 14,188 |
| Others | 8,269 | 8,269 | 8,194 |
| | <u>91,108</u> | <u>91,108</u> | <u>92,360</u> |
| Less: Allowance for bad debts | | | |
| FDG Investment Holdings Limited | (68,523) | (68,523) | (69,978) |
| Tianjin Sinopoly New Energy Technology Co., Ltd. | (14,316) | (14,316) | (14,188) |
| Others | (8,269) | (8,269) | (8,194) |
| | <u>(91,108)</u> | <u>(91,108)</u> | <u>(92,360)</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|---------------------------------|---------------------------|--------------------------|---------------------------|
| Other receivables: | | | |
| - Other related parties | | | |
| FDG Investment Holdings Limited | \$ - | \$ - | \$ - |
| Aleees Eco Ark (Ningbo) Ltd. | 10,641 | 10,641 | 10,641 |
| | <u>10,641</u> | <u>10,641</u> | <u>10,641</u> |
| Less: Allowance for bad debts | | | |
| FDG Investment Holdings Limited | - | - | - |
| Aleees Eco Ark (Ningbo) Ltd. | (10,641) | (10,641) | (10,641) |
| | <u>(10,641)</u> | <u>(10,641)</u> | <u>(10,641)</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

B. Other non-current assets

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|-------------------------------|---------------------------|--------------------------|---------------------------|
| Long-term receivables | | | |
| - Other related party | | | |
| FDG Electric Vehicles Limited | \$ 1,126,688 | \$ 1,126,688 | \$ 1,126,688 |
| Less: Allowance for bad debts | | | |
| FDG Electric Vehicles Limited | (1,126,688) | (1,126,688) | (1,126,688) |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

- (a) On August 25, 2016, the Company invested in five-year unlisted convertible bonds with zero coupon rate issued by FDG Electric Vehicles Limited. The principal of the bond amounted to HK\$275,000,000 upon maturity with conversion price of HK\$0.5. Within 183 days after one year from the completion date of purchase (including the first and the last days), either disposal of such convertible bonds or trading of converted shares are restricted according to the purchase agreement.
- (b) The share consolidation implemented by FDG Electric Vehicles Limited was effective on September 5, 2019, thus, the conversion price of the Company's convertible bonds was increased from HK\$0.5 to HK\$10.
- (c) On August 19, 2020, FDG Electric Vehicles Limited announced that its joint and several provisional liquidators had provided notice to former Board of Directors to terminate their position immediately in the HKEX. The joint and several provisional liquidators are fully responsible for the company's management since the appointment. Due to the aforementioned event, the Company will have the right to ask the company to pay the unpaid principal of the convertible bonds immediately in accordance with the terms of convertible bonds. On August 31, 2020, the Company issued an immediate repayment request to FDG Electric Vehicles

Limited and appointed lawyers to handle subsequent legal matters. In addition, the Company had already carefully assessed the related information on financial condition of FDG Electric Vehicles Limited and its subsidiaries, and estimates its potential loss taking into consideration its financial ability and repayment terms.

C. Other transactions

| | Three months ended September 30, | |
|---|----------------------------------|-----------------|
| | 2022 | 2021 |
| FDG Investment Holdings Limited | \$ - | \$ 1,050 |
| FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd. | - | 1,114 |
| | <u>\$ -</u> | <u>\$ 2,164</u> |
| | Nine months ended September 30, | |
| | 2022 | 2021 |
| FDG Investment Holdings Limited | \$ - | \$ 4,200 |
| FDG Kinetic (Chongqing) Lithium Ion Battery Materials Co., Ltd. | - | 3,941 |
| | <u>\$ -</u> | <u>\$ 8,141</u> |

D. In 2017, the Group formally entered into a cooperative investment agreement with the Management Committee of Guizhou Guian New Area (through its wholly-owned affiliate, Development Investment Co., Ltd., hereinafter referred to as ‘Guian New Area’) and FDG Investment Limited (through its wholly-owned affiliate, FDG Kinetic (Guian) Holdings Limited). The joint venture company was established with a registered capital of RMB 250 million. FDG Investment Limited, Guian New Area, and the Company, holds 51%, 40% and 9% equity interest, respectively. In February 2021, the shareholders of Advanced Lithium Electrochemistry (Guizhou) Limited during their meeting resolved to reduce the capital by returning cash. The registration of capital reduction was completed by the end of August 2021. The proceeds from the aforementioned capital reduction have been fully collected and offset against the Group’s borrowing from Advanced Lithium Electrochemistry (Guizhou) Limited.

(4) Key management compensation

| | Three months ended September 30, | |
|---|----------------------------------|-----------------|
| | 2022 | 2021 |
| Salaries and other short-term employee benefits | \$ 1,493 | \$ 1,349 |
| Post-employment benefits | 31 | 30 |
| | <u>\$ 1,524</u> | <u>\$ 1,379</u> |
| | Nine months ended September 30, | |
| | 2022 | 2021 |
| Salaries and other short-term employee benefits | \$ 4,566 | \$ 4,335 |
| Post-employment benefits | 91 | 89 |
| | <u>\$ 4,657</u> | <u>\$ 4,424</u> |

8. PLEDGED ASSETS

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

| Pledged asset | Book value | | | Purpose |
|--|--------------------|-------------------|--------------------|--|
| | September 30, 2022 | December 31, 2021 | September 30, 2021 | |
| Bank deposits (shown as 'Current and Non-current financial assets at amortised cost, net') | \$ 92,219 | \$ 71,156 | \$ 60,559 | Short-term and long-term borrowings, letters of credit, trust and pledge for customs |
| Refundable deposits paid (recognised in other non-current assets) | 62,380 | 62,386 | 62,380 | Asset preservation and pledge for customs |
| Property, plant and equipment | 264,497 | 266,797 | 266,073 | Short-term and long-term borrowings |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

A. On July 18, 2016, the Group's subsidiary, Aleees Eco Ark Co., Ltd. (hereafter referred as "Aleees") received a notice of civil charge issued by Hsinchu District Court No. 105-Zon-Su-Zi-147 and on April 6, 2017, received continued indictment (hereafter referred as "Zon-Su-Zi-147"). In addition to that, a bill of indictment issued by Hsinchu District Court No. 107-Zon-Su-Zi-216 (hereafter referred as "Zon-Su-Zi-216") was received by Aleees on October 31, 2018. The civil charges Zon-Su-Zi-147 and Zon-Su-Zi-216 were filed by Hsin Chu Bus Co., Ltd. claiming for compensation for the driver's fee totaling \$34,946 and \$51,030, respectively, plus interest at 5% per annum until the debt is repaid. In its verdict on Zon-Su-Zi-147, the Hsinchu District Court stated that the accused, Aleees, shall compensate the complainant, Hsin Chu Bus Co., Ltd., for the driver's fee. In the Group's opinion, Aleees is not entirely accountable for the driver's fee, which involved the issue regarding land utilisation for recharging. As the Group believes that there was misinterpretation of the facts during the first trial, the Group has filed an appeal with the Taiwan High Court (No. 107-Zon-Su-Zi-805 (hereafter referred as "Zon-Su-Zi-805")), which had been denied by the Taiwan High Court on June 27, 2019. On August 18, 2022, as stated in the judgement No.109-Tai-Shang-Zhi-002292 of the Supreme Court, the original judgment was rescinded and remanded back to the Taiwan High Court for retrial. As of the report date, the ultimate outcome of the case cannot presently be determined. However, the Group has recognised the amount of possible losses after evaluation. The oral argument procedure for Zon-Su-Zi-216 was originally set on January 24, 2019 but the argument for the case is the same as that for No.109-Tai-Shang-Zhi-002292 of the Supreme Court, Aleees is not entirely accountable for the driver's fee. In order to avoid the differences in the judgments between two cases, the court decided to cease the appeal procedures for Zon-Su-Zi-216 on January 22, 2019. As of the report date, the effect to the Group cannot be estimated.

The land utilisation for recharging was recognised as illegal use by the government authority and Aleees believes it cannot provide recharge service due to the problem of land use right. The

problem was caused by Hsinchu City Government handing over the land to Hsin Chu Bus Co., Ltd. which then commissioned Aleees to provide recharge service. However, Aleees was mandatorily asked to demolish any structures built on the land and recover the land, causing damages to Aleees. Thus, on July 6, 2017, Aleees filed for state compensation with the Hsinchu District Court against Hsinchu City Government, seeking for \$10,000 as compensation, and retained the right of claim for the remaining amount. The case is under trial with the Hsinchu District Court (No.106- Zon-Guo--Zi-2) and in order to avoid the differences in the judgments between the case and the abovementioned No.109-Tai-Shang-Zhi-002292, the court decided to cease the appeal procedures for Zon-Su-Zi-2 on October 24, 2018. As of the report date, the ultimate outcome of the case cannot presently be determined.

- B. The Company and FDG Electric Vehicles (Group) Co., Ltd. (hereinafter referred to as “FDG Electric Vehicles Limited”) established a long-term cooperative relationship, whereby both parties made investment in each other to achieve capital cooperation during the year ended December 31, 2016. In August 2020, the Company asked FDG Electric Vehicles Limited to early repay the convertible corporate bonds, but FDG Electric Vehicles Limited did not repay the bonds. To ensure the right of the Company and shareholders, the Company filed with the court a request for a ruling that prohibits the borrower, FDG Investment Holdings Limited (hereinafter referred to as FDG Investment Holdings), which is a subsidiary of FDG Electric Vehicles Limited, to transfer, pledge and dispose its shareholding of the Company's 9,283 thousand private placement shares (after completing the capital reduction in 2021).The Company pledged \$50,000 as collateral to the Taiwan Taipei District Court and received the execution order from the Court in December 2020 (Bei-Yuan-Zhong 109 Si-Zhi-Quan-Mu-Zi No. 644). Subsequently, the Company filed with the court a request for a ruling that prohibits FDG Investment Holdings to exercise the rights of shareholders on its shareholding of the Company's 9,283 thousand private placement shares (after completing the capital reduction in 2021).The Company pledged \$9,380 as collateral to the Taiwan Taoyuan District Court and received the execution order from the Court in April 2021 (110 Si-Zhi-Quan-Zi No. 78).

(2) Commitments

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

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|-------------------------------|---------------------------|--------------------------|---------------------------|
| Property, plant and equipment | \$ 12,050 | \$ 28,138 | \$ 22,762 |

- B. License reauthorization contract:

- (a) The Group has signed a license reauthorization 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 the completion requirement for operation for 12 months, which is, to build a cathode materials plant with a minimum of annual production of 1,000 tons in Quebec, Canada as of July 4, 2015. If the Group fails to build the plant on schedule, LiFePO₄+C 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 an impact on the Group's operations and financial position.
- (d) The Group has negotiated with LiFePO₄+C Licensing AG to terminate the aforementioned license reauthorization contract by consent on September 21, 2021. However, as LiFePO₄+C Licensing AG still had unresolved issues with the contract termination, the subsequent relevant legal matters are ongoing. In addition, due to prudent consideration, the Group still prepared and amortised related expenses in accordance with IFRSs.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group monitors capital on the basis of the gearing ratio, taking into account that the Group belongs to an emerging industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

The gearing ratios at September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|---------------------------------|---------------------------|--------------------------|---------------------------|
| Total borrowings | \$ 259,870 | \$ 381,747 | \$ 346,051 |
| Less: Cash and cash equivalents | (329,757) | (217,101) | (265,407) |
| Net debt | (69,887) | 164,646 | 80,644 |
| Total equity | <u>797,954</u> | <u>496,749</u> | <u>608,454</u> |
| Total capital | <u>\$ 728,067</u> | <u>\$ 661,395</u> | <u>\$ 689,098</u> |
| Debt to capital ratio | <u>-</u> | <u>25%</u> | <u>12%</u> |

(2) Financial instruments

A. Financial instruments by category

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|---|-------------------------------|------------------------------|-------------------------------|
| <u>Financial assets</u> | | | |
| Financial assets at amortised cost/Loans and receivables | | | |
| Cash and cash equivalents | \$ 329,757 | \$ 217,101 | \$ 265,407 |
| Current and non-current financial assets at amortised cost, net | 92,219 | 71,156 | 60,559 |
| Accounts receivable (including related parties) | 56,220 | 38,456 | 23,148 |
| Other receivables (including related parties) | 5,890 | 10,729 | 31,025 |
| Guarantee deposits paid (shown as ‘Other current assets’) | 64,245 | 63,327 | 63,129 |
| Long-term receivables-related parties | - | - | - |
| | <u>\$ 548,331</u> | <u>\$ 400,769</u> | <u>\$ 443,268</u> |

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--|-----------------------|----------------------|-----------------------|
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ 127,305 | \$ 150,000 | \$ 153,835 |
| Accounts payable | 130,457 | 25,640 | 11,812 |
| Other accounts payable (including related parties) | 123,013 | 117,072 | 59,046 |
| Long-term borrowings (including current portion) | 132,565 | 231,747 | 192,216 |
| Refund liabilities | 7,163 | 6,278 | 3,941 |
| | <u>\$ 520,503</u> | <u>\$ 530,737</u> | <u>\$ 420,850</u> |
| Lease liabilities | <u>\$ 2,070</u> | <u>\$ 1,249</u> | <u>\$ 1,589</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:

| | <u>September 30, 2022</u> | | |
|--|---|--------------------------|-----------------------------|
| | <u>Foreign currency amount (in thousands)</u> | <u>Exchange rate</u> | <u>Book value (NTD)</u> |
| (Foreign currency : functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 8,428 | 31.75 | \$ 267,589 |
| HKD : NTD | 275,000 | 4.04 | 1,111,000 |
| RMB : NTD | 23,318 | 4.473 | 104,301 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 6,212 | 31.75 | \$ 197,231 |
| | <u>December 31, 2021</u> | | |
| | <u>Foreign currency amount (in thousands)</u> | <u>Exchange rate</u> | <u>Book value (NTD)</u> |
| (Foreign currency : functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 6,332 | 27.68 | \$ 175,270 |
| HKD : NTD | 275,000 | 3.560 | 979,000 |
| RMB : NTD | 4,193 | 4.344 | 18,214 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 847 | 27.68 | \$ 23,445 |

| | 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 | 27.85 | \$ 125,492 |
| HKD : NTD | 275,000 | 3.56 | 979,550 |
| RMB : NTD | 5,537 | 4.305 | 23,837 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 1,341 | 27.85 | \$ 37,347 |

- v. The total exchange gain (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, 2022 and 2021 amounted to (\$5,516), \$5,354, (\$2,686) and (\$372), respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | Nine months ended September 30, 2022 | | |
|--|--------------------------------------|----------------------------|---|
| | Degree of variation | Effect on profit (loss) | Effect on other comprehensive income (loss) |
| (Foreign currency : functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | 1% | \$ 2,676 | \$ - |
| HKD : NTD | 1% | 11,110 | - |
| RMB : NTD | 1% | 1,043 | - |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | 1% | (\$ 1,972) | \$ - |

Nine months ended September 30, 2021

| | <u>Degree of variation</u> | <u>Effect on profit (loss)</u> | | <u>Effect on other comprehensive income (loss)</u> |
|--|----------------------------|--------------------------------|----|--|
| (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) | \$ | - |

Price risk

- i. 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.
- ii. The Group's investments in equity securities are 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, 2022 and 2021 would change due to gains/losses on equity securities classified as at fair value through profit or loss. Refer to Note 12(3). Other components of investment would have increased/decreased by \$0 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, 2022 and 2021, the Group's borrowings at variable rate were denominated in NTD.
- ii. At September 30, 2022 and 2021, if interest rates on NTD denominated borrowings had been 0.25% higher with all other variables held constant, post-tax profit for the nine months ended September 30, 2022 and 2021, would have been \$390 and \$519 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, including outstanding receivables and contractual cash flows of debt instruments at fair value through profit or loss. For bank and financial institutions, only institutions with good credit quality are accepted.
- ii. The Group adopts the assumption under IFRS 9 that if the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. In line with credit risk management procedure, the default occurs when the contract payments are not expected to be recovered and are reclassified to overdue receivables.
- iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with product types. The Group applies the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of September 30, 2022, December 31, 2021 and September 30, 2021, the provision matrix is as follows:

| | Individual disclosure | Not past due | Up to 60 days past due | 61-120 days past due | 121-180 days past due | 181-360 days past due | Over 360 days | Total |
|---------------------------|-----------------------|--------------|------------------------|----------------------|-----------------------|-----------------------|---------------|------------|
| <u>September 30, 2022</u> | | | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | 0-10% | 100% | |
| Total book value | | | | | | | | |
| - Accounts receivable | \$ 3,220 | \$ 32,232 | \$ 18,199 | \$ - | \$ 1,585 | \$ 4,204 | \$ 107,834 | \$ 167,274 |
| - Other receivables | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,641 | \$ 10,641 |
| Loss allowance | \$ 3,220 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 118,475 | \$ 121,695 |

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

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

| | Individual disclosure | Not past due | Up to 60 days past due | 61-120 days past due | 121-180 days past due | 181-360 days past due | Over 360 days | Total |
|--------------------------|-----------------------|--------------|------------------------|----------------------|-----------------------|-----------------------|---------------|------------|
| <u>December 31, 2021</u> | | | | | | | | |
| Expected loss rate | 100% | 0% | 0% | 0% | 0% | 0-20% | 100% | |
| Total book value | | | | | | | | |
| - Accounts receivable | \$ 3,220 | \$ 21,135 | \$ 17,321 | \$ - | \$ - | \$ - | \$ 107,834 | \$ 149,510 |
| - Other receivables | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,641 | \$ 10,641 |
| Loss allowance | \$ 3,220 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 118,475 | \$ 121,695 |

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

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

| | Individual disclosure | Not past due | Up to 60 days past due | 61-120 days past due | 121-180 days past due | 181-360 days past due | Over 360 days | Total |
|---------------------------|-----------------------|--------------|------------------------|----------------------|-----------------------|-----------------------|---------------|------------|
| <u>September 30, 2021</u> | | | | | | | | |
| Expected loss rate | 100% | 0% | 0% | 0% | 0-5% | 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 | \$ 3,220 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 119,576 | \$ 122,796 |

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

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

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

| | 2022 | | | |
|-----------------------------|---------------------|-------------------|-----------------------|---------------------|
| | Accounts receivable | Other receivables | Long-term receivables | Total |
| At January 1 | \$ 111,054 | \$ 10,641 | \$ 1,126,688 | \$ 1,248,383 |
| Provision for impairment | - | - | - | - |
| At September 30 | <u>\$ 111,054</u> | <u>\$ 10,641</u> | <u>\$ 1,126,688</u> | <u>\$ 1,248,383</u> |
| | 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> |

For provisioned loss for the three months and nine months ended September 30, 2022 and 2021, the impairment losses (gains) arising from customers' contracts and other receivables are \$0, (\$48,740), \$0 and (\$49,867), respectively. In addition, loss recognised from long-term receivables amounted to \$0, \$0, \$0 and \$284,717, respectively.

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

(c) Liquidity risk

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

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|-----------------------------|---------------------------|--------------------------|---------------------------|
| Floating rate: | | | |
| Expiring within one year | \$ 393,722 | \$ 211,383 | \$ 212,743 |
| Expiring more than one year | - | - | - |
| | <u>\$ 393,722</u> | <u>\$ 211,383</u> | <u>\$ 212,743</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, 2022 | | | | |
| Short-term borrowings | \$ 127,305 | \$ - | \$ - | \$ - |
| Accounts payable | 130,457 | - | - | - |
| Other payables | 123,013 | - | - | - |
| Long-term borrowings (including current portion) | 19,910 | 19,910 | 46,776 | 54,209 |
| Refund liabilities | 7,163 | - | - | - |
| Lease liability | 1,094 | 976 | - | - |

| <u>Non-derivative financial liabilities</u> | <u>Within 1 year</u> | <u>Over 1 year</u> | <u>2 ~ 5 years</u> | <u>Over 5 years</u> |
|---|----------------------|--------------------|--------------------|---------------------|
| December 31, 2021 | | | | |
| Short-term borrowings | \$ 150,000 | \$ - | \$ - | \$ - |
| Accounts payable | 25,640 | - | - | - |
| Other payables | 117,072 | - | - | - |
| Long-term borrowings (including current portion) | 36,176 | 36,176 | 108,527 | 85,800 |
| Refund liabilities | 6,278 | - | - | - |
| Lease liability | 1,249 | - | - | - |

| <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 | - | - |

(3) Fair value information

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

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

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

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

property is included in Level 3.

B. Financial instruments not measured at fair value

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

C. For the nine months ended September 30, 2022 and 2021, there was no transfer between Level 1 and Level 3.

D. The following chart is the movement of Level 3 for the nine months ended September 30, 2022 and 2021:

| | 2022 | |
|---|---------------------------|-------------------|
| | Non-derivative instrument | Hybird instrument |
| At January 1 (September 30) | \$ - | \$ - |
| | 2021 | |
| | Non-derivative instrument | Hybird instrument |
| At January 1 | \$ 87,739 | \$ - |
| Gains and losses recognised in other comprehensive income | | |
| Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | 8,770 | - |
| Disposal | (96,509) | - |
| At September 30 | \$ - | \$ - |

(4) Other Matter

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

13. SUPPLEMENTARY DISCLOSURES

The disclosures on investee companies were based on financial statements reviewed by independent auditors and the following transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only. The related information on investee companies was translated using the average rates of USD:NTD = 1: 29.30 and USD:NTD = 1: 31.75 for the nine months ended September 30, 2022 and September 30, 2022, respectively.

(1) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: Refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates

and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Refer to table 3.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group manages through product types. Each significant product type needs a different technique and market strategy, thus, is individually disclosed in management information.

(2) Measurement of segment information

A. The accounting policies, judgements, assumptions and estimates of the operating segments are in agreement with the significant accounting policies summarised in Notes 4 and 5.

B. The Group's assets are shared and liabilities are managed and dispatched under unified policies; thus, under operating management, assets and liabilities are not allocated to each operating segment, financial income and expenses, profit or loss relating to investment and profit or loss on disposal of assets are not distributed to each operating segment, nor used for performance measurement, but are consolidated under 'other segments'.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Three months ended September 30, 2022:

| | <u>Materials</u> | <u>Others</u> | <u>Eliminations</u> | <u>Total</u> |
|--|------------------|---------------|---------------------|--------------|
| Inter-segment revenue - external customers | \$ 120,753 | \$ - | \$ - | \$ 120,753 |
| Total segment loss | (\$ 105,000) | (\$ 13,831) | \$ - | (\$ 118,831) |

Nine months ended September 30, 2022:

| | <u>Materials</u> | <u>Others</u> | <u>Eliminations</u> | <u>Total</u> |
|--|------------------|---------------|---------------------|--------------|
| Inter-segment revenue - external customers | \$ 344,144 | \$ - | \$ - | \$ 344,144 |
| Total segment loss | (\$ 258,809) | (\$ 43,317) | \$ - | (\$ 302,126) |

Three months ended September 30, 2021:

| | <u>Materials</u> | <u>Others</u> | <u>Eliminations</u> | <u>Total</u> |
|--|------------------|---------------|---------------------|--------------|
| Inter-segment revenue - external customers | \$ 67,992 | \$ - | \$ - | \$ 67,992 |
| Total segment income (loss) | (\$ 59,048) | \$ 37,080 | \$ - | (\$ 21,968) |

Nine months ended September 30, 2021:

| | <u>Materials</u> | <u>Others</u> | <u>Eliminations</u> | <u>Total</u> |
|--|------------------|---------------|---------------------|--------------|
| Inter-segment revenue - external customers | \$ 175,846 | \$ - | \$ - | \$ 175,846 |
| Total segment income (loss) | (\$ 183,644) | \$ 17,706 | \$ - | (\$ 165,938) |

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

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

Loans to others
Nine months ended September 30, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| No. (Note 1) | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the nine months ended September 30, 2022 | Balance at September 30, 2022 (Note 4) | Actual amount drawn down | Interest rate | Nature of loan (Note 2) | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 3) | Ceiling on total loans granted (Note 3) | Footnote |
|-----------------|--|---|-------------------------------------|--------------------|---|--|--------------------------|---------------|-------------------------|--|---------------------------------|---------------------------------|------------|-------|---|---|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Advanced Lithium Electrochemistry Co., Ltd. | Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Other receivables - related parties | Y | \$ 150,000 | \$ 20,000 | \$ 20,000 | - | Short-term financing | - | Working capital financing | - | None | - | \$ 253,760 | \$ 253,760 | |
| 2 | Advanced Lithium Electrochemistry (HK) Co., Ltd. | Advanced Lithium Electrochemistry (China Shanghai) Ltd. | Other receivables - related parties | Y | 105,000 | 105,000 | 100,649 | - | Short-term financing | - | Working capital financing | - | None | - | 239,852 | 239,852 | |

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

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The column of "Nature of loan" shall fill in "Business transaction" or "Short-term financing".

Note 3: (1) For the Company's loans to investee companies accounted for using equity method, the ceiling of the total lending is 100% of the parent company's net assets while the ceiling of individual lending is 100% of the parent company's net assets;

(2) For loans of the subsidiary - Advanced Lithium Electrochemistry Co., Ltd. To affiliates, the ceiling of the total lending is 40% of the lending company's net assets while the ceiling of individual lending is 40% of the lending company's net assets.

(3) For loans of the subsidiary - Advanced Lithium Electrochemistry (HK) Co., Limited to affiliates, the ceiling of the total lending is 800% of the lending company's net assets while the ceiling of individual lending is 800% of the lending company's net assets.

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

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

Provision of endorsements and guarantees to others

Nine months ended September 30, 2022

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, 2022 | Outstanding endorsement/ guarantee amount at September 30, 2022 | Actual amount drawn down (Note 4) | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided (Note 3) | Provision of endorsements/guarantees by parent company to subsidiary | Provision of endorsements/guarantees by subsidiary to parent company | Provision of endorsements/guarantees to the party in Mainland China | Footnote |
|--------------------|--|--|--|---|--|--|---|--|--|--|---|---|--|----------|
| | | | | | | | | | | | | | | |
| 0 | Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Advanced Lithium Electrochemistry Co., Ltd. | (2) | \$ 1,595,908 | \$ 577,176 | \$ 487,106 | \$ 202,829 | - | 61.04% | \$ 1,595,908 | Y | N | N | |
| 0 | Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Aleees AU Pty Ltd. | (2) | 1,595,908 | 5,355 | 5,165 | 5,165 | - | 0.65% | \$ 1,595,908 | Y | N | N | |
| 1 | Advanced Lithium Electrochemistry Co., Ltd. | Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | (3) | 1,268,801 | 35,560 | 35,560 | 27,305 | 29,900 | 5.61% | 1,268,801 | N | Y | N | |

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

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

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

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

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Nine months ended September 30, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Marketable securities | General ledger account | Counterparty (Note 1) | Relationship with the investor (Note 1) | Balance as at January 1, 2022 | | Addition | | Disposal (Note 2) | | | | Balance as at September 30, 2022 | | |
|--|---|---|-----------------------|---|-------------------------------|------------|------------------|------------|-------------------|---------------|------------|-------------------------|----------------------------------|-----------------|------------|
| | | | | | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | Amount (Note 3) | |
| Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Advanced Lithium Electrochemistry Co., Ltd. | Investments accounted for under equity method | - | - | 155,647,125 | \$ 419,592 | 43,152,875 | \$ 431,529 | - | \$ - | \$ - | \$ - | \$ - | 198,800,000 | \$ 634,401 |

Note 1: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 2: It refers to the capital reduction of the Company's subsidiary, Advanced Lithium Electrochemistry Co., Ltd.

Note 3: The amount includes the investment income (loss), the cumulative translation adjustment and the adjustment of sidestream transactions between subsidiaries.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Nine months ended September 30, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at September 30, 2022 | 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, 2022

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|---|---|--------------------------|------------------------|-----------|-------------------|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 1 | Advanced Lithium Electrochemistry Co., Ltd. | Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | 2 | Other receivables | \$ 20,000 | Note 5 | 1% |
| 2 | Advanced Lithium Electrochemistry (HK) Ltd. | Advanced Lithium Electrochemistry (China Shanghai) Ltd. | 1 | Other receivables | 100,649 | Note 5 | 7% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories;

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No further disclosure of counterparty transactions, and disclosure standard of significant transactions is above \$20 million.

Note 5: It refers to loans between affiliates.

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

Names, locations and other information of investee companies (not including investees in Mainland China)

Nine months ended September 30, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at September 30, 2022 | | | Net profit (loss) of the investee for the nine months ended September 30, 2022 | Investment income (loss) recognised by the Company for the nine months ended September 30, 2022 | Footnote |
|--|---|----------------|--|-------------------------------------|------------------------------------|--------------------------------------|---------------|------------|---|---|-----------------------------------|
| | | | | Balance as at September 30, 2022 | Balance as at December 31, 2021 | 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 | \$ 2,540,043 | \$ 2,108,514 | 198,800,000 | 100 | \$ 634,401 | (\$ 236,210) | (\$ 236,209) | 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 | 16,218 | (9,597) | (9,597) | Subsidiary (Note 2) |
| Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Advanced Lithium Electrochemistry (HK) Co., Limited | Hong Kong | Various types of investments | 592,862 | 592,862 | 19,330,000 | 100 | 29,982 | (6,429) | (6,429) | Subsidiary |
| Advanced Lithium Electrochemistry (Cayman) Co., Ltd. | Aleees US, Corp. | America | Various types of investments | 50,468 | 34,789 | 17,800,000 | 100 | 34,627 | (17,503) | (17,503) | Subsidiary |
| Aleees US, Corp. | Aleees AU Pty. Ltd. | Australia | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 32,701 | 13,890 | 1,627,011 | 100 | 22,751 | (10,268) | (10,268) | Subsidiary of subsidiary |
| Aleees US, Corp. | Aleees EU SARL | Europe | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 1,600 | - | 50,000 | 100 | 190 | (1,356) | (1,356) | Subsidiary of subsidiary (Note 3) |
| Aleees US, Corp. | Aleees Texas, LLC | America | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | 15,036 | - | 500,000 | 100 | 10,417 | (5,227) | (5,227) | Subsidiary of subsidiary (Note 4) |
| Aleees US, Corp. | Aleees UK. Ltd. | United Kingdom | Research, manufacturing and sales of LFP-NCO and key materials of olivine-type structure lithium battery | - | - | - | 100 | - | - | - | Subsidiary of subsidiary (Note 5) |

Note 1: Unrealised gain on sidestream intercompany transaction was included.

Note 2: The Board of Directors during its meeting on December 28, 2018 resolved the dissolution of the subsidiary, Aleees Eco Ark Co., Ltd., and the date of dissolution was on December 31, 2018. It is under the liquidation.

Note 3: Aleees EU SARL was established on April 8, 2022, and the Company held a 100% equity interest in the company.

Note 4: Aleees Texas, LLC was established on March 11, 2022, and the Company held a 100% equity interest in the company.

Note 5: Aleees UK. Ltd. was established on August 31, 2022, and the Company held a 100% equity interest in the company. However, as of November 10, 2022, the capital injection was not completed.

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

Information on investments in Mainland China

Nine months ended September 30, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated | Amount remitted from Taiwan to | | Accumulated | Net income of investee for the nine months ended September 30, 2022 | Ownership held by the Company (direct or indirect) | Investment income | Book value of investments in Mainland China as of September 30,2022 | Accumulated | Footnote |
|--|-------------------------------------|-----------------|----------------------|---|--|------|--|--|---|---|---|--|----------|
| | | | | amount of remittance from Taiwan to Mainland China as of January 1, 2022 | Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2022 | | amount of remittance from Taiwan to Mainland China as of September 30, 2022 | | | (loss) recognised by the Company for the nine months ended September 30, 2022 (Note 2) | | amount of investment income remitted back to Taiwan as of September 30, 2022 | |
| Advanced Lithium Electrochemistry (China Shanghai) Ltd. | Design of battery and trading | \$481,203 | Note 1 | \$ - | \$ - | \$ - | \$ - | (\$ 10,649) | 100 | (\$ 10,649) | (\$ 71,891) | \$ - | |

| Company name (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022 | 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, 2022

Table 8

| Investee | Shares held as at September 30, 2022 | |
|---|--------------------------------------|-----------|
| | Number of shares | Ownership |
| FDG Kinetic Limited's custodian account with KGI BANK | 9,283,146 | 13.26% |

Note 1 : The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2 : If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and shares held in trust, at the same time, shareholders who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.