

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Swancor Holding Company Limited

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Swancor Holding Company Limited:

Opinion

We have audited the financial statements of Swancor Holding Company Limited (the “Company”) which comprise the balance sheets of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent Company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Evaluation of investments accounted for using the equity method

Please refer to Note 4(g) “Investment in associates” and Note 6(e) “Investments accounted for using the equity method” to the parent company only financial statements.

Description of the key audit matter:

The investments in its subsidiaries accounted for using the equity method constitute 50% of the total assets of the Company and the amount is material. As a result, the evaluation of investments accounted for using the equity method is our key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Recalculating the shares of profit or loss of associates and subsidiaries in accordance with ownership percentage of shares; confirming the information of long-term equity investments by confirmation letter; discussing with the management about the evaluation of subsidiary-related significant matters, as well as understanding the reasonableness of the subsidiary's revenue recognition, valuation of impairment for accounts receivable and inventories; considering the adequacy of the Company's disclosures on its accounts.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hsueh, Chen and Shi-Hua, Guo.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Swancor Holding Company Limited

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,566,792	19	455,723	7	2100	Short-term borrowings (note 6(m))	\$ 500,000	6	-	-
1110	Current financial assets at fair value through profit or loss (note 6(b) and (p))	3,505	-	2,012	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b) and (p))	4,700	-	-	-
1200	Other receivables (note 6(d) and 7)	513	-	84,066	2	2130	Current contract liabilities	-	-	250	-
1210	Other receivables due from related parties (note 6(d) and 7)	231,178	3	263,475	4	2200	Other payables (note 6(n) and (r))	43,126	1	82,148	1
1410	Prepayments	13,461	-	4,881	-	2230	Current tax liabilities	77,235	1	112,929	2
1470	Other current assets (note 6(l) and 8)	<u>2,510</u>	-	<u>3,803</u>	-	2300	Other current liabilities (note 6(n))	37,707	-	282	-
		<u>1,817,959</u>	<u>22</u>	<u>813,960</u>	<u>13</u>	2322	Long-term borrowings, current portion (note 6(o) and 8)	-	-	236,800	4
Non-current assets:						2355	Current lease liabilities (note 6(q))	<u>2,528</u>	-	<u>2,380</u>	-
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	664,094	8	536,642	9			<u>665,296</u>	<u>8</u>	<u>434,789</u>	<u>7</u>
1517	Non-current financial assets at fair value through other comprehensive income(note 6(c) and 8)	115,927	1	117,544	2	Non-Current liabilities:					
1550	Investments accounted for using the equity method (note 6 (e))	4,063,931	50	4,022,150	64	2530	Bonds payable (note 6(p) and 8)	1,900,906	23	-	-
1600	Property, plant and equipment (note 6(i) 、 7 and 8)	1,067,285	13	680,548	11	2540	Long-term borrowings (note 6(o) and 8)	213,515	3	426,000	7
1755	Right-of-use asset (note 6(j))	2,821	-	5,103	-	2570	Deferred income tax liabilities (note 6(s))	-	-	100,322	1
1780	Intangible assets(note 6(k))	3,772	-	6,053	-	2613	Non-current lease liabilities (note 6(q))	351	-	2,779	-
1840	Deferred income tax assets (note 6(s))	17,997	-	21,590	-	2600	Other non-current liabilities (note 6(n))	<u>583</u>	-	<u>583</u>	-
1980	Other non-current financial assets (note 6(l) and 8)	400,029	5	5,423	-			<u>2,115,355</u>	<u>26</u>	<u>529,684</u>	<u>8</u>
1981	Cash surrender value of life insurance(note 6(h))	56,340	1	55,235	1	Total liabilities		<u>2,780,651</u>	<u>34</u>	<u>964,473</u>	<u>15</u>
1990	Other non-current assets (note 6(l))	<u>2,587</u>	-	<u>2,877</u>	-	3100	Ordinary shares	935,046	12	935,046	15
		<u>6,394,783</u>	<u>78</u>	<u>5,453,165</u>	<u>87</u>	3200	Capital surplus (note 6(p))	3,161,540	38	2,940,776	47
						3300	Retained earnings	1,774,173	22	1,912,006	31
						3400	Other equity	(391,367)	(5)	(418,835)	(7)
						3500	Treasury shares	<u>(47,301)</u>	<u>(1)</u>	<u>(66,341)</u>	<u>(1)</u>
						Total equity		<u>5,432,091</u>	<u>66</u>	<u>5,302,652</u>	<u>85</u>
Total assets		<u>\$ 8,212,742</u>	<u>100</u>	<u>6,267,125</u>	<u>100</u>	Total liabilities and equity		<u>\$ 8,212,742</u>	<u>100</u>	<u>6,267,125</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Swancor Holding Company Limited
Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues (note 6(b) 、(c) and (v))	\$ 134,898	100	559,978	100
5000	Operating costs (note 6(v))	-	-	-	-
	Gross profit (loss) from operations	<u>134,898</u>	<u>100</u>	<u>559,978</u>	<u>100</u>
	Operating expenses (note 6(k) 、(r) 、(w) and 7):				
6200	Administrative expenses	68,938	51	80,684	15
6300	Research and development expenses	<u>6,972</u>	<u>5</u>	<u>6,291</u>	<u>1</u>
		<u>75,910</u>	<u>56</u>	<u>86,975</u>	<u>16</u>
	Net operating income	<u>58,988</u>	<u>44</u>	<u>473,003</u>	<u>84</u>
	Non-operating income and expenses (note 6(x)):				
7100	Interest income (note 7)	8,425	6	9,923	2
7010	Other income and expenses (note 7)	25,897	19	229,264	41
7020	Other gains and losses (note 6(p))	4,750	4	(11,566)	(2)
7050	Finance costs (note 6(p) and (q))	<u>(13,123)</u>	<u>(10)</u>	<u>(19,474)</u>	<u>(3)</u>
		<u>25,949</u>	<u>19</u>	<u>208,147</u>	<u>38</u>
7900	Profit before income tax	84,937	63	681,150	122
7950	Income tax (income) expenses (note 6(s))	<u>(100,996)</u>	<u>(76)</u>	<u>55,126</u>	<u>10</u>
	Profit	<u>185,933</u>	<u>139</u>	<u>626,024</u>	<u>112</u>
	Other comprehensive income (note 6(t)):				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	28,071	20	2,913	-
8367	Unrealized gains from investments measured at fair value through other comprehensive income	(603)	-	729	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		<u>27,468</u>	<u>20</u>	<u>3,642</u>	<u>-</u>
8300	Other comprehensive income for the year, net of tax	<u>27,468</u>	<u>20</u>	<u>3,646</u>	<u>-</u>
8500	Total comprehensive income for the year	<u>\$ 213,401</u>	<u>159</u>	<u>629,670</u>	<u>112</u>
	Earnings per share (NT Dollars) (note 6(u))				
9750	Basic earnings per share	<u>\$ 2.01</u>		<u>6.82</u>	
9850	Diluted earnings per share	<u>\$ 1.93</u>		<u>6.81</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Swancor Holding Company Limited

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total equity
Balance at January 1, 2020	\$ 935,046	3,051,684	128,393	329,957	1,195,646	1,653,996	(417,986)	(4,491)	(422,477)	(113,945)	5,104,304
Profit for the year	-	-	-	-	626,024	626,024	-	-	-	-	626,024
Other comprehensive income for the year	-	-	-	-	-	-	2,913	729	3,642	-	3,642
Total comprehensive income for the year	-	-	-	-	626,024	626,024	2,913	729	3,642	-	629,666
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	82,485	-	(82,485)	-	-	-	-	-	-
Special reserve	-	-	-	92,520	(92,520)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(368,014)	(368,014)	-	-	-	-	(368,014)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(66,341)	(66,341)
Share-based payment transactions	-	42,548	-	-	-	-	-	-	-	113,945	156,493
Changes in ownership interests in subsidiaries	-	(153,456)	-	-	-	-	-	-	-	-	(153,456)
Balance at December 31, 2020	\$ 935,046	2,940,776	210,878	422,477	1,278,651	1,912,006	(415,073)	(3,762)	(418,835)	(66,341)	5,302,652
Balance at January 1, 2021	\$ 935,046	2,940,776	210,878	422,477	1,278,651	1,912,006	(415,073)	(3,762)	(418,835)	(66,341)	5,302,652
Profit for the year	-	-	-	-	185,933	185,933	-	-	-	-	185,933
Other comprehensive income for the year	-	-	-	-	-	-	28,071	(603)	27,468	-	27,468
Total comprehensive income for the year	-	-	-	-	185,933	185,933	28,071	(603)	27,468	-	213,401
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	62,603	-	(62,603)	-	-	-	-	-	-
Special reserve	-	-	-	(3,642)	3,642	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(323,766)	(323,766)	-	-	-	-	(323,766)
Treasury shares transfer to employees	-	6,843	-	-	-	-	-	-	-	19,040	25,883
Due to recognition of equity component of convertible bonds issued	-	213,351	-	-	-	-	-	-	-	-	213,351
Adjustment to capital surplus due to non-proportional investment	-	570	-	-	-	-	-	-	-	-	570
Balance at December 31, 2021	\$ 935,046	3,161,540	273,481	418,835	1,081,857	1,774,173	(387,002)	(4,365)	(391,367)	(47,301)	5,432,091

註1：董監酬勞 0千元及員工紅利 0千元已於綜合損益表中扣除。

註2：董監酬勞 0千元及員工紅利 0千元已於綜合損益表中扣除。

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Swancor Holding Company Limited**Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 84,937	681,150
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	13,238	15,899
Amortization expense	2,195	3,337
Interest expense	13,123	19,474
Interest income	(8,425)	(9,923)
Dividend income	(56,280)	(157)
Share-based payment transactions	2,544	12,157
Net gain on financial assets or liabilities at fair value through profit or loss	(893)	(198)
Share of gain (profit) of subsidiaries, associates and joint ventures accounted for using the equity method	(78,618)	(559,978)
Gain on disposal of property, plant and equipment	(1,053)	(78)
Gain on disposal of intangible assets	(7,151)	(5,979)
Decrease in cash surrender value of life insurance	(1,105)	2,016
Total adjustments to reconcile profit	<u>(122,425)</u>	<u>(523,430)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in other receivable	83,553	7,371
Decrease in other receivable – related parties	32,297	414,799
Increase in prepayments	(8,580)	(2,258)
Decrease in non-current prepaid pension cost	-	141
(Increase) decrease in operating assets	(1,378)	16,652
Increase in other financial assets	(391,935)	(1,783)
Total changes in operating assets	<u>(286,043)</u>	<u>434,922</u>
Changes in operating liabilities:		
Decrease in other payables	(34,690)	(54,726)
Increase (decrease) in other operating liabilities	37,175	(43)
Total changes in operating liabilities	<u>2,485</u>	<u>(54,769)</u>
Total changes in operating assets and liabilities	<u>(405,983)</u>	<u>(143,277)</u>
Cash (outflow) inflow generated from operations	(321,046)	537,873
Interest received	9,439	9,923
Interest paid	(12,406)	(19,618)
Dividends received	143,040	157
Income taxes paid	(31,427)	(25,287)
Net cash flows from operating activities	<u>(212,400)</u>	<u>503,048</u>
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	-	(3,176)
Acquisition of non-current financial assets at fair value through other comprehensive income	-	(91,784)
Acquisition of non-current financial assets at fair value through profit or loss	(127,452)	(106,153)
Proceeds from disposal of current financial assets at fair value through profit or loss	-	2,181
Acquisition of investments accounted for using the equity method	(10,000)	(408,000)
Proceeds from disposal of investments accounted for using the equity method	-	296,240
Acquisition of property, plant and equipment	(397,664)	(249,387)
Proceeds from disposal of property, plant and equipment	384	5,602
Acquisition of intangible assets	(522)	(675)
Proceeds from disposal of intangible assets	1,612	4,948
Decrease (increase) in refundable deposits	117	(980)
Net cash inflows from business combination	-	91,445
Decrease (increase) in prepayments for business facilities	174	(198)
Net cash from (used in) investing activities	<u>(533,351)</u>	<u>(459,937)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	703,766	-
Decrease in short-term borrowings	(203,766)	-
Issuance to corporate bond	2,113,308	-
Proceeds from long-term borrowings	614,515	-
Repayments of long-term borrowings	(1,063,800)	(588,400)
Repayment of lease liabilities	(2,477)	(1,981)
Increase in guarantee deposits received	-	583
Cash dividends paid	(323,766)	(368,014)
Payments to acquire treasury shares	-	(66,341)
Proceeds from sale of treasury shares	19,040	113,945
Net cash (used in) from financing activities	<u>1,856,820</u>	<u>(910,208)</u>
Net increase (decrease) in cash and cash equivalents	1,111,069	(867,097)
Cash and cash equivalents at beginning of period	455,723	1,322,820
Cash and cash equivalents at end of period	<u>\$ 1,566,792</u>	<u>455,723</u>

See accompanying notes to parent company only financial statements.

**(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Swancor Holding Company Limited**

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Swancor Holding Company Limited (the “Company”) was incorporated on August 31, 2016 as a Company limited by transferred preference shares from Swancor Industrial Company Limited (Swancor) and registered under the Company Act of the Republic of China (ROC), wherein the Company's shares were listed on the Taiwan stock Exchange (TNSE) on the same day. The Company is primarily involved in the manufacturing.

In order to cooperate development strategy of the Company, the Board of Directors of the Company determined to proceed short-form merger Swancor Industrial into Swancor Holding on November 1, 2019, the tentative consolidation base date is December 31, 2019. The Group had obtained the approval letter of Rule No.10901055060 from Department of Commerce of the Ministry of Economic Affairs on April 14, 2020.

(2) Approval date and procedures of the financial statements:

The accompanying parent company only financial statements were authorized for issue by the Board of Directors on March 11, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. Except for note 3 and 4, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

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Swancor Holding Company Limited
Notes to the Financial Statements

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value.
- 3) The defined benefit asset is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The Company's financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Nonmonetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interest. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

- (i) It is expected to settle in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuing equity instruments do not affect its classification.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost FVOCI-debt investment, FVOCI-equity investment and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company' s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost and debt investments at fair value through other comprehensive income (including cash and cash equivalents, financial assets measured at amortized cost, other receivables, guarantee deposit paid and other financial assets).

The Company measures its loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to fully pay its credit obligations to the Company.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per standard & Poor's, Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs resulting from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data :

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

ii) Financial liabilities and equity instrument

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

6) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

8) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Company will apply applied the policies on accounting for modifications to the additional changes.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(Continued)

Swancor Holding Company Limited

Notes to the Financial Statements

The Company designates certain hedging instruments (which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk) as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity — gains (losses) on hedging instruments', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Company expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(g) Investment in associates

The subsidiaries in which the Company holds controlling interest are accounted for under the equity method in the non-consolidated financial statements. Under the equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings and structures: 6~25 years
- 2) Other equipment: 4~14 years
- 3) The significant components and related useful lives of buildings and structures and machinery and equipment are as follow:

Components	Useful Lives
Buildings and structures	25years
Electrical power equipment	20years
Improvement construction	20years
Fire protection engineering	20years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(i) As a lease

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be paid under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is measured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee; or
- 3) there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 5) there are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

Swancor Holding Company Limited
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When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of staff dormitory that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Company will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

As a practical expedient, the Company selects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

(j) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

1) Technique: 5 years

2) Computer software: 2~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred income tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

(Continued)

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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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Swancor Holding Company Limited
Notes to the Financial Statements

(m) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(n) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables is the best estimate of the tax amount expected to be paid or received that it is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- 1) the same taxable entity; or
- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(o) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(p) Operating segments

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The Company strives to use the market observable inputs when measuring its assets and liabilities. Different levels of fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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Swancor Holding Company Limited
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- (c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(6) Explanation of significant accounts:

- (a) Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Petty cash and cash on hand	\$ 162	151
Demand deposits	614,042	452,672
Time deposits	952,588	2,900
Cash and cash equivalents in the statement of cash flow	<u>\$ 1,566,792</u>	<u>455,723</u>

Please refer to note 6(t) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

- (b) Financial Assets and Liabilities at Fair Value Through Profit or Loss

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss :		
Secured convertible corporate bonds – call and put provision	\$ 1,500	-
Non-derivative financial assets-		
Stocks listed on domestic markets	2,005	2,012
Stocks unlisted on domestic markets	664,094	536,642
Total	<u>\$ 667,599</u>	<u>538,654</u>
Financial liabilities mandatorily measured at fair value though profit or loss:		
Unsecured convertible corporate bonds – call and put provision	<u>\$ 4,700</u>	<u>-</u>

The Company increased current and non-current financial assets at fair value through profit or loss \$819 thousand and \$404,387 thousand because of short- form merging Swancor Industrial on April 14,2020. For further information, please refer to note 6(f).

On August 26, 2021, January 22 and March 20, 2020, Swancor Renewable Energy issued new stocks for capital increase by cash. The Company purchased its new shares amounting to \$127,452 thousand, \$102,978 thousand and \$3,175 thousand, respectively.

For the year ended December 31,2021, the dividends of \$55,854 thousand, related to equity investments at fair value through profit or loss held on the years then ended, were recognized as operating revenues.

The amount of profit or loss which are recognized at fair value please refer to note 6 (p) and (x).

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Swancor Holding Company Limited
Notes to the Financial Statements

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Debt investments at fair value through other comprehensive income		
Corporate bonds	\$ 41,946	43,963
Equity investments at fair value through other comprehensive income		
Domestic unlisted Company - Gigantex Composite Technologies Co., Ltd.	25,031	25,031
Domestic on listed Company - WT Microelectronics Co., Ltd	48,950	48,550
Domestic unlisted Company - Promix Composites, Inc.	-	-
Domestic unlisted Company - Ideal Star International Corp.	-	-
	<u>\$ 73,981</u>	<u>73,581</u>
Total	<u>\$ 115,927</u>	<u>117,544</u>

1. Debt investments at fair value through other comprehensive income

The Company has assessed that the securities were held within a business model whose objective was achieved by collecting the contractual cash flows and by selling securities. Therefore, they have been classified as debt investments at fair value through other comprehensive income.

2. Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2021 and 2020.

The Company increased non-current financial assets at fair value through other comprehensive income \$25,031 thousand because of short-form merging Swancor Industrial on April 14, 2020. For further information, please refer to note 6(f).

For the year ended December 31, 2021, the dividends of \$ thousand, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized as operating revenues.

For credit risk (including the impairment of debt investments) and market risk, please refer to note 6(y)

The financial assets at fair value through other comprehensive income of the Company had been pledged as collateral as of December 31, 2021 and 2020. Please refer to note 8.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

3. The amounts of other comprehensive profit or loss which were recognized at fair value in 2021 and 2020 were \$(603) thousand and \$729 thousand.

(d) Other receivables (including related parties)

	December 31, 2021	December 31, 2020
Other accounts receivable—		
equity sale price to Swancor Renewable Energy	\$ -	83,653
Other accounts receivable	513	413
Other accounts receivable—		
Cash dividends from Swancor Renewable Energy	-	5,617
Other accounts receivable—Related Parties	231,178	257,858
	\$ 231,691	347,541

The Company increased other receivables and other receivables- related parties \$7,638 thousand and \$67,792 thousand because of short-form merging Swancor Industrial on April 14, 2020. For further information, please refer to note 6(f).

For further credit risk information, please refers to note 6(y).

For related-party transactions, please refers to note 7.

(e) Investments accounted for using the equity method

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 4,063,931	4,022,150
(i) Subsidiaries		

Please refer to the consolidated financial statements of the year 2021. In addition, please refer to note 6(v) for recognizing subsidiaries' share of loss of associates and joint ventures accounted for using the equity method of the year 2021 and 2020.

(ii) Collaterals

The investment accounted for using the equity method of the Company had not been pledged as collaterals as of December 31, 2021 and 2020.

(f) Business combination

In order to cooperate development strategy of the Company, the Board of Directors of the Company determined to proceed short-form merger Swancor Industrial into Swancor Holding on November 1, 2019, the tentative consolidation base date is December 31, 2019. The Group had obtained the approval letter of Rule No.10901055060 from Department of Commerce of the Ministry of Economic Affairs on April 14, 2020.

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Swancor Holding Company Limited
Notes to the Financial Statements

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	\$ 91,445
Current financial assets at fair value through profit or loss	819
Other receivables	7,637
Other receivables — related parties	67,792
Prepayments	2,411
Other current assets	16,234
Non-current financial assets at fair value through profit or loss	404,387
Non-current financial assets at fair value through other comprehensive income	25,031
Investments accounted for using the equity method	3,155,927
Non-current deferred income tax assets	19,851
Property, plant and equipment	447,900
Intangible assets	12,487
Non-current prepaid pension cost	141
Cash surrender value of life insurance	57,251
Other non-current assets	1,278
Other non-current financial assets	3,819
Current contract liabilities	(250)
Other payables	(13,351)
Current tax liabilities	(46,129)
Other current liabilities	(19)
Long-term borrowings, current portion	(112,000)
Long-term borrowings	(531,325)
Deferred income tax liabilities	(48,717)
Fair value of identifiable net assets	\$ <u>3,562,619</u>

A resolution was approved during the Board meeting held on September 24, 2020 to transfer the 83.89% shares of the Company in Swancor Jiangsu to Sunwell Carbon. The above transaction did not have any impact on the Group's shareholding in Swancor Jiangsu. The related registration procedures had been completed.

(g) Loss control of subsidiaries

The Board of Directors of the Company determined to dispose of 100% of its shares in Swancor Renewable Energy, and extend time of disposal on June 20 and June 30, 2019. The Company lost its control over Swancor Renewable Energy due to the disposal of its 95% shares in it. Since the share price had fluctuated from \$717,721 thousand to \$2,959,604 thousand (USD23,019 thousand to USD94,920 thousand), the Company recognized a gain of \$482,054 thousand based on the most likely price of \$717,721 thousand.

The amount of \$83,653 thousand that has yet to be collected had been recognized as other receivable as of December 31, 2020 and received in 2021.

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Swancor Holding Company Limited
Notes to the Financial Statements

(h) Cash surrender value of life insurance

Cash surrender value of life insurance is an insurance that the employees were insured and the employer is the beneficiary of the insurance term. The insurance payment is the part of cash surrender value that was a deduction of current insurance expense and becomes an addition of carrying value of the surrender value of life insurance. The carrying value will be deducted when the insurance expires or is terminated.

The movement of cash surrender value of life insurance were as follows:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 55,235	-
Acquired in a business combinaiton	-	57,251
Increase (decrease) in cash value	<u>1,105</u>	<u>(2,016)</u>
Balance at December 31	<u>\$ 56,340</u>	<u>55,235</u>

The Company increased cash surrender value of life insurance \$57,251 thousand because of short-form merging Swancor Industrial on April 14, 2020. For further information, please refer to note 6(f).

(i) Property, plant and equipment

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Other Equipment</u>	<u>Constructio n in progress and testing equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 484,076	204,028	21,200	91,931	801,235
Additions	203,515	-	125	194,024	397,664
Reclassification	88,996	-	-	(88,997)	(1)
Disposals	-	-	(8,504)	-	(8,504)
Balance at December 31, 2021	<u>\$ 776,587</u>	<u>204,028</u>	<u>12,821</u>	<u>196,958</u>	<u>1,190,394</u>
Balance at January 1, 2020	\$ -	-	1,613	99	1,712
Acquired in a business combination	239,306	204,230	28,318	88,996	560,850
Additions	244,770	-	1,682	2,935	249,387
Reclassification	-	-	99	(99)	-
Disposals	-	(202)	(10,512)	-	(10,714)
Balance at December 31, 2020	<u>\$ 484,076</u>	<u>204,028</u>	<u>21,200</u>	<u>91,931</u>	<u>801,235</u>
Depreciation and impairment loss:					
Balance at January 1, 2021	\$ -	104,174	16,513	-	120,687
Depreciation for the year	-	9,402	1,357	-	10,759
Disposals	-	-	(8,337)	-	(8,337)
Balance at December 31, 2021	<u>\$ -</u>	<u>113,576</u>	<u>9,533</u>	<u>-</u>	<u>123,109</u>
Balance at January 1, 2020	\$ -	-	96	-	96
Acquired in a business combination	-	93,625	19,325	-	112,950
Depreciation for the year	-	10,751	3,111	-	13,862
Disposals	-	(202)	(6,019)	-	(6,221)
Balance at December, 31 2020	<u>\$ -</u>	<u>104,174</u>	<u>16,513</u>	<u>-</u>	<u>120,687</u>

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Swancor Holding Company Limited
Notes to the Financial Statements

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Other Equipment</u>	<u>Constructio n in progress and testing equipment</u>	<u>Total</u>
Carrying amounts:					
Balance at December 31, 2021	\$ <u>776,587</u>	<u>90,452</u>	<u>3,288</u>	<u>196,958</u>	<u>1,067,285</u>
Balance at January 1, 2020	\$ <u>-</u>	<u>-</u>	<u>1,517</u>	<u>99</u>	<u>1,616</u>
Balance at December 31, 2020	\$ <u>484,076</u>	<u>99,854</u>	<u>4,687</u>	<u>91,931</u>	<u>680,548</u>

The Company increased property, plant and equipment \$447,900 thousand because of short- form merging Swancor Industrial on April 14, 2020. For further information, please refer to note 6(f).

The disclosure of property, plant and equipment purchased from related parties are described in note 7.

As of December 31, 2021 and 2020, property, plant and equipment pledged as collateral for bank loans are described in note 8.

(j) Right-of-use assets

The Company leases many assets including land and buildings. Information about leases for which the Company as a leases was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Costs:			
Balance at January 1, 2021	\$ 5,260	2,466	7,726
Additions	<u>197</u>	<u>-</u>	<u>197</u>
Balance at December 31, 2021	\$ <u>5,457</u>	<u>2,466</u>	<u>7,923</u>
Balance at January 1, 2020	\$ 5,260	-	5,260
Additions	<u>-</u>	<u>2,466</u>	<u>2,466</u>
Balance at December 31, 2020	\$ <u>5,260</u>	<u>2,466</u>	<u>7,726</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2021	\$ 2,144	479	2,623
Depreciation for the year	<u>1,657</u>	<u>822</u>	<u>2,479</u>
Balance at December 31, 2021	\$ <u>3,801</u>	<u>1,301</u>	<u>5,102</u>
Balance at January 1, 2020	\$ 586	-	586
Depreciation for the year	<u>1,558</u>	<u>479</u>	<u>2,037</u>
Balance at December 31, 2020	\$ <u>2,144</u>	<u>479</u>	<u>2,623</u>
Carrying amount:			
Balance at December 31, 2021	\$ <u>1,656</u>	<u>1,165</u>	<u>2,821</u>
Balance at January 1, 2020	\$ <u>4,674</u>	<u>-</u>	<u>4,674</u>
Balance at December 31, 2020	\$ <u>3,116</u>	<u>1,987</u>	<u>5,103</u>

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Swancor Holding Company Limited
Notes to the Financial Statements

(k) Intangible Assets

The costs of intangible assets, amortization, and impairment loss of the Company in 2021 and 2020 were as follows:

	<u>Technique</u>	<u>Computer software</u>	<u>Total</u>
Costs:			
Balance at January 1, 2021	\$ 43,767	35,377	79,144
Additions	-	522	522
Disposals	<u>-</u>	<u>(20,757)</u>	<u>(20,757)</u>
Balance at December 31, 2021	<u>\$ 43,767</u>	<u>15,142</u>	<u>58,909</u>
Balance at January 1, 2020	\$ -	-	-
Acquired in a business combination	43,767	44,141	87,908
Additions	-	675	675
Disposals	<u>-</u>	<u>(9,439)</u>	<u>(9,439)</u>
Balance at December 31, 2020	<u>\$ 43,767</u>	<u>35,377</u>	<u>79,144</u>
Amortization and Impairment Loss:			
Balance at January 1, 2021	\$ 40,767	32,324	73,091
Amortization for the year	1,500	695	2,195
Disposals	<u>-</u>	<u>(20,149)</u>	<u>(20,149)</u>
Balance at December 31, 2021	<u>\$ 42,267</u>	<u>12,870</u>	<u>55,137</u>
Balance at January 1, 2020	\$ -	-	-
Acquired in a business combination	39,267	36,154	75,421
Amortization for the year	1,500	1,837	3,337
Disposals	<u>-</u>	<u>(5,667)</u>	<u>(5,667)</u>
Balance at December 31, 2020	<u>\$ 40,767</u>	<u>32,324</u>	<u>73,091</u>
Carrying value:			
Balance at December 31, 2021	<u>\$ 1,500</u>	<u>2,272</u>	<u>3,772</u>
Balance at January 1, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 3,000</u>	<u>3,053</u>	<u>6,053</u>

- (i) For the years ended December 31, 2021 and 2020, the amortizations of intangible assets was included in the statement of comprehensive income: :

	<u>2021</u>	<u>2020</u>
Operating expenses	<u>\$ 2,195</u>	<u>\$ 3,337</u>

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Swancor Holding Company Limited
Notes to the Financial Statements

(ii) Business combination

The Company increased intangible assets \$12,487 thousand because of short- form merging Swancor Industrial on April 14, 2020. For further information, please refer to note 6(f).

(iii) Disclosures on pledges

As of December 31, 2021 and 2020, the intangible assets of the Company had not been pledged as collateral.

(l) Other current assets and other non-current assets

The other current assets and others non-current assets of the Company were as follows:

	December 31, 2021	December 31, 2020
Other current assets :		
Restricted bank deposits	\$ 1,000	3,671
Others-current	<u>1,510</u>	<u>132</u>
	<u>\$ 2,510</u>	<u>3,803</u>
Other non-current financial assets :		
Restricted bank deposits	<u>\$ 400,029</u>	<u>5,423</u>
Other non-current assets :		
Refundable deposits	\$ 1,285	1,402
Prepayments for equipment	<u>1,302</u>	<u>1,475</u>
	<u>\$ 2,587</u>	<u>2,877</u>

Restricted bank deposits are confined as restricted bank deposits pledged, convertible bond pledged, syndicated loan and loan commitments as collateral, please refer to note 8.

(m) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021
Unsecured bank loans	<u>\$ 500,000</u>
Unused short-term credit lines	<u>\$ 245,000</u>
Range of interest rates	<u>1.00%~1.17%</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(n) Other payables

The other payables, other current and non-current liabilities were summarized as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Other payables-salary	\$ 34,384	50,571
Other payables-employee bonus	885	7,022
Other payables-director compensation	2,655	14,010
Other	<u>5,202</u>	<u>10,545</u>
	<u>\$ 43,126</u>	<u>82,148</u>
Temporary receipts	\$ 37,571	-
Receipts under custody	<u>136</u>	<u>282</u>
	<u>\$ 37,707</u>	<u>282</u>
Receivable deposits	<u>\$ 583</u>	<u>583</u>

(o) Long-term borrowings

The details of long-term borrowings were as follows:

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.3300%	2025/12/30	\$ 10,000
Secured bank loans	NTD	1.3500%	2026/3/25	<u>203,515</u>
				213,515
Less: current portion				-
Total				<u>\$ 213,515</u>
Unused long-term credit line				<u>\$ 331,485</u>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
First bank and other	NTD	1.8526%	2022/7/21	\$ 643,600
Secured bank loans	NTD	1.5000%	2022/5/3	<u>19,200</u>
				662,800
Less: current portion				<u>(236,800)</u>
Total				<u>\$ 426,000</u>
Unused long-term credit line				<u>\$ 150,000</u>

(i) Syndicated loan

The Company and the subsidiary that the Company holds 100% ownership interest, Swancor Industrial, had co-signed a joint loan agreement with First Bank and other seven banks in July 2017 for a credit line of three years amounting to \$1,600,000 thousand, with a credit term of floating interest rate. The Company can renew the extension of the loan for two years only for one time.

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Notes to the Financial Statements

The Company shall comply with the rules of specific financial ratios (current ratio, debt ratio, tangible equity and times interest earned) that being align with the audited annual consolidated financial statements and reviewed second-quarter financial reports by certified public accountant specified in the joint loan agreement. Interest shall be required if there is any violation of the rules. If specific terms of loan agreement are being violated and no improvement plan being provided to the banks, the Company is required to redeem all the loan based on the time requested by the bank. As of December 31, 2020, the Company complied with all the financial covenants under each of the loan agreements.

The Company had repaid the syndicated loan on October 21, 2021.

(ii) Collateral for long-term borrowings

For the collateral for long-term borrowings, please refer to note 8.

(p) Bonds payable

The details of bonds payable of the Company were as follows:

	December 31, 2021
Third secured convertible bonds- domestic	\$ 1,000,000
Fourth unsecured convertible bonds- domestic	1,000,000
Unamortized discounted corporate bonds payable	(99,094)
Cumulative converted amount	-
Cumulative redeemed amount	-
	1,900,906
Less: current portion	-
Corporate bonds issued balance at year-end	\$ 1,900,906
Embedded derivative – call and put options, including financial assets at fair value through profit or loss	\$ 1,500
Embedded derivative – call and put options, including financial liabilities at fair value through profit or loss	\$ 4,700
Equity component – conversion options, included in capital surplus– stock options	\$ 213,351
Embedded derivative instruments – call and put rights, including net gain of evaluation in financial asset and liabilities	\$ (900)
Interest expense	\$ 5,049

(i) Swancor Holding issued its third domestic secured convertible bonds on September 27, 2021, and the significant terms of the bonds were as follows:

- 1) Offering amount: \$1,000,000 thousand
- 2) Duration: five years (September 27, 2021 to September 27, 2026)

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Swancor Holding Company Limited
Notes to the Financial Statements

- 3) Interest rate: 0%
- 4) Conversion period: From three months after the issuance date to the maturity date. (December 28, 2021 to September 27, 2026)
- 5) Conversion price: As of the issuance date, the conversion price was NTD 99 per share. However, after Swancor Holding issued the corporate bonds, except for the exchange of various securities with common stock conversion rights or stock options issued by Swancor Holding for common stock, or the issuance of new shares due to employee dividends. When the shares increased, or when cash dividends were distributed, or when re-raising or private placement of various securities with common stock conversion rights or stock options at a conversion or subscription price lower than the current price per share, or when decreased in common shares caused by capital reduction not due to the cancellation of treasury shares, the conversion price will be adjusted according to the formula in the terms of conversion.
- 6) On the repurchase dates, after the issuance date, the bondholders may request Swancor Holding to repurchase the bonds at their face value, by cash, in five trading days.
- 7) From three months after the issuance date to 40 days before the maturity date, if the closing price of Swancor Holding shares on the TWSE is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of the initial issued bonds, Swancor Industrial may redeem the remaining bonds at their face value by cash in five trading days after the redemption date.
- 8) Terms of redemption: Swancor Holding needs to redeem the bonds by cash upon maturity, except for the bonds that had been converted into shares.

Swancor Holding separated its equity and liability components as follows:

Items	Amount
Total price of issuance (deducted transaction cost)	\$ 1,081,297
Fair value of convertible bonds upon issuance	(970,976)
Embedded derivative debt upon issuance	900
Equity components upon issuance	\$ 111,221

- 9) According to the share exchange agreement, the performance obligation of equity warrants, which were approved by the authority, should be transferred to the Company, and the conversion price and quantity are adjusted by using the conversion ratio.

The Company set up collaterals of issuing corporate bonds with assets, please refer to note 8 for details.

- (ii) Swancor Holding issued its forth domestic unsecured convertible bonds on September 28, 2021, and the terms of issuance were as follows:
 - 1) Offering amount: \$1,000,000 thousand
 - 2) Duration: five years (September 28, 2021 to September 28, 2026)
 - 3) Interest rate: 0%

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- 4) Conversion period: From three months after issuance date to the maturity date. (December 29, 2021 to September 28, 2026)
- 5) Conversion price: As of the issuance date, the conversion price was NTD95 per share. However, after Swancor Holding issued the corporate bonds, except for the exchange of various securities with common stock conversion rights or stock options issued by Swancor Holding for common stock, or the issuance of new shares due to employee dividends. When the shares increased, or when cash dividends were distributed, or when re-raising or private placement of various securities with common stock conversion rights or stock options at a conversion or subscription price lower than the current price per share, or when decreased in common shares caused by capital reduction not due to the cancellation of treasury shares, the conversion price will be adjusted according to the formula in the terms of conversion.
- 6) On the repurchase dates, after the issuance date, the bondholders may request Swancor Holding to repurchase the bonds at their face value, with the interests of 0.75% of the face value for three years, plus yield to put of 0.25%, by cash, in five trading days.
- 7) From one month after the issuance date to 40 days before the maturity date, if the closing price of Swancor Holding shares on the TWSE is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of the initial issued bonds, Swancor Holding may redeem the remaining bonds at their face value by cash in five trading days after the redemption date.
- 8) Terms of redemption: Swancor Holding needs to redeem the bonds by cash upon maturity, except for the bonds that had been converted into shares.

Swancor Holding separated its equity and liability components as follows:

Items	Amount
Total price of issuance (deducted transaction cost)	\$ 1,032,011
Fair value of convertible bonds upon issuance	(924,881)
Embedded derivative debt upon issuance	(5,000)
Equity components upon issuance	<u>\$ 102,130</u>

- 9) According to the share exchange agreement, the performance obligation of equity warrants, which were approved by the authority, should be transferred to the Company, and the conversion price and quantity are adjusted by using the conversion ratio.

(q) Lease liabilities

	December 31, 2021	December 31, 2020
Current	\$ <u>2,528</u>	<u>2,380</u>
Non-current	\$ <u>351</u>	<u>2,779</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

The amounts recognized in profit or loss was as follows:

	For the year ended December 31,	
	2021	2020
Interest on lease liabilities	<u>\$ 85</u>	<u>127</u>
Expenses relating to short-term leases	<u>\$ 188</u>	<u>239</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	For the year ended December 31,	
	2021	2020
Total cash outflow for leases	<u>\$ 2,750</u>	<u>2,347</u>

(i) Real estate leases

As of December 31, 2021, the Company leases buildings for its office. The leases of office typically run for a period of three to four years. Some leases had not included an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

As of December 31, 2021, the Company leases transportations for three years.

Furthermore, the Company leases staff dormitory and trivial leases with lease terms of one to three year, these leases are short-term and leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(r) Employee benefits

(i) Defined benefit plans

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

2) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets of the Company were as follows:

	<u>2021</u>
Fair value of plan assets at January 1	\$ -
Acquired in a business combination	141
Interest income	6
Contributions paid by the employer	1
Closed account	<u>(148)</u>
Fair value of plan assets at December 31	<u>\$ -</u>

3) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2021</u>
Net interest of net assets for the defined benefit obligations	\$ <u>(5)</u>
Administration expenses	<u>\$ (5)</u>

The Company had closed its account on December 16, 2020.

4) Remeasurement of net defined benefit asset recognized in other comprehensive income

The Company's remeasurement of the net defined benefit assets recognized in other comprehensive income for the years ended December 31, 2020, was as follows:

	<u>2021</u>
Accumulated amount at January 1	\$ (3,691)
Carry-over close account during the period	<u>3,691</u>
Accumulated amount at December 31	<u>\$ -</u>

The Company increased non-current prepaid pension \$141 thousand because of short-form merging Swancor Industrial on April 14, 2020.

For further information, please refer to note 6(f).

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$1,412 thousand and \$1,688 thousand for the years ended December 31, 2021 and 2020, respectively.

(iii) Short-term compensated absence

The short-term compensated absence for the years ended December 31, 2021 and 2020 were included in other payable with balance of \$1,948 thousand and \$1,448 thousand, respectively.

(s) Income taxes

(i) Income tax expense

The components of income tax in the years of 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 258	25,800
Adjustment for prior periods	(16,690)	(34,908)
Undistributed earnings additional tax	<u>12,165</u>	<u>14,092</u>
	<u>(4,267)</u>	<u>4,984</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(96,729)</u>	<u>50,142</u>
	<u>\$ (100,996)</u>	<u>55,126</u>

For the years ended December 31, 2021 and 2020, there were no income taxes recognized directly in equity and other comprehensive income.

Reconciliation of income tax and profit before tax 2021 and 2020 were as follows.

	<u>2021</u>	<u>2020</u>
Profit excluding income tax	<u>\$ 84,937</u>	<u>681,150</u>
Income tax using the Company's domestic tax rate	\$ 16,987	136,230
Share of profit of subsidiaries accounted for using the equity method—domestic	(2,309)	(6,111)
Income tax impact of foreign operating entity surplus not expected to be repatriated	(24,267)	(50,050)
Adjustment in tax rate	(5,846)	103
Recognition of previously over-estimated deferred tax assets	6	-
Recognition of previously over-estimated deferred tax liabilities	(81,042)	(4,230)
Changes in provision in prior periods	(16,690)	(34,908)
Undistributed earnings additional tax	<u>12,165</u>	<u>14,092</u>
Total	<u>\$ (100,996)</u>	<u>55,126</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2020
Share of loss of foreign subsidiaries accounted for using the equity method	-

2) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as at 31 December 2021 and 2020. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 2,482,505	2,010,221
Unrecognized deferred tax liabilities	\$ 496,501	402,044

3) Recognized deferred tax assets

Changes in the amount of deferred tax assets were as follows:

Deferred Tax Assets:

	Net loss of evaluation in financial asset and liabilities	Current compensated abserves liabilities	Cash surrender value of life insurance	Unearned- gross sales from subsidiaries	Unrealized foreign exchange loss	Other	Total
Balance at 1 January 2021	\$ 864	290	1,040	16,192	3,038	166	21,590
Recognized profit or loss	(179)	100	(220)	(1,397)	(1,897)	-	(3,593)
Balance at 31 December 2021	\$ 685	390	820	14,795	1,141	166	17,997
Balance at 1 January 2020	\$ -	299	-	-	-	-	299
Acquired in a business combination	909	33	637	16,946	1,160	166	19,851
Recognized profit or loss	(45)	(42)	403	(754)	1,878	-	1,440
Balance at 31 December 2020	\$ 864	290	1,040	16,192	3,038	166	21,590

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

Deferred Tax Liabilities:

	Net loss of evaluation in financial asset and liabilities	Unrealized foreign exchange gain	Recognized foreign investment income in equity method	Total
Balance at 1 January 2021	\$ -	-	100,322	100,322
Recognized profit or loss	-	-	(100,322)	(100,322)
Balance at 31 December 2021	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 January 2020	\$ 6	17	-	23
Acquired in a business combination	-	-	48,717	48,717
Recognized profit or loss	(6)	(17)	51,605	51,582
Balance at 31 December 2020	<u>\$ -</u>	<u>-</u>	<u>100,322</u>	<u>100,322</u>

The Company increased non-current deferred tax assets and liabilities \$19,851 thousand and \$48,717 thousand because of short- form merging Swancor Industrial on April 14, 2020. For further information, please refer to note 6(f).

(iii) Assessment of tax

The Company's tax returns were assessed by the Taipei National Tax Administration to 2019.

(t) Capital and other equity

Swancor Holding Company Limited (the "Company") was incorporated on August 31, 2016 as a Company limited by transferred preference shares from Swancor Industrial Company Limited.

As of December 31, 2020 and 2019, the Company's authorized ordinary shares of 200,000 thousand amounted to \$2,000,000 thousand for both years, with a par value of \$10 per share.

Its outstanding capital consisted of 93,505 thousand common shares for both years ended December 31, 2020 and 2019.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

(in thousands of shares)	Ordinary Shares	
	2021	2020
Balance on December 31 (as the same Balance at 31 December)	<u>\$ 93,505</u>	<u>93,505</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(i) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Share capital	\$ 405,127	405,127
Premium on bonds conversion	541,507	541,507
Donation	253	253
Employee share options (overdue and not be executed)	8,151	8,151
Treasury share transactions	107,315	100,472
Expired stock option	41,059	41,059
Difference arising from subsidiary's share price and its carrying value	1,064,440	1,063,870
Stock transfer (from retained earnings of Swancor)	780,337	780,337
Equity component of convertible bonds recognized in stock option	213,351	-
	<u>\$ 3,161,540</u>	<u>2,940,776</u>

- 1) According to the Enterprise Merges and Acquisition Act, when an enterprise exchanges shares with other company, its undistributed retained earnings would be the capital surplus of the other company (as holding company) after the exchange has been completed.
- 2) On September 28, 2020, the Company's subsidiary, Swancor Advanced Materials, had initial public offering on the Shanghai Stock Exchange's Star Market, wherein it issued 43,200 thousand new stocks for capital increase at the amount of \$307,846 thousand. However, the Company failed to subscribe proportionately, resulting in its percentage of ownership in its subsidiary to decrease from 88.75% to 79.24%, amounting to \$149,457 thousand, which had been adjusted to capital surplus.
- 3) A resolution was approved during the Board meeting held on September 24, 2020 to it capital increase, wherein 48,000 thousand shares were issued, amounting to \$480,000 thousand. However, the Company failed to invest proportionately in the above capital increase, resulting in its percentage of ownership in Sunwell Carbon Fiber Composite to decrease from 100% to 86.42%, and causing the net value of the originally held shares decreased by \$3,999 thousand. The related registration procedures had been completed.
- 4) A resolution was decided during the Board of Directors' meeting held on December 31, 2020 to determine whether to repurchase the 600 thousand shares within the period from January 1 to June 30, 2021 at the price of \$10 to \$10.20 per share, as treasury shares, to transfer to employees in the six months ended June 30, 2021. For the six months ended June 30, 2021, the Group had repurchased 133 thousand of the above shares, resulting in its shareholding ratio to increase from 86.42% to 86.63% and recognized the amount of \$346 thousand as capital surplus.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- 5) A resolution was decided during the Board of Directors meeting held on August 4, 2021, to determine whether to repurchase the 600 thousand shares within the period from August 4, 2021 to February 4, 2022 at the price of \$10 to \$10.20 per share, as treasury shares, to transfer to employees in 2021. For the year ended December 31, 2021, the Group had repurchased 183 thousand of the above shares, resulting in its shareholding ratio to increase from 86.63% to 86.71%, and recognized the amount of \$91 thousand as capital surplus.
- 6) A resolution was decided during the Board of Directors meeting held on November 5, 2021 to authorize the chairman of the Board to transfer 183 thousand shares of treasury stock to employees for subscription. The treasury stock was transferred in November, 2021, \$435 of thousand share premium - subsidiary changes in equity was recognized. In addition, due to the Group's ownership percentage decreased from 86.71% to 86.42%, share premium for subsidiary changes in equity reduced \$302 thousand.
- 7) A resolution was decided during the Board of Directors meeting held on December 16, 2021 to authorize the transfer of 287 thousand shares of treasury stock to employees for subscription. The treasury stock was transferred in December, 2021 and share premium-treasury stock of \$6,843 thousand was recognized.
- 8) According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase, by transferring capital surplus in excess of the par value, should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its programs to maintain operating efficiency and meet its capital expenditure budget. The earning distribution can be settled by cash or by stocks and cash dividends shall not be more than 10% of total dividends.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

1) Legal reserve

According to the amendment of the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule issued by the FSC a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2020 and 2019 were decided by the general meeting of the shareholders held on July 19, 2021 and May 28, 2020 as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 3.5	<u>323,766</u>	4	<u>368,014</u>

Earnings distribution for 2021 were decided by the general meeting of the shareholders held on March 11, 2021 as follows:

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ 1.5	<u>139,187</u>

(iv) Treasury shares

- 1) In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 2,000 thousand shares during March 24 to May 23, 2020, at the price of \$37 to \$106 per share, as treasury shares, in order to encourage its employees.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

The movement of treasury stock for 2021 was as follows:

Reason for repurchase	Beginning shares	Increase	Decrease	Ending shares
Transfer to employees	<u>1,000</u>	<u>-</u>	<u>287</u>	<u>713</u>

The movement of treasury stock for 2020 was as follows:

Reason for repurchase	Beginning shares	Increase	Decrease	Ending shares
Transfer to employees	<u>1,501</u>	<u>1,000</u>	<u>1,501</u>	<u>1,000</u>

- 2) In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of December 31, 2019, the Company could repurchase no more than 7,849 thousand shares, with a total value of no more than \$2,790,383 thousand.
- 3) In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.
- 4) On June 18, 2020, the Company announced that it will transfer 957 thousand treasury shares to its employees, with the value of \$69,153 thousand, wherein the Company will recognize the salary expense and the capital surplus of \$11,441 thousand, in June 2020. The transfer procedures had been completed during the period mentioned above.
- 5) On December 30, 2020, the Company announced that it will transfer 544 thousand treasury shares to its employees, with the value of \$44,792 thousand, wherein the Company will recognize the salary expense of \$31,107 thousand, in December 2020. The transfer procedures had been completed in January 2021.
- 6) On December 16, 2021, the Company announced that it will transfer 287 thousand treasury shares to its employees, with the value of \$19,040 thousand, wherein the Company will recognize the salary expense of \$6,843 thousand in December 2021. The transfer procedures had been completed in January 2022.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

7) Measurement of fair value on grant date

The Company evaluated the fair value of share-based payment by using the Black-Scholes option pricing model; the related parameters were as follows:

	<u>June 18, 2020</u>
	<u>Transfer for employees</u>
Fair value of grant day	\$ 84.9
Stock price of grant day	84.9
Strike price	72.60
Expected volatility	34.85 %
Expected Life	2
Risk-free interest rate	0.248 %
	<u>December 31, 2020</u>
	<u>Transfer for employees</u>
Fair value of grant day	\$ 150.5
Stock price of grant day	150.5
Strike price	82.34
Expected volatility	185.00 %
Expected Life	1
Risk-free interest rate	0.1258 %
	<u>December 16, 2021</u>
	<u>Transfer for employees</u>
Fair value of grant day	\$ 93.00
Stock price of grant day	93.00
Strike price	66.34
Expected volatility	44.66 %
Expected Life	8
Risk-free interest rate	0.405 %

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. The Company determined the risk-free rate during the life of the option. This rate is determined based on rate of time deposits, and it is in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(v) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Loss on hedging instruments	Total
Balance at 1 January 2021	\$ (415,073)	(3,762)	-	(418,835)
Exchange differences on foreign operations	28,071	-	-	28,071
Net change in fair value of investment in debt-instrument at FVIOCI	-	(603)	-	(603)
Balance at 31 December 2021	<u>\$ (387,002)</u>	<u>(4,365)</u>	<u>-</u>	<u>(391,367)</u>
Balance at 1 January 2020	\$ (417,986)	(4,491)	-	(422,477)
Exchange differences on foreign operations	2,913	-	-	2,913
Net change in fair value of investments in debt-instrument at FVIOCI	-	729	-	729
Balance at 31 December 2020	<u>\$ (415,073)</u>	<u>(3,762)</u>	<u>-</u>	<u>(418,835)</u>

(u) Earnings per Share

1 Basic earnings per share

(i) Profit attributable to ordinary shareholders of the Company

	<u>2021</u>	<u>2020</u>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>185,933</u>	<u>626,024</u>

(ii) Weighted average number of ordinary shares

	<u>2021</u>	<u>2020</u>
Issued ordinary shares at 1 January	\$ 92,505	92,004
Effect of treasury shares held	7	(185)
Weighted average number of ordinary shares at 31 December	<u>\$ 92,512</u>	<u>91,819</u>

2 Diluted earnings per share

(i) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company(basic)	\$ 185,933	626,024
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	\$ 3,320	-
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 189,253</u>	<u>626,024</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(ii) Weighted average number of ordinary shares (diluted)

	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares (basic)	\$ 92,512	91,819
Effect of dilutive potential ordinary shares		
Effect of restricted employee shares unvested (Notes)	18	166
Effect of conversion of convertible bonds	<u>5,397</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>\$ 97,927</u>	<u>91,985</u>

Notes: For the calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price on the balance sheet day and the day before the Board of Directors' meeting, where the Company's option is outstanding.

(v) Revenue

The details of revenue for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 78,618	559,978
Dividend revenue	<u>56,280</u>	<u>-</u>
	<u>\$ 134,898</u>	<u>559,978</u>

(w) Employee compensation and directors' and supervisors' remuneration

According to the Company's articles of incorporation, the Company should distribute its remuneration of not less than 1% and not more than 3% of annual profits to its employees and directors respectively, after offsetting accumulated deficits, if any. Employees, including employees of affiliate companies that meet certain conditions, are subject to the abovementioned remuneration, which is to be distributed in stock or cash. The said conditions and distribution method are decided by the Board of Directors or the personnel authorized by the Board of Directors.

For the year ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$885 thousand and \$7,022 thousand, and directors' and supervisors' remuneration amounting to \$2,655 thousand and \$14,010 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2021 and 2020. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(x) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 1,517	3,973
Interest income from bonds	1,474	-
Other interest income	<u>5,434</u>	<u>5,950</u>
	<u>\$ 8,425</u>	<u>9,923</u>

For related-party transactions, please refer to note 7.

(ii) Other income

The details of other income were as follows:

	<u>2021</u>	<u>2020</u>
Rent income	\$ 17,792	16,856
Dividend income	-	157
Fee income	4,943	3,644
Service revenue	-	203,630
Other	<u>3,162</u>	<u>4,977</u>
	<u>\$ 25,897</u>	<u>229,264</u>

For related-party transactions, please refer to note 7.

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2021</u>	<u>2020</u>
Gains on disposal of property, plant and equipment	\$ 1,053	78
Gains on disposal of intangible assets	7,151	5,979
Foreign exchange losses	(3,184)	(16,880)
Gains on disposal of financial liabilities measured at fair value through profit or lost	893	198
Fee expense	(1,161)	(830)
Others	<u>(2)</u>	<u>(111)</u>
	<u>\$ 4,750</u>	<u>(11,566)</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(iv) Finance costs

The details of finance costs was as follows:

	2021	2020
Interest expense-bank loans	\$ 7,989	19,347
Interest expense-lease liabilities	85	127
Interest expense-bonds	5,049	-
	\$ 13,123	19,474

(y) Financial instrument

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

During 2021 and 2020, the Company's revenue was share of profit of subsidiaries, associates and joint ventures accounted for using the equity method.

There was no concentration of credit risk.

3) Receivables and debt securities

Other financial assets at amortized cost includes other receivables and other financial assets.

Debt investments at fair value through other comprehensive income include corporate bonds.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. The Company has no loss allowance provision as of December 31, 2021 and 2020.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non-derivative financial liabilities						
Secured loans	\$ 203,515	215,350	2,906	2,747	209,697	-
Unsecured loans	510,000	512,565	502,394	3,405	6,766	-
Other payables (including related parties)	43,126	43,126	43,126	-	-	-
Bond payable	1,900,906	2,000,000	-	-	2,000,000	-
Lease liability	2,879	2,914	2,562	352	-	-
	<u>\$ 2,660,426</u>	<u>2,773,955</u>	<u>550,988</u>	<u>6,504</u>	<u>2,216,463</u>	<u>-</u>
December 31, 2020						
Non-derivative financial liabilities						
Secured loans	\$ 662,800	678,387	247,042	431,345	-	-
Other payables (including related parties)	82,148	82,148	82,148	-	-	-
Lease liability	5,159	5,274	2,461	2,461	352	-
	<u>\$ 750,107</u>	<u>765,809</u>	<u>331,651</u>	<u>433,806</u>	<u>352</u>	<u>-</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rates</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rates</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 13,696	27.68	379,105	9,133	28.095	256,592
EUR	22	31.32	689	8	34.54	276

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 0.5% of the TWD against the USD, EUR and JPY as at December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$1,519 thousand and \$1,027 thousand, respectively.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2021 and 2020, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(3,184) and \$(16,880) thousand, respectively.

(iv) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 0.5%, with all other variable factor remaining constant, the Company's net income would have increased/decreased by \$2,854 thousand and \$2,651 thousand for the year ended December 31, 2021 and 2020, respectively. This is mainly due to the Company's borrowing in variable rates.

(v) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31			
	2021		2020	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 0.5%	\$ 245	10	253	10
Decreasing 0.5%	(245)	(10)	(253)	(10)

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

	December 31, 2021				
	Carrying amount	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets					
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 667,599	2,005	1,500	664,094	667,599
Financial assets at fair value through other comprehensive income					
Stocks unlisted on domestic markets	\$ 25,031	-	-	25,031	25,031
Stocks listed on domestic markets	48,950	48,950	-	-	48,950
Bonds payable	41,946	41,946	-	-	41,946
	<u>\$ 115,927</u>	<u>90,896</u>	<u>-</u>	<u>25,031</u>	<u>115,927</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,566,792	-	-	-	-
Other receivables (including related parties)	231,691	-	-	-	-
Other financial assets-current	1,000	-	-	-	-
Other financial assets-non-current	400,029	-	-	-	-
Refundable deposit	1,285	-	-	-	-
Subtotal	<u>2,200,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,984,323</u>	<u>92,901</u>	<u>1,500</u>	<u>689,125</u>	<u>783,526</u>
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 4,700	-	4,700	-	4,700
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 500,000	-	-	-	-
Other payables (including related parties)	43,126	-	-	-	-
Long-term borrowings	213,515	-	-	-	-
Bonds payable	1,900,906	-	2,299,500	-	2,299,500
Lease liabilities (current and non-current)	2,879	-	-	-	-
Subtotal	<u>2,660,426</u>	<u>-</u>	<u>2,299,500</u>	<u>-</u>	<u>2,299,500</u>
Total	<u>\$ 2,665,126</u>	<u>-</u>	<u>2,304,200</u>	<u>-</u>	<u>2,304,200</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

	December 31, 2020				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 538,654	2,012	-	536,642	538,654
Financial assets at fair value through other comprehensive income					
Stocks unlisted on domestic markets	\$ 25,031	-	-	25,031	25,031
Stocks listed on domestic markets	48,550	48,550	-	-	48,550
Bonds payable	43,963	43,963	-	-	43,963
	<u>\$ 117,544</u>	<u>92,513</u>	<u>-</u>	<u>25,031</u>	<u>117,544</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 455,723	-	-	-	-
Other receivables (including related parties)	347,541	-	-	-	-
Other financial assets-non-current	5,423	-	-	-	-
Refundable deposit	1,402	-	-	-	-
Subtotal	<u>810,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,466,287</u>	<u>94,525</u>	<u>-</u>	<u>561,673</u>	<u>656,198</u>
Financial liabilities					
Financial liabilities measured at amortized cost					
Other payables (including related parties)	\$ 82,148	-	-	-	-
Long-term borrowings, current portion	236,800	-	-	-	-
Long-term borrowings	426,000	-	-	-	-
Subtotal	<u>744,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 744,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- 2) Valuation techniques for financial instruments not measured at fair value.

The Company estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

- 3) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed common shares and funds held by the Company are determined by reference to the market quotation.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor.

4) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2021 and 2020.

5) Reconciliation of Level 3 fair values

	Fair value through profit or loss (Unquoted equity instruments)	Fair value through other comprehensive income (Unquoted equity instruments)
Opening balance on January 1, 2021	\$ 536,642	25,031
Purchased	<u>127,452</u>	<u>-</u>
Ending Balance on December 31, 2021	<u>\$ 664,094</u>	<u>25,031</u>
Opening balance on January 1, 2020	\$ 26,102	25,031
Acquired in a business combination	404,387	-
Purchased	<u>106,153</u>	<u>-</u>
Ending Balance on December 31, 2020	<u>\$ 536,642</u>	<u>25,031</u>

The Company increased non-current financial assets at fair value through profit or loss \$404,387 thousand because of short- form merging Swancor Industrial on April 14, 2020. For further information, please refer to note 6(f).

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "At fair value through profit or loss—unquoted equity instruments".

The Company, which is classified as equity instrument investment without an active market, has a number of significant unobservable inputs. The significant unobservable inputs of equity instrument investments without an active market are independent of each other. Therefore, there were no interrelationships from one input to another.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss-equity investments without an active market-Swancor Renewable Energy	Discounted Cash Flow Method	<ul style="list-style-type: none"> • Cost of equity Ratio (As of December 31, 2021 and 2020 were 6.96% and 7.22%) • Lack of marketability discount (As of December 31, 2021 and 2019 were both 26.2%) 	<ul style="list-style-type: none"> • the lower the Cost of equity Ratio, the higher the fair value • the higher the lack of marketability discount, the lower the fair value
Financial assets measured at fair value through profit or loss-equity investments without an active market-F I International	Discounted Cash Flow Method	<ul style="list-style-type: none"> • Cost of equity Ratio (As of December 31, 2021 and 2020 were 6.96% and 7.22%) • Lack of marketability discount (As of December 31, 2021 and 2020 were both 26.2%) 	<ul style="list-style-type: none"> • the lower the Cost of equity Ratio, the higher the fair value • the higher the lack of marketability discount, the lower the fair value
Financial assets at fair value through other comprehensive income equity investments without an active market-Gigantex Composite Technologies	Public company comparable	<ul style="list-style-type: none"> • Price-Book Ratio(As of December 31, 2021 and 2020 were 2.12~3.97 and 1.27~2.54, respectively) • Price-to-Sales Ratio(As of December 31, 2021 and 2020 were 0.65~1.88 and 0.47~1.90, respectively) • Lack of marketability discount (As of December 31, 2021 and 2020 were both 35%) 	<ul style="list-style-type: none"> • the higher the Price-Book Ratio, the higher the fair value • the higher the Price-to-Sales Ratio, the higher the fair value • the higher the lack of marketability discount, the lower the fair value

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's fair value measurement of financial instruments is reasonable. However, the use of different evaluation models or evaluation parameters may result in different evaluation results.

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

	<u>Input value</u>	<u>Change up or down</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2021						
Financial assets at fair value through profit or lost						
Equity investments without an active market	\$ 664,094	0.5 %	3,320	(3,320)	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Equity investments without an active market	\$ 25,031	0.5%	-	-	125	(125)
December 31, 2020						
Financial assets at fair value through profit or lost						
Equity investments without an active market	\$ 536,642	0.5 %	2,683	(2,683)	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Equity investments without an active market	\$ 25,031	0.5%	-	-	125	(125)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using the valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (z) Financial risk management

- (i) Overview

The Company is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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Swancor Holding Company Limited
Notes to the Financial Statements

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Company's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a subsidiary or counterparty to financial instruments fails to meet its contractual obligations, that arise principally from the Company's other receivable from subsidiaries and bank deposits.

1) Other receivables

The Company's other receivable is mainly generated from fee income of guarantees and endorsements, service revenue and cash dividends between subsidiaries, associates and other related parties. Please refer to note 7 for related-party transactions.

2) Investment

The exposure to credit risk for bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

The Company was incorporated as a investing and holding Company limited by transferred preference shares. The assets mainly consist of long-term investment. The operating capital requirements are particularly low. Thus, it manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows.

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Swancor Holding Company Limited
Notes to the Financial Statements

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

NTD is the Company's functional currency. And the Company's service revenues and general administrative expenses are mainly denominated in NTD. Thus, there is no currency risk.

2) Interest rate risk

The Company adopts a policy of ensuring that changes in interest rates on borrowings is on a variable rate basis.

(aa) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, and issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the similar industry use the debt-to-equity ratio to manage their capital. This ratio is calculated using the total net debt, divided by the total capital. The net debts from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus, net debt.

As of December 31, 2021, the Company's capital management strategy is consistent with that of the prior year, and the gearing ratio is maintained within 2% to 50% so as to ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 2,780,651	964,473
Less: cash and cash equivalents	<u>1,566,792</u>	<u>455,723</u>
Net debt	1,213,859	508,750
Total equity	<u>5,432,091</u>	<u>5,302,652</u>
Adjusted equity	<u>\$ 6,645,950</u>	<u>5,811,402</u>
Debt-to-equity ratio	<u>18%</u>	<u>9%</u>

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Swancor Holding Company Limited
Notes to the Financial Statements

(ab) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities, which did not affect its current cash flow in the years ended December 31, 2021 and 2020, were as follows:

- (i) For loss control of subsidiaries, please refer to notes 6(g).
- (ii) For acquisition of right-of-use assets through lease, please refer to note 6(j).
- (iii) For dividends receivable of investments accounted for using the equity method, please refer to notes 6(e).
- (iv) For conversion of convertible bonds to ordinary shares, please refer to notes 6(t).

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Conversion	Foreign exchange movement	Amortization	
Short-term borrowings	\$ -	500,000	-	-	-	500,000
Long-term borrowings (including current portion)	662,800	(449,285)	-	-	-	213,515
Lease liabilities (including current portion)	5,159	(2,477)	197	-	-	2,879
Bonds payable	-	2,113,308	(217,451)	-	5,049	1,900,906
Total liabilities from financing activities	<u>\$ 667,959</u>	<u>2,161,546</u>	<u>(217,254)</u>	<u>-</u>	<u>5,049</u>	<u>2,617,300</u>
	January 1, 2020	Cash flows	Conversion	Foreign exchange movement	Amortization	December 31, 2020
Long-term borrowings (including current portion)	\$ 606,675	(588,400)	643,325	-	1,200	662,800
Lease liabilities (including current portion)	4,674	(1,981)	2,466	-	-	5,159
Total liabilities from financing activities	<u>\$ 611,349</u>	<u>(590,381)</u>	<u>645,791</u>	<u>-</u>	<u>1,200</u>	<u>667,959</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Swancor Renewable Energy Co., Ltd. (Swancor Renewable Energy)	Key management personnel of the Company are Swancor Renewable Energy's director
Swancor(HK) Investment Co., Ltd (Swancor(HK))	Subsidiary of the Company
Swancor Highpolymer Co., Ltd. (Swancor Highpolymer)	Subsidiary of the Company
Strategic Capital Holding Ltd. (Strategic)	Subsidiary of the Company
Swancor(Jiangsu) New Materials Co., Ltd. (Swancor(Jiangsu))	Subsidiary of the Company
Swancor (Jiangsu) Carbon Composites Co., Ltd. (Swancor (Jiangsu) Carbon Composites)	Subsidiary of the Company
Sunwell Carbon Fiber Composite Corporation (Sunwell Carbon Fiber Composite)	Subsidiary of the Company
Swancor Ind. Co., Ltd. (Samoa) (Swancor)	Subsidiary of the Company
Swancor Advanced Materials Co., Ltd. (Swancor Advanced Materials)	Subsidiary of the Company
Swancor (Tianjin) Wind Blade Materials Co., Ltd. (Swancor (Tianjin))	Subsidiary of the Company
Swancor Ind(M) SDN.BHD. (Swancor Ind(M))	Subsidiary of the Company
Swancor Innovation & Incubation Co., Ltd (Swancor Innovation & Incubation)	Subsidiary of the Company
Jau-Yang, Tsai	Chairman of the Company

(b) Significant transactions with related parties

(i) Other transactions

- 1) The labor services provided to associates by the Company in 2021 and 2020 were as follows:

	2020
Associates-Swancor Advanced Materials	\$ 3,184
Other related parties- Swancor Renewable Energy	156,010
	\$ 159,194

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

- 2) As of December 31, 2021 and 2020, the Company provided guarantees and endorsements for related parties, and the fee income generated from related parties was as follows:

	2021	2020
Subsidiary-Swancor (Jiangsu) Carbon Composites	\$ 4,943	3,644

As of December 31, 2021 and 2020, the amount that had yet to be collected (which were classified under other receivable due from related parties) were as follows:

	December 31, 2021	December 31, 2020
Subsidiary-Swancor (Jiangsu) Carbon Composites	\$ 4,969	4,733

- 3) Rent income

As of December 31, 2021 and 2020, the Company leases office to related parties were as follows:

	2021	2020
Subsidiary- Swancor Highpolymer	\$ 12,171	12,192
Subsidiary- Sunwell Carbon Fiber Composite	2,287	1,710
Other related parties- Swancor Renewable Energy	-	2,100
	\$ 14,458	16,002

- (ii) Property transaction

- 1) Acquisition of property, plant and equipment

The Company purchased a parcel of land from its chairman, Mr. JauYang, Tsai, with the total area measuring 70,075.642 square feet, at the price of \$244,770 thousand, which had been fully paid on December 31, 2020. The land price was based on the appraisal report of the property appraisal company. Please refer to note 6 (9) for details of land changes in the current period.

- 2) Disposals property, plant and equipment

The Company sold the other equipment to Swancor Highpolymer for \$5,369 thousand in July and November 2020 and had been paid on December 31, 2020. Please refer to note 6 (9) for other equipment changes.

The Company sold computer software to Swancor Advanced Materials in November 2020 for \$8,133 thousand and been recognized as other account receivable related parties on December 31, 2020. Please refer to Note 6 (11) for details of computer software changes.

The Company sold the other equipment to Sunwell Carbon Fiber Composite for \$369 thousand in April 2021, and the above-mentioned amount had been received as of December 31, 2021. Please refer to note 6 (9) for other equipment changes.

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Swancor Holding Company Limited
Notes to the Financial Statements

The Company sold computer software to Sunwell Carbon Fiber Composite for \$1,612 thousand in April 2021, and the above-mentioned amount had been received as of December 31, 2021. Please refer to Note 6 (11) for details of computer software changes.

3) Disposals subsidiary

The Board of Directors of the Company determined to transfer Swancor (Jiangsu) Carbon Composites 83.89% of holding of shares from Swancor Holding to Sunwell Carbon Fiber Composite and the price was \$296,240 thousand. As of December 31, 2020 the amount had been paid on September 24, 2020. It didn't have any effect on shareholding to the Group. Related equity transfer procedures had been completed.

(iii) Loans to Related Parties

The loans to related parties (recognized as other receivable-related parties) were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary- Swancor (Jiangsu) Carbon Composites	\$ 78,147	189,884
Subsidiary- Swancor	49,824	50,571
Subsidiary- Swancor Innovation & Incubation	30,000	-
Subsidiary- Sunwell Carbon Fiber Composites	<u>65,000</u>	<u>-</u>
	<u>\$ 222,971</u>	<u>240,455</u>

The loans to related parties are unsecured. The interest income from the loans were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiary- Swancor (Jiangsu) Carbon Composites	\$ 3,895	3,855
Subsidiary- Swancor	1,511	1,901
Subsidiary- Sunwell Carbon Fiber Composites	<u>28</u>	<u>194</u>
	<u>\$ 5,434</u>	<u>5,950</u>

As of December 31, 2021 and 2020, interest of related parties receivable (recognized as other receivable- related parties) were \$3,238 thousand and \$4,537 thousand, respectively.

(iv) Guarantee

As December 31, of 2021 and 2020, the Company had provided guarantee for the loans of subsidiary-Swancor (Jiangsu) Carbon Composites with credit limit of \$886,398 thousand and \$689,667 thousand, respectively.

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(v) Receivables from Related Parties

The receivables from associates were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables	Other related parties - Swancor Renewable Energy	\$ -	<u>5,617</u>

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2021</u>	<u>2021</u>
Short-term employee benefits	\$ 10,607	12,368
Post-employment benefits	367	535
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	1,855	-
	<u>\$ 12,829</u>	<u>12,903</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	Bank Loans	\$ 537,281	239,306
Buildings	Bank Loans	-	99,855
Restricted bank deposit (other financial assets-current)	Bank's acceptance bill, long-term borrowings, forward exchange contract and stand by L/C and bank guarantee	1,000	3,671
Restricted bank deposit (other non-current financial assets)	Guarantee letter of convertible bond and bank loans	400,029	5,423
Domestic on listed Company (non-current financial assets at fair value through other comprehensive income)	Long-term borrowings	-	48,550
		<u>\$ 938,310</u>	<u>396,805</u>

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

(9) Commitments and contingencies:

- (a) Unrecognized contractual commitments

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	\$ 730,566	224,733

- (b) Outstanding standby letter of credit: None.
- (d) Contingencies: None.
- (e) Other

The subsidiary, Swancor Advanced Materials, applied for initial public offering on Shanghai Stock Exchange Star Market in January 2020. Swancor Holding, Swancor Industrial, Strategic and Swancor are the shareholders of Swancor Advanced Materials, Swancor Advanced Materials and aforementioned shareholders should provide the related commitments according to the requirements of China Securities Regulatory Commission, Shanghai Stock Exchange and other regulatory commission. Related information of commitments would be available at the Market Observation Post System website.

(10) Losses Due to Major Disasters: None.**(11) Subsequent Events: None.****(12) Other:**

- (a) The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function By item	2021			2020		
	Cost of sales from continuing operations	Operating expenses from continuing operations	Total	Cost of sales from continuing operations	Operating expenses from continuing operations	Total
Employee benefits						
Salary	-	27,267	27,267	-	40,859	40,859
Labor and health insurance	-	2,616	2,616	-	3,093	3,093
Pension	-	1,412	1,412	-	1,683	1,683
Remuneration directors	-	2,754	2,754	-	14,175	14,175
Others	-	370	370	-	427	427
Depreciation	-	13,238	13,238	-	15,899	15,899
Amortization	-	2,195	2,195	-	3,337	3,337

(Continued)

Swancor Holding Company Limited
Notes to the Financial Statements

Additional information of the number of employees and employee benefits of the Company in 2021 and 2020:

	December 31, 2021	December 31, 2020
The number of employees	<u>30</u>	<u>36</u>
The number of directors excluding the employees	<u>6</u>	<u>7</u>
The average of employees' benefits	<u>\$ 1,319</u>	<u>1,588</u>
The average of salary	<u>\$ 1,136</u>	<u>1,409</u>
The average of salary adjustment	<u>(19.38)%</u>	<u>(72.73)%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

The Company provides better and more competitive salary level than same business. In order to raise the employee team morale and improve competitiveness of the group, the Company establishes salary and welfare system according to the group organization function. Furthermore, the Company attracts, retains, cultivates and encourages outstanding talents with the concept of employee profit sharing.

(Continued)

SWANCOR HOLDING COMPANY LIMITED
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions, required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, of the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance			Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss Allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing	
						USD	CNY	USD						Item	Value			
0	Swancor Holding	Swancor Innovation & Incubation	Other receivables	Yes	30,000		30,000	30,000	-%	2	-	Operating purpose	-		-	2,172,836 (Note 1)	2,172,836 (Note 2)	
0	Swancor Holding	Swancor	Other receivables	Yes	CNY 3,600 99,504	USD 1,800 49,824	USD 1,800 49,824		3%	2	-	Operating purpose	-		-	2,172,836 (Note 1)	2,172,836 (Note 2)	
0	Swancor Holding	Sunwell Carbon Fiber Composite	Other receivables	Yes	130,000		130,000	65,000	1.6%	2	-	Operating purpose	-		-	814,814 (note 1)	2,172,836 (note 2)	
0	Swancor Holding	Swancor (Jiangsu) Carbon Composites	Other receivables	Yes	USD 4,000 CNY 18,000 304,902		CNY 18,000 78,147	CNY 18,000 78,147		4%	2	-	Operating purpose	-		-	814,814 (note 1)	2,172,836 (note 2)
1	Swancor Highpolymer	Swancor Ind (M)	Other receivables	Yes	5,707	-	-	-	-%	2	-	Operating purpose	-		-	111,224 (note 3)	296,596 (note 3)	
2	Sunwell Carbon Fiber Composite	Swancor (Jiangsu) Carbon Composites	Other receivables	Yes	CNY 20,000 87,156	CNY 20,000 86,830	CNY 5,000 21,708		4.5%	2	-	Operating purpose	-		-	98,107 (note 3)	261,619 (note 3)	

Note1 : The limited amount of loan to subsidiaries of the Group shall not exceed the net value of 15%. The total amount for lending to subsidiaries of the Company shall not exceed 40% of the Company's net worth.

Note2 : The total amount available for lending purpose shall not exceed 40% of the Company's net worth.

Note3 : According to the “Procedure for Loaning of Funds and Endorsements and Guarantees” issued by Swancor Highpolymer and Sunwell Carbon Fiber Composite, the amount of endorsements and/or guarantees to subsidiaries of the Group shall not exceed 15% of Swancor Highpolymer's and Sunwell Carbon Fiber Composites' net worth. The total amount of endorsements and/or guarantees to subsidiaries of the Group shall not exceed 40% of Swancor Highpolymer's and Sunwell Carbon Fiber Composites' net worth.

Note4 : For the purpose of lending, the numbering is classified as follows:

- 1) Business relationship.
- 2) Short-term financing.

Note5 : The transactions have been eliminated upon consolidation.

(Continued)

SWANCOR HOLDING COMPANY LIMITED
Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Swancor Holding	Swancor (Jiangsu) Carbon Composites	2	2,716,046	920,016	886,398	538,611	-	16.32 %	5,432,091	Y	N	Y
1	Swancor Highpolymer	Swancor Ind (M)	1	370,745	27,810	27,680	-	-	3.73 %	741,490	N	N	N
2	Swancor Advanced Materials	Swancor Ind (M)	2	1,372,301	943,665	940,275	30,704	-	41.11 %	2,287,168	N	N	N
2	Swancor Advanced Materials	Swancor (Jiangsu)	2	1,372,301	65,367	65,123	30,998	-	2.85 %	2,287,168	N	N	Y
2	Swancor Advanced Materials	Swancor (Tianjin)	2	1,372,301	653,670	651,225	317,605	-	28.47 %	2,287,168	N	N	Y

Note1 : The amount of endorsements and/or guarantees to subsidiaries of the Company shall not exceed 50% of the Company's net worth. The total amount of endorsements and/or guarantees to subsidiaries of the Company shall not exceed 100% of the Company's net worth. The amount of endorsements and/or guarantees to other parties expect subsidiaries shall not exceed 10% of the Company's net worth. The total amount of endorsements and/or guarantees to other parties expect subsidiaries shall not exceed 100% of the Company's net worth. For the parent company, the amount of endorsements and/or guarantees shall not exceed 50% of the Company's net worth.

Note2 : According to the "Procedure for Loaning of Funds and Endorsements and Guarantees" issued by Swancor Advanced Materials, the amount of endorsements and/or guarantees to subsidiaries of the Company shall not exceed 30% of Swancor Advanced Materials' net worth. The total amount of endorsements and/or guarantees to subsidiaries of the Company shall not exceed 50% of Swancor Advanced Materials' net worth.

Note3 : According to the "Procedure for Loaning of Funds and Endorsements and Guarantees" issued by Swancor Highpolymer, the amount of endorsements and/or guarantees to subsidiaries of the Company shall not exceed 50% of Swancor Advanced Materials' net worth. The total amount of endorsements and/or guarantees to subsidiaries of the Company shall not exceed 100% of Swancor Advanced Materials' net worth.

Note4 : Relationship between guarantee providers and guarantee parties were as follows:

- 1) Entities with business relationship with the Company.
- 2) Entities which the Company, directly or indirectly, held more than 50% voting shares.
- 3) Entities which, directly or indirectly, held more than 50% voting shares of the Company.
- 4) Entities which the Company, directly or indirectly, held more than 90% voting shares.

(Continued)

SWANCOR HOLDING COMPANY LIMITED
Notes to the Financial Statements

(iii) Securities held as of December 31, 2021 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Swancor Holding	Stock – Swancor Renewable Energy	Other related parties	Financial assets at fair value through profit or loss-non-current	25,127	259,707	5.00 %	259,707	
Swancor Holding	Stock – China Communications Media Group Co., Ltd.		Financial assets at fair value through profit or loss-current	9,868	191	0.07 %	191	
Swancor Holding	Stock- Tsang Yow Industrial Co., Ltd.		Financial assets at fair value through profit or loss-current	26,000	623	0.03 %	623	
Swancor Holding	Stock – Aero Win Technology Corporation		Financial assets at fair value through profit or loss-current	12,000	178	0.02 %	178	
Swancor Holding	Stock – KoanHau Technology Co., Ltd.		Financial assets at fair value through profit or loss-current	68,000	1,013	0.09 %	1,013	
Swancor Holding	Stock - F I International		Financial assets at fair value through profit or loss-non-current	45,246	404,387	7.50 %	404,387	
Swancor Holding	Stock – Gigantex Composite Technologies Co., Ltd.		Financial assets at fair value through other comprehensive income-non-current	19,845	25,031	14.92 %	25,031	
Swancor Holding	Special Stock – WT Microelectronics Co., Ltd.		Financial assets at fair value through other comprehensive income-non-current	1,000,000	48,950	0.1 %	48,950	
Swancor Holding	Stock – Promix Composites, Inc.		Financial assets at fair value through other comprehensive income-non-current	1,500	-	10 %	-	
Swancor Holding	Bonds- Dell International L. L. C		Financial assets at fair value through other comprehensive income-non-current	500,000	-	10 %	-	
Swancor Holding	Bonds-The Royal Bank of Scotland Group plc		Financial assets at fair value through other comprehensive income-non-current	-	5,990	- %	5,990	
Swancor Holding	Bonds- Dell International L. L. C		Financial assets at fair value through other comprehensive income-non-current	-	6,452	- %	6,452	
Swancor Holding	Bonds-Citigroup Inc.		Financial assets at fair value through other comprehensive income-non-current	-	10,536	- %	10,536	
Swancor Holding	Bonds-AT & T Corporation		Financial assets at fair value through other comprehensive income-non-current	-	7,509	- %	7,509	
Swancor Holding	Bonds-British Petroleum		Financial assets at fair value through other comprehensive income-non-current	-	5,560	- %	5,560	
Swancor Holding	Bonds-Hewlette Packard Company		Financial assets at fair value through other comprehensive income-non-current	-	5,899	- %	5,899	

(iv) Individual securities acquired, or disposed, with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Swancor Holding	Land	2021.10.12	292,511	As of November 31, 2021, \$292,511 thousand had been paid	Nantou County Government	None	Not applicable	Not applicable	Not applicable	-	Public Bidding	For operating	None
Swancor Holding	Construction in progress	2021.12.31	196,958	According to contract	Truedreams Construction Co., LTD etc.	None	Not applicable	Not applicable	Not applicable	-	Public Bidding	For operating	None

(vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

SWANCOR HOLDING COMPANY LIMITED
Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Swancor Highpolymer	Swancor Advanced Materials	Direct or indirect subsidiaries of the Company	(sales)	(123,370)	(0.92)%	90 Days	Note 1	No difference	15,195	0.40%	
Swancor Advanced Materials	Swancor Highpolymer	Direct or indirect subsidiaries of the Company	Purchase	123,370	0.83%	90 Days	Note 1	No difference	(15,293)	(0.39)%	
Swancor Advanced Materials	Swancor (Tianjin)	Direct or indirect subsidiaries of the Company	(sales)	(1,206,735)	(9.01)%	90 Days	Note 1	No difference	1,764	0.05%	
Swancor (Tianjin)	Swancor Advanced Materials	Direct or indirect subsidiaries of the Company	Purchase	1,206,735	8.08%	90 Days	Note 1	No difference	(1,764)	(0.04)%	
Swancor (Jiangsu)	Swancor Advanced Materials	Direct or indirect subsidiaries of the Company	(sales)	(1,331,247)	(9.94)%	90 Days	Note 1	No difference	155,578	4.06%	
Swancor Advanced Materials	Swancor (Jiangsu)	Direct or indirect subsidiaries of the Company	Purchase	1,331,247	8.92%	90 Days	Note 1	No difference	(155,578)	(3.95)%	
Swancor Advanced Materials	Swancor (Jiangsu)	Direct or indirect subsidiaries of the Company	(sales)	(132,697)	(0.99)%	90 Days	Note 1	No difference	14,381	0.38%	
Swancor (Jiangsu) Carbon Composites	Swancor (Tianjin)	Direct or indirect subsidiaries of the Company	Purchase	132,697	0.89%	90 Days	Note 1	No difference	(14,381)	(0.37)%	
Swancor (Jiangsu)	Swancor (Tianjin)	Direct or indirect subsidiaries of the Company	(sales)	(771,880)	(5.76)%	90 Days	Note 1	No difference	221,803	5.79%	
Swancor (Tianjin)	Swancor (Jiangsu)	Direct or indirect subsidiaries of the Company	Purchase	771,880	5.17%	90 Days	Note 1	No difference	(221,803)	(5.64)%	
Swancor (Tianjin)	Swancor (Jiangsu)	Direct or indirect subsidiaries of the Company	(sales)	(259,055)	(1.93)%	90 Days	Note 1	No difference	-	-%	
Swancor (Jiangsu)	Swancor (Tianjin)	Direct or indirect subsidiaries of the Company	Purchase	259,055	1.74%	90 Days	Note 1	No difference	-	-%	

Note1 : The sales prices and payment terms to related parties were not significantly different from those of the third parties, except for some special items.

Note2 : The transactions have been eliminated upon consolidation

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance
					Amount	Action taken		
Swancor(Jiangsu)	Swancor Advanced Materials	Direct or indirect subsidiaries of the Company	155,578	9.41 %	-		86,830	-
Swancor (Jiangsu)	Swancor (Tianjin)	Direct or indirect subsidiaries of the Company	221,803	3.91 %	-		-	-

- (ix) Trading in derivative instruments:None

(Continued)

SWANCOR HOLDING COMPANY LIMITED
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In Thousands of NTD/USD/CNY/HKD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Swancor Holding	Sunwell Carbon Fiber Composite	R.O.C.	Producing and selling carbon composites	458,000	458,000	45,800	86.42%	564,395	33,409	28,724	Investment Using the Equity Method
Swancor Holding	Strategic	Samoa	Investing and holding	USD 9,601 317,780	USD 9,601 317,780	9,601	100%	3,505,575	USD 1,828 51,164	67,073	Investment Using the Equity Method
Swancor Holding	Swancor Innovation & Incubation	R.O.C.	Management consulting	10,000	-	1,000	100%	(6,039)	(17,179)	(17,179)	Investment Using the Equity Method
Strategic	Swancor	Samoa	Investing and holding	USD 7,100 67,073	USD 7,100 233,692	7,100	100%	USD 104,076 2,880,827	USD 1,464 40,986	USD 1,464 40,986	Investment Using the Equity Method
Swancor Advanced Materials	Swancor (HK)	Hong Kong	Investing and holding	USD 21,880 662,997	USD 21,880 662,997	35,650	100%	CNY 212,201 921,266	CNY 7,911 34,332	CNY 7,911 34,332	Investment Using the Equity Method
Swancor (HK)	Swancor Ind. (M)	Malaysia	Chemical products manufacturing and processing	USD 7,820 241,521	USD 7,820 241,521	32,657	100%	HKD 50,516 179,311	HKD 1,726 6,216	HKD 1,726 6,216	Investment Using the Equity Method
Swancor (HK)	Swancor Highpolymer	ROC	Chemical products manufacturing and processing	USD 14,000 415,800	USD 14,000 415,800	41,580	100%	HKD 208,894 741,490	HKD 7,806 28,117	HKD 7,806 28,117	Investment Using the Equity Method

Note : The transactions have been eliminated upon consolidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, their main businesses and products, and other information:

(In Thousands of NTD/USD/CNY/HKD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Swancor Advanced Materials	Production and selling of Vinyl Ester Resins and light composite material resins	USD 20,677 CNY 348,576 1,834,912	Indirectly owned by the company	USD 2,500 84,071	-	-	USD 2,500 84,071	USD 2,746 76,892	79.24%	USD 2,176 60,929	USD 130,950 3,624,704	CNY 131,009 585,878
Wuxi Rongmai Engineering Plastic Co., Ltd.	Producing Engineering plastic used in electronic, electrical engineering and automotive industry	USD 2,100 64,806	Indirectly owned by the company (Note1)	USD 250 8,098	-	-	USD 250 8,098	-	10%	-	-	-
Swancor (Tianjin)	Energy conservation wind power laminar resins' manufacturing and selling	USD 7,000 CNY 5,500 254,376	Indirectly owned by the company	USD 7,000 230,401	-	-	USD 7,000 230,401	CNY (12,246) (53,144)	79.24%	CNY (9,704) (42,111)	CNY 183,245 795,559	-
Swancor (Jiangsu)	Energy conservation wind power laminar resins' manufacturing and selling	CNY 122,500 613,850	Indirectly owned by the company	CNY 76,875 380,892	-	-	CNY 76,875 380,892	CNY 15,361 66,659	79.24%	CNY 12,172 52,820	CNY 135,379 587,747	USD -
Meijia New Materials	Producing and selling of powder coating and epoxy resin	CNY 210,000 913,290	Indirectly owned by the company	CNY -	-	-	CNY -	CNY 5,692 24,700	18.87%	CNY 2,507 10,878	CNY 168,911 733,323	-
Swancor (Jiangsu) Carbon Composites	Producing and selling carbon composites	USD 19,000 611,313	Directly owned by the company	USD 15,940 512,237	-	-	USD 15,940 512,237	CNY 17,557 76,191	72.50%	CNY 14,729 63,920	415,378	-

(Continued)

SWANCOR HOLDING COMPANY LIMITED
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD 2,282	USD 93,545 2,815,863 (Note 3)	3,936,196 (Note 5)

Note1 : Invested by Ideal Star

Note2 : The amount was recognized based on the audited financial statements.

Note3 : The amount was translated at the rates of exchange at each authorization by Investment Commission.

Note4 : The indirectly investment in Mainland China amounting to US\$91,263 thousand was incurred from the merger of the Company and Swancor Industrial, wherein the Company became the surviving company and Swancor Industrial became the dissolved entity thereafter.

Note5 : The investment limit for Mainland China is 60% of the consolidated equity of the Company.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, were disclosed in “ the Information on significant transactions”.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
TSAI'S HOLDING CO.,LTD.		10,600,625	11.33 %
Jau-Yang, Tsai		8,894,033	9.51 %
Fubon Life Insurance Co., Ltd		5,005,000	5.35 %

(14) Segment information:

Please refer to the 2021 consolidated financial statement.

(Continued)

Swancor Holding Company Limited
Statement of Cash and Cash Equivalents
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and cash on hand	\$ 162
Cash in banks	Demand deposit	614,042
	Time deposits	<u>952,588</u>
		<u>\$ 1,566,792</u>

Statement of Prepayments

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Prepayment for insurance	Prepaid insurance of employer's liability insurance	\$ 318
Other prepayments	Software maintenance expense and annual administrative expense for syndicated loan	4,091
Overpaid sales tax		8,548
Others (Note)		<u>504</u>
		<u>\$ 13,461</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Swancor Holding Company Limited
Statement of changes in investments accounted for using the equity method
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance			Addition		Decrease		Ending Balance			Profit or loss of investment	Amount of exchange on translation of foreign financial statement	Market value of Net Assets value		Pledge Collateral
	Shares	Percentage of ownership	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount			Unit price	Total price	
Sunwell Carbon Fiber Composites Corporation	45,800,000	86.42	\$ 532,356	-	1,999 (note 1)	-	-	45,800,000	86.42	564,395	28,724	2,980	12.32	564,395	None
Strategic Capital Holding Ltd.	9,610,000	100.00	3,489,794	-	2,562 (note 2)	-	(94,575) (note 4)	9,601,000	100.00	3,505,575	67,073	25,091	365.13	3,505,575	None
Swancor Innovation & Incubation	-	-	-	1,000,000	11,140 (note 3)	-	-	1,000,000	100.00	(6,039)	(17,179)	-	(6.04)	(6,039)	None
			<u>\$ 4,022,150</u>		<u>15,701</u>		<u>(94,575)</u>			<u>4,063,931</u>	<u>78,618</u>	<u>28,071</u>		<u>4,063,931</u>	

Note1: Including the investment amount of \$832 thousand of changing in downstream transactions, credit \$597 thousand of capital surplus because of recognizing the company's employee share options, credit \$435 thousand of capital surplus because of recognizing Sunwell Carbon Fiber Composites Corporation's employee share options and amount of \$135 thousand of the difference in equity due to the changes of proportionate investment in Sunwell Carbon Fiber Composites Corporation.

Note2: Including credit \$2,562 thousand of capital surplus because of recognizing the company's employee share options.

Note3: Including \$10,000 thousand of increase capital to set up Sunwell Innovation & Incubation and credit \$1,140 thousand of capital surplus because of recognizing the company's employee share options.

Note4: Including \$86,760 thousand of Strategic's cash dividends and the investment amount of \$7,815 thousand of changing in downstream transactions.

Swancor Holding Company Limited
Statement of Other Payables and Other Payables
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other payables	Salary and Wages Payable	\$ 34,384
	Employee Bonus and director compensation	3,540
	Advertising expense payable	-
	Labor expense payable	2,526
	Interest payable	1,137
	Others (Note)	<u>1,539</u>
		<u>\$ 43,126</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Other Current liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other Current liabilities	Temporary receipts	\$ 37,571
	Receipts under custody	<u>136</u>
		<u>\$ 37,707</u>

Swancor Holding Company Limited
Statement of Operating Revenue
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Share of profit of Subsidiaries, associates and joint ventures	\$ 78,618
Dividend income	<u>56,280</u>
	<u>\$ 134,898</u>

Statement of Administrative Expenses

<u>Item</u>	<u>Administrative expenses</u>	<u>Research expenses</u>
Salary	\$ 29,991	<u>30</u>
Professional service fees	16,988	4,771
Depreciation	12,733	505
Amortization	695	1,500
Others (Note)	<u>8,531</u>	<u>166</u>
Total	<u>\$ 68,938</u>	<u>6,972</u>

Note : The amount of each item in others does not exceed 5% of the account balance.

Swancor Holding Company Limited
Statement of Non-Operating income and expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Non-Operating Income		
Interest income	Interest income of bank deposits and others	\$ 8,425
Fee income	Guarantees and endorsements fee income	4,943
Rent income	Rent income	17,792
Gain on disposal of intangible assets	Gain on disposal of intangible assets	7,151
Other (Note)		<u>5,128</u>
		<u>43,439</u>
Non-Operating Expenses		
Interest expense	Interest expenses of bonds payables, loan and lease liabilities	13,123
Fee expense	Collateral loans fee expenses	1,161
Foreign exchange losses	Net foreign exchange losses	3,184
Others (Note)		<u>22</u>
		<u>17,490</u>
		<u>\$ 25,949</u>

Note: The amount of each item in others does not exceed 5% of the account balance.