

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Swancor Holding Company Limited and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Review Report For the Years Ended December 31, 2022 and 2021

Address: No. 9, Industry South 6 Road., Nantou City 54066, Taiwan
Telephone: 886-49-225-5420

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	10~28
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	29
(6) Explanation of significant accounts	30~75
(7) Related-party transactions	75~76
(8) Pledged assets	77
(9) Significant commitments and contingencies	77
(10) Losses Due to Major Disasters	77
(11) Subsequent Events	78
(12) Other	78
(13) Other disclosures	
(a) Information on significant transactions	79~83
(b) Information on investees	83
(c) Information on investment in Mainland China	84
(14) Segment information	85~86

Representation Letter

The entities that are required to be included in the combined financial statements of Swancor Holding Company Limited as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10"Consolidated Financial Statements. " Endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Swancor Holding Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Swancor Holding Company Limited
Chairman: Jau-Yang, Tsai
Date: March 10, 2023

Independent Auditors' Report

To the Board of Directors of Swancor Holding Company Limited:

Opinion

We have audited the consolidated financial statements of Swancor Holding Company Limited (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022, and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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.

1. Revenue Recognition

Refer to Note 4(n) “Revenue” and Note 6(ab) “Revenue from contracts with customers” to the consolidated financial statements.

Description of key audit matter:

Revenue recognition when the control in each individual contract with customers is transferred. The Company recognizes revenue depending on the various sales terms in each individual contract with customers of the Group’s management. In addition, since the Company is a listed company, it takes responsibility to maintain stable revenue in order to meet investors’ expectation; therefore, revenue recognition has been identified as one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Company’s internal controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standard, and understanding the Company’s main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customers’ orders, and assessing whether the accounting treatment of the related contracts (including sales terms) is applied appropriately; performing a test regarding the details on sales revenue, and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns, which incurred within a certain period before, or after, the balance sheet date; and evaluating the adequacy of the Company’s disclosures of its revenue recognition policy and other related disclosures.

2. Evaluation of Accounts receivable

Please refer to Note 4(g) “Financial instruments”, Note 5(a) ”The loss allowance of accounts receivable” and Note 6(d) “Notes and accounts receivable” to the consolidated financial statements.

Description of key audit matter:

The Group’s accounts receivable is concentrated within certain customers, and the determination of allowance for accounts receivable relies on the management’s subjective judgment. Therefore, the valuation of accounts receivables is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, concerning the allowance of accounts receivable, we analyze the overdue aging report, historical collection records and concentration of credit risk from clients in order to determine whether the Company recognizes its allowance of accounts receivable and the amount appropriately.

3. Assessment of Inventories

The accounting principle of inventories, refer to consolidated financial statements Note 4 (h)“inventories”, the assessment of accounting estimate and assumption uncertainty, refer to consolidated financial statements Note 5 (b); the explanation of inventories assessment refers to consolidated financial statements Note 6 (f).

Description of key audit matter:

The Group’s inventories are measured at the lower of cost and net realizable value. However, the cost of inventories might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventories evaluation is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included conducting sampling to examine accuracy of inventories aging; assessing the Group's inventories decline or rationality of debt ratio; examining accuracy of allowance amount of inventory of past years, and comparing with this period; assessing whether estimation method this period presents fairly; examining whether the valuation of inventories is in compliance with the accounting policies of the Group; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

Other Matter

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. 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 Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hsueh, Chen and Shyh-Huar, Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Swancor Holding Company Limited and subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021		Liabilities and Equity	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 2,527,070	18	2,530,959	17	2100 Short-term borrowings (note 6(p) and 8)	\$ 1,294,674	9	2,292,267	16
1110 Current financial assets at fair value through profit or loss (note 6(b) and (s))	2,051	-	3,505	-	2120 Current financial liabilities at fair value through profit or loss (note 6(b) and (s))	3,761	-	4,700	-
1150 Notes receivable, net (note 6(d))	2,452,806	17	2,134,787	15	2130 Current contract liabilities (note 6(ab))	35,333	-	14,144	-
1170 Accounts receivable, net (note 6(d))	2,476,625	18	2,901,468	20	2150 Notes payable	426,615	3	553,265	4
1200 Other receivables (note 6(e))	4,064	-	1,012	-	2170 Accounts payable	1,707,700	12	2,239,595	15
1220 Current tax assets	9,311	-	7,309	-	2180 Accounts payable to related parties (note 7)	4,318	-	29,523	-
130X Inventories (note 6(f))	899,451	6	1,236,469	8	2200 Other payables (note 6(q))	439,224	3	412,763	3
1410 Prepayments	43,792	-	38,315	-	2220 Other payables to related parties (note 7)	5,000	-	-	-
1479 Other current assets (note 6(o))	59,459	-	109,363	1	2230 Current tax liabilities	129,126	1	98,582	1
1476 Other current financial assets (note 6(o) and 8)	156,070	1	167,915	1	2399 Other current liabilities, others (note 6(q) and (v))	60,289	-	62,445	-
Total current assets	8,630,699	60	9,131,102	62	2322 Long-term borrowings, current portion (note 6(r) and 8)	62,304	1	20,187	-
Non-current assets:					2280 Current lease liabilities (note 6(t))	16,784	-	8,009	-
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	665,904	5	664,094	5	Total current liabilities	4,185,128	29	5,735,480	39
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	109,662	1	115,927	1	Non-Current liabilities:				
1550 Investments accounted for using equity method (note 6(g))	920,162	6	925,446	6	2530 Bonds payable (note 6(s) and 8)	1,502,045	11	1,900,906	13
1600 Property, plant and equipment (note 6(l) and 8)	3,469,962	24	2,809,810	19	2540 Long-term borrowings (note 6(r) and 8)	510,896	4	343,727	3
1755 Right-of-use assets (note 6(m) and 8)	251,517	2	230,228	2	2550 Non-current provisions (note 6(u))	7,900	-	-	-
1780 Intangible assets (note 6(n))	53,917	-	11,308	-	2570 Deferred income tax liabilities (note 6(x))	56,637	-	839	-
1840 Deferred tax assets (note 6(x))	91,058	1	87,974	1	2670 Other non-current liabilities, others (note 6(q) and (v))	46,055	-	31,466	-
1981 Cash surrender value of life insurance (note 6(k))	-	-	56,340	-	2580 Non-current lease liabilities (note 6(t))	17,967	-	3,564	-
1990 Other non-current assets (note 6(o) and 8)	81,214	1	544,079	4	Total non-current liabilities	2,141,500	15	2,280,502	16
Total non-current assets	5,643,396	40	5,445,206	38	Total liabilities	6,326,628	44	8,015,982	55
					Equity attributable to owners of parent (note 6(y)):				
					3100 Ordinary shares	981,311	7	935,046	6
					3200 Capital surplus (note 6(z))	3,533,803	25	3,161,540	22
					3300 Retained earnings	2,538,139	18	1,774,173	12
					3400 Other equity	(347,737)	(3)	(391,367)	(3)
					3500 Treasury shares	(47,301)	-	(47,301)	-
					Total equity attributable to owners of parent:	6,658,215	47	5,432,091	37
					36xx Non-controlling interests (note 6(j))	1,289,252	9	1,128,235	8
					Total equity	7,947,467	56	6,560,326	45
Total assets	\$ 14,274,095	100	14,576,308	100	Total liabilities and equity	\$ 14,274,095	100	14,576,308	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Swancor Holding Company Limited and subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues (note 6(ab))	\$ 9,771,454	100	10,710,300	100
5000	Operating costs (note 6(f), (w) and 7)	<u>8,243,020</u>	<u>84</u>	<u>9,370,771</u>	<u>87</u>
	Gross profit from operations	<u>1,528,434</u>	<u>16</u>	<u>1,339,529</u>	<u>13</u>
	Operating expenses (note 6(w), (ac) and 7):				
6100	Selling expenses	418,344	4	531,723	5
6200	Administrative expenses	435,407	5	400,341	4
6300	Research and development expenses	214,300	2	240,938	2
6450	Impairment loss (gain) determined in accordance with IFRS 9 (note 6(d))	<u>(13,100)</u>	<u>-</u>	<u>17,153</u>	<u>-</u>
		<u>1,054,951</u>	<u>11</u>	<u>1,190,155</u>	<u>11</u>
	Net operating income	<u>473,483</u>	<u>5</u>	<u>149,374</u>	<u>2</u>
	Non-operating income and expenses (note 6(ad)):				
7100	Interest income	19,798	-	10,439	-
7010	Other income and expenses	40,847	1	66,571	-
7020	Other gains and losses (note 6(i) and (k))	697,675	7	(26,543)	-
7050	Finance Costs (note 6(s) and (t))	(81,105)	(1)	(91,106)	-
7060	Share of profit of associates and joint ventures accounted for using equity method (note 6(g))	<u>(4,371)</u>	<u>-</u>	<u>13,728</u>	<u>-</u>
		<u>672,844</u>	<u>7</u>	<u>(26,911)</u>	<u>-</u>
	Profit before income tax	1,146,327	12	122,463	2
7950	Income tax expenses (income) (note 6(x))	<u>186,348</u>	<u>2</u>	<u>(96,389)</u>	<u>-</u>
	Profit	<u>959,979</u>	<u>10</u>	<u>218,852</u>	<u>2</u>
8300	Other comprehensive income (note 6(y)):				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	70,194	1	38,290	-
8367	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income	(10,280)	-	(603)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income for the year, net of tax	<u>59,914</u>	<u>1</u>	<u>37,687</u>	<u>-</u>
	Total comprehensive income for the year, net of tax	<u>\$ 1,019,893</u>	<u>11</u>	<u>256,539</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of parent	903,153	9	185,933	2
8620	Non-controlling interests (note 6(j))	<u>56,826</u>	<u>1</u>	<u>32,919</u>	<u>-</u>
		<u>\$ 959,979</u>	<u>10</u>	<u>218,852</u>	<u>2</u>
	Comprehensive income attributable to:				
8710	Owners of parent	946,783	10	213,401	2
8720	Non-controlling interests (note 6(j))	<u>73,110</u>	<u>1</u>	<u>43,138</u>	<u>-</u>
		<u>\$ 1,019,893</u>	<u>11</u>	<u>256,539</u>	<u>2</u>
	Earnings per share (NT Dollars) (note 6(aa))				
9750	Basic earnings per share	<u>\$ 9.48</u>		<u>2.01</u>	
9850	Diluted earnings per share	<u>\$ 8.07</u>		<u>1.93</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Swancor Holding Company Limited and subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Retained earnings					Other equity interest					Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	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					
Balance on 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	1,112,945	6,415,597	
Profit for the year	-	-	-	-	185,933	185,933	-	-	-	-	185,933	32,919	218,852	
Other comprehensive income for the year	-	-	-	-	-	-	28,071	(603)	27,468	-	27,468	10,219	37,687	
Total comprehensive income for the year	-	-	-	-	185,933	185,933	28,071	(603)	27,468	-	213,401	43,138	256,539	
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)	-	(323,766)	
Treasury share transfer to employees	-	7,278	-	-	-	-	-	-	-	19,040	26,318	830	27,148	
Due to recognition of equity component of convertible bonds issued	-	213,351	-	-	-	-	-	-	-	-	213,351	-	213,351	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(28,543)	(28,543)	
Adjustment to capital surplus due to non-proportional investment	-	135	-	-	-	-	-	-	-	-	135	(135)	-	
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	1,128,235	6,560,326	
Balance on January 1, 2022	\$ 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	1,128,235	6,560,326	
Profit for the year	-	-	-	-	903,153	903,153	-	-	-	-	903,153	56,826	959,979	
Other comprehensive income for the year	-	-	-	-	-	-	53,910	(10,280)	43,630	-	43,630	16,284	59,914	
Total comprehensive income for the year	-	-	-	-	903,153	903,153	53,910	(10,280)	43,630	-	946,783	73,110	1,019,893	
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	18,593	-	(18,593)	-	-	-	-	-	-	-	-	
special reserve	-	-	-	(27,468)	27,468	-	-	-	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(139,187)	(139,187)	-	-	-	-	(139,187)	-	(139,187)	
Conversion of convertible bonds	46,265	369,564	-	-	-	-	-	-	-	-	415,829	-	415,829	
Share-based payment transactions	-	2,699	-	-	-	-	-	-	-	-	2,699	656	3,355	
Due to the acquisition of the subsidiary	-	-	-	-	-	-	-	-	-	-	-	87,251	87,251	
Balance at December 31, 2022	\$ 981,311	3,533,803	292,074	391,367	1,854,698	2,538,139	(333,092)	(14,645)	(347,737)	(47,301)	6,658,215	1,289,252	7,947,467	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Swancor Holding Company Limited and subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,146,327	122,463
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	251,362	197,336
Amortization expenses	10,956	4,269
Impairment loss (reversal of impairment loss)	(13,100)	17,153
Net gains on financial assets or liabilities at fair value through profit or loss	(650,607)	(5,287)
Interest expense	81,105	91,106
Interest income	(19,798)	(10,439)
Dividend income	(65,225)	(56,280)
Share-based payment transactions	3,355	8,108
Share of profit of associates and joint ventures accounted for using equity method	4,371	(13,728)
Losses (gain) on disposal of property, plant and equipment	9,707	(972)
Increase in cash surrender value of life insurance	(11,683)	(1,105)
Amortization of deferred income	(4,374)	(2,034)
Gains on lease modification	(32)	-
Other adjustments to reconcile profit	(4,449)	-
	<u>(408,412)</u>	<u>228,127</u>
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(318,633)	484,454
Decrease in accounts receivable	442,674	478,487
(Increase) decrease in other receivables	(3,014)	84,279
Decrease in other receivables due from related parties	-	5,617
Decrease (increase) in inventories	343,537	(220,885)
(Increase) decrease in prepayments	(4,945)	132,396
Decrease (increase) in other operating assets	51,970	(16,662)
Total changes in operating assets	<u>511,589</u>	<u>947,686</u>
Changes in operating liabilities:		
Decrease (increase) in notes payable	(137,487)	108,992
Decrease in accounts payable	(533,545)	(980,436)
Decrease (increase) in accounts payable to related parties	(25,205)	29,523
Increase in other payables	27,535	14,084
Decrease in other payable to related parties	(5,029)	-
Decrease in provisions	(18,530)	-
Increase in other operating liabilities	51,148	57,006
Total changes in operating liabilities	<u>(641,113)</u>	<u>(770,831)</u>
Total adjustments	<u>(537,936)</u>	<u>404,982</u>
Cash inflow generated from operations	608,391	527,445
Dividends received	65,225	56,280
Interest received	20,232	10,840
Interest paid	(61,529)	(83,843)
Income taxes paid	(96,264)	(65,179)
Net cash flows from operating activities	<u>536,055</u>	<u>445,543</u>
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	-	(127,452)
Proceeds from disposal of non-current financial assets at fair value through profit or loss	609,020	-
Acquisition of current financial assets at fair value through profit or loss	(137,017)	-
Proceeds from disposal of current financial assets at fair value through profit or loss	139,486	4,394
Acquisition of investments accounted for using equity method	-	(911,718)
Acquisition of property, plant and equipment	(665,369)	(1,093,221)
Proceeds from disposal of property, plant and equipment	56,463	6,900
Decrease in refundable deposits	1,257	1,025
Acquisition of intangible assets	(32,167)	(3,699)
Net cash flow from acquisition of subsidiaries	54,212	-
Decrease (increase) in other financial assets	407,674	(392,500)
Increase (decrease) in prepayments for business facilities	(34,261)	41,509
Increase in prepayments for investments	-	(65,000)
Proceeds from disposal of cash surrender value of life insurance	68,023	-
Net cash flow from (used in) investing activities	<u>467,321</u>	<u>(2,539,762)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,638,918	4,173,872
Decrease in short-term borrowings	(3,636,511)	(2,662,734)
Issuance to corporate bond	-	2,113,308
Proceeds from long-term borrowings	255,520	756,715
Repayments of long-term borrowings	(163,990)	(1,073,919)
Increase in guarantee deposits received	279	-
Decrease in other payables to related parties	(9,643)	-
Repayments of lease liabilities	(10,673)	(6,769)
Cash dividends paid	(139,187)	(323,766)
Proceeds from sale of treasury shares	-	19,040
Change in non-controlling interests	-	(28,543)
Increase in deferred income	20,434	23,965
Net cash flow (used in) from financing activities	<u>(1,044,853)</u>	<u>2,991,169</u>
Effect of exchange rate changes on cash and cash equivalents	<u>37,588</u>	<u>35,209</u>
Net (decrease) increase in cash and cash equivalents	<u>(3,889)</u>	<u>932,159</u>
Cash and cash equivalents at beginning of period	<u>2,530,959</u>	<u>1,598,800</u>
Cash and cash equivalents at end of period	<u>\$ 2,527,070</u>	<u>2,530,959</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(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 and its subsidiaries (together referred to as the “Group”) is primarily involved in the manufacturing and trading business of precision chemical materials, Vinyl Ester Resins & UP Resin light composite material resins, energy conservation LED resins, energy conservation wind power laminar resins and painting.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2023.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- 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”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated 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 Group, 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”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies

The accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C.

(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.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and its subsidiaries. The Group accounted an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that the control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding	
			December 31, 2022	December 31, 2021
Swancor Holding	Swancor Innovation & Incubation Co., Ltd. (Swancor Innovation & Incubation)	Management consulting	100%	100%
Swancor Holding	S-Wanlai Co., Ltd. (S-Wanlai)	Producing and selling of synthetic chemicals	100%	-
Swancor Holding	Swancor Carbon Fiber Composites Corporation., Ltd. (Sunwell Carbon Fiber Composites)	Producing and selling of carbon	86.42%	86.42% (Note 2~3)
Swancor Holding	Strategic Capital Holding Ltd. (Strategic)	Investing and holding of subsidiaries	100%	100%
Sunwell Carbon Fiber Composite	Swancor (Jiangsu) Carbon Composites	Producing and selling of carbon	83.89%	83.89%
Sunwell Carbon Fiber Composite	COTECH, INC. (COTECH)	Producing and selling of carbon	80.82%	-
Strategic	Swancor Ind. Co., Ltd. (Samoa) (Swancor)	Investing and holding of subsidiaries	100%	100%

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
Strategic	Swancor Advanced Materials Co., Ltd. (Swancor Advanced Materials)(Note 1)	Producing and selling Vinyl Ester Resins and light composite material resins	15.20%	15.20%
Swancor	Swancor Advanced Materials	Producing and selling Vinyl Ester Resins and light composite material resins	64.04%	64.04%
Swancor Advanced Materials	Swancor (Tianjin) Wind Blade Materials Co., Ltd. (Swancor (Tianjin))	Producing and selling of energy conservation wind power laminar resins	100%	100%
Swancor Advanced Materials	Swancor (Jiangsu) New Materials Co., Ltd. (Swancor (Jiangsu))	Producing and selling of energy conservation wind power laminar resins	100%	100%
Swancor Advanced Materials	Swancor (HK) Investment Co., Ltd. (Swancor (HK))	Investing and holding of subsidiaries	100%	100%
Swancor (HK)	Swancor Ind(M) SDN.BHD. (Swancor Ind(M))	Producing and selling Vinyl Ester Resins and light composite material resins	100%	100%
Swancor (HK)	Swancor Highpolymer Co., Ltd. (Swancor Highpolymer)	Producing and selling Vinyl Ester Resins and light composite material resin	100%	100%

Note 1: The original name is Swancor (Shanghai) Fine Chemical Co., Ltd., which changed the name to Swancor Advanced Materials Co., Ltd. In July 2017 of the Republic of China.

Note 2: 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 the six months ended December 31, 2021. For the years 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.

Note 3: On November 5, 2021, the Board of Directors of Sunwell Carbon Fiber Composite determined to transfer 183 thousand of treasury shares to employees. The treasury shares had been transferred in November, 2021, the Group resulting in its shareholding ratio to decrease from 86.71% to 86.42%, and decrease the capital surplus amounting to \$323 thousand.

List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

- (ii) Changes in ownership of subsidiaries from January 1, 2021 to December 31, 2022 were as follow :

On April 19, 2021, the Group invested the amount of \$10,000 thousand in its subsidiary, Swancor Innovation & Incubation; and the registration procedures had been completed.

On December 23, 2021 and February 8, 2022, the Group prepaid the amount of \$65,000 thousand for both periods, totaling \$130,000 thousand. The payments were used for investing \$130,000 thousand shares of the preferred shares, with voting rights issued by COTECH. According to the share subscription agreement, the Group obtained all the account books and various seals of COTECH on January 1, 2022, resulting in its shareholding percentage to increase to 80.82% after all the subscription shares were issued, allowing the Group to have control over COTECH. The issuance and registration of the preferred shares had been completed on February 8, 2022.

Resulting in ownership of 80.82% after all the subscription shares were issued, and the Group, therefore, had controls over COTECH. The issuance and the registration of the preferred shares had been completed on February 8, 2022.

The Group invested an additional amount of \$200,000 thousand in its subsidiary, Swancor Innovation & Incubation, on January 27, 2022; and the related registration procedures had been completed.

The Group invested an additional amount of \$200,000 thousand in its subsidiary, S-Wanlai, on June 7, 2022; and the related registration procedures had been completed.

- (d) Foreign currency

- (i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities 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 and subsidiaries
Notes to the Consolidated 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 Group 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 non controlling interest. When the Group 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.

(e) 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 Group 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 issue of equity instruments do not affect its classification.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(f) 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.

(g) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group 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; Fair value through other comprehensive income (FVOCI); or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 financial 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 and subsidiaries
Notes to the Consolidated 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 Group 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 Group'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 Group 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.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

4) Impairment of financial assets

The Group recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

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

- 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 accounts 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 Group 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 Group's historical experience and informed credit assessment, as well as forward-looking information.

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

The Group considers a financial asset to be in default when the financial asset is more than 361 days past due or the debtor is unlikely to fully pay its credit obligations to the Group.

The Group 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 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

At each reporting date, the Group 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 :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 361 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group 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 and subsidiaries
Notes to the Consolidated 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 Group 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 and subsidiaries
Notes to the Consolidated Financial Statements

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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 Group 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.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any change of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share. Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) 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 Group.

(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: 5~25 years
- 2) Machinery and equipment: 4~15 years
- 3) Other equipment: 2~13 years
- 4) The significant components and related useful lives of buildings and structures and machinery and equipment are as follow:

Components	Useful Lives	Components	Useful Lives
Buildings and structures	25years	Machinery and equipment	15years
Electrical power equipment	20years	Power distribution project	15years
Improvement construction	20years	Piping construction	5~10 years
Fire protection engineering	20years		

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

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(k) Lease

At inception of a contract, the Group 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(i) As a lease

The Group 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 Group's incremental borrowing rate. Generally, the Group 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 Group'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 extension or termination option; or
- 5) there are any lease modifications.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

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.

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 Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use set to reflect the partial or full termination of the lease, and recognize in profit or loss.

The Group 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 Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize right-of-use assets and liabilities for less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Intangible assets

(i) Recognition and measurement

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.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(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.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits) 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 CGUs.

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.

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

1) Sale of goods

The Group manufactures and sells precision chemical materials, Vinyl Ester Resins and light composite material resins to composite material manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- iii) the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(o) Government grants and government assistance

The Group recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

Government assistance in the form of a guarantee from the government for loans from financial institutions was considered to calculate in market interest rate. The difference of the amount was recognized as deferred income and the deferred income was shared to other income based on complete planning in the loan period.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(ii) 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 Group 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.

(q) 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.

The grant date of a share-based payment award is the date on which the Group announces the price and number of the new award.

(r) 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 Group 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

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

- (i) the Group 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:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intends 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.

- (s) Earnings per share

The Group 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 employee bonus.

- (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group' s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

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

The preparation of the consolidated financial statements 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. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

a) The loss allowance of accounts receivable

The Group has estimated the loss allowance of accounts receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Changes in the economic environment and industry trends may result in significant adjustments to the loss allowance of trade receivables. The relevant assumptions and input values, please refer to note 6(d).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

The Group 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).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Pretty cash and cash on hand	\$ 842	631
Demand deposits	769,273	1,567,320
Time deposits	<u>1,756,955</u>	<u>963,008</u>
Cash and cash equivalents in the consolidated statement of cash flow	<u>\$ 2,527,070</u>	<u>2,530,959</u>

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

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

	December 31, 2022	December 31, 2021
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	2,051	2,005
Stocks unlisted on domestic markets	<u>665,904</u>	<u>664,094</u>
Total	<u>\$ 667,955</u>	<u>667,599</u>
	December 31, 2022	December 31, 2021
Financial liabilities mandatorily measured at fair value through profit or loss :		
Unsecured convertible corporate bonds- call and put provision	\$ 3,208	4,700
Derivative instruments not used for hedging-		
Forward exchange contracts	<u>553</u>	<u>-</u>
Total	<u>\$ 3,761</u>	<u>4,700</u>

On August 26, 2021, Synera Renewable Energy (formerly Swancor Renewable Energy) issued new stocks for capital increase by cash, wherein the Group purchased its new shares amounting to \$127,452 thousand.

During 2022 and 2021, the dividend of \$63,225 thousand and \$55,834 thousand, respectively, related to equity investments at fair value through profit or loss held on December 30, 2022 and 2021, were recognized as operating revenues.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The amount of profit or loss which is recognized at fair value please refer to note 6(ad).

The Group uses derivative financial instruments to manage the exposure to foreign exchange and interest rate risk arising from operating, financing and investing activities. The following derivative financial instruments, without the application of hedge accounting were classified as financial assets at fair value through profit or loss and financial liabilities held for trading:

	December 31, 2022		
	Amount (in thousands)	Currency	Maturity date
Forward exchange contracts	EUR	547	TWD to EUR 111.12.21~112.03.05

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

	December 31, 2022	December 31, 2021
Debt investments at fair value through other comprehensive income :		
Corporate bonds	\$ 36,881	41,946
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	47,750	48,950
Domestic unlisted Company - Promix Composites, Inc.	-	-
Domestic unlisted Company - Ideal Star International Corp.	-	-
Subtotal	72,781	73,981
Total	\$ 109,662	115,927

1. Debt investments at fair value through other comprehensive income

The Group 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 Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group 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, 2022 and 2021.

During 2022 and 2021, the dividends of \$2,000 thousand and \$426 thousand, related to equity investments at fair value through other comprehensive income held on December 31, 2022 and 2021, were recognized as operating revenue.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

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

The financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral as of December 31, 2022 and 2021.

3. The amounts of other comprehensive profit or loss which were recognized at fair value in 2022 and 2021 were \$(10,280) thousand and \$(603) thousand, respectively.

(d) Notes and Accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	\$ 1,819,131	1,275,034
Notes receivable-fair value through other comprehensive income	636,520	861,615
Less: Loss allowance	<u>(2,845)</u>	<u>(1,862)</u>
	<u>\$ 2,452,806</u>	<u>2,134,787</u>
Accounts receivable - measured as amortized cost	\$ 2,499,133	2,954,619
Less: Loss allowance	<u>(22,508)</u>	<u>(53,151)</u>
	<u>\$ 2,476,625</u>	<u>2,901,468</u>

The Group has assessed that these financial assets are held to collect contractual cash flows and selling financial assets, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at fair value through other comprehensive income.

The Group obtained notes and accounts receivable due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2022 and 2021. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2022 and 2021 were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 4,714,252	0.03 %	1,450
Overdue 1 to 90 days	212,020	0.73 %	1,546
Overdue 91 to 180 days	9,727	39.64 %	3,856
Overdue 181 to 270 days	1,052	73.00 %	768
Overdue 271 to 360 days	-	-	-
Overdue more than 361 days	-	-	-
Total	\$ 4,937,051		7,620

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 4,826,581	0.17 %	8,159
Overdue 1 to 90 days	163,048	0.31 %	500
Overdue 91 to 180 days	57,416	8.20 %	4,710
Overdue 181 to 270 days	5,676	73.11 %	4,150
Overdue 271 to 360 days	3,975	73.51 %	2,922
Overdue more than 361 days	1,535	100 %	1,535
Total	\$ 5,058,231		21,976

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The loss allowance provision from the other group as of December 31, 2022 and 2021 were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ -	-	%
Overdue 1 to 90 days	-	-	%
Overdue 91 to 180 days	-	-	%
Overdue 181 to 270 days	-	-	%
Overdue 271 to 360 days	-	-	%
Overdue more than 361 days	17,733	100%	17,733
Total	\$ 17,733		17,733

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ -	-	%
Overdue 1 to 90 days	-	-	%
Overdue 91 to 180 days	-	-	%
Overdue 181 to 270 days	-	-	%
Overdue 271 to 360 days	-	-	%
Overdue more than 361 days	33,037	100%	33,037
Total	\$ 33,037		33,037

The movement in the allowance for notes and trade receivable was as follows:

	December 31, 2022	December 31, 2021
Balance on January 1	\$ 55,013	38,423
Impairment losses recognized	1,224	17,153
Impairment losses reversed	(14,324)	-
Amounts written off	(17,458)	-
Foreign exchange losses	898	(563)
Balance on December 31	\$ 25,353	55,013

The notes and accounts receivable of the Group had not been pledged as collateral as of December 31, 2022 and 2021.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

As of December 31, 2022 and 2021, the Group sold its notes receivable without recourse as follows:

December 31, 2022					
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Significant Transferring Terms
BANK OF NINGBO	\$ 226,389	-	226,389	2.60%	Bill by delivery
China CITIC Bank	266,436	-	266,436	1.88%	Bill by delivery
BANK OF NINGBO	99,908	-	99,908	2.00%	Bill by delivery
BANK OF NINGBO	287,499	-	287,499	1.28%	Bill by delivery
BANK OF NINGBO	44,094	-	44,094	1.30%	Bill by delivery
BANK OF NINGBO	107,271	-	107,271	1.47%	Bill by delivery
	\$ 1,031,597	-	1,031,597		

December 31, 2021					
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Significant Transferring Terms
China CITIC Bank	\$ 21,708	-	21,708	2.75%	Bill by delivery
China CITIC Bank	279,931	-	279,931	2.48%~2.74%	Bill by delivery
China CITIC Bank	86,830	-	86,830	2.41%	Bill by delivery
China CITIC Bank	150,382	-	150,382	2.44%	Bill by delivery
China CITIC Bank	120,550	-	120,550	2.41%~2.44%	Bill by delivery
China CITIC Bank	13,025	-	13,025	2.40%	Bill by delivery
	\$ 672,426	-	672,426		

The Group transferred \$768,368 thousand and \$802,041 thousand of trade receivables to an unrelated third party as of December 31, 2022 and 2021. At the time of transfer, the Group provided a guarantee on those trade receivables to the transferee. Therefore, the Group continues to recognize the full carrying value of the trade receivables transferred, and recognized the cash received from the transfer as a guaranteed loan. In addition, as of December 31, 2022 and 2021, the notes receivable for the transfer of endorsements that have not yet expired were \$636,520 thousand and \$861,615 thousand respectively, which did not meet the conditions for financial assets had not derecognized.

(e) Other receivables

	December 31, 2022	December 31, 2021
Other accounts receivable	\$ 4,064	1,012

The Group obtained other receivables due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

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

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(f) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 466,799	767,313
Finished goods	418,243	450,526
Goods	14,323	18,630
Inventory in transit	<u>86</u>	<u>-</u>
	<u>\$ 899,451</u>	<u>1,236,469</u>

The cost of goods sold were as follows

	For the year ended December 31,	
	2022	2021
Inventory that has been sold	\$ 8,221,958	9,341,385
Write-down and slow moving of inventories (Reversal of write-downs)	6,270	(19,452)
Loss on physical inventory	2,979	2,364
Loss on inventory retired	<u>11,813</u>	<u>46,474</u>
	<u>\$ 8,243,020</u>	<u>9,370,771</u>

As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

The Group obtained inventories due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

(g) Investments accounted for using the equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Associates	<u>\$ 920,162</u>	<u>925,446</u>

(i) Associates

On April 29, 2021, the Board of Directors of the subsidiary, Swancor Advanced Materials, decided to buy 50,000 thousand shares of Anhui Meijia New Materials Co., Ltd, at the price of CNY4.2 per share, with total transaction amount of CNY210,000 thousand to acquire 23.81% of ownership ratio, and completed relative registration on December 1, 2021.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

Associates which are material to the Group consisted of the followings :

Name of Associates	Nature of Relationship with the Group	Main operating location/Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2022	December 31, 2021
Anhui Meijia New Materials Co., Ltd.	The main business is production and sales of environmental protective and corrosion resistant resin, lightweight composite resin, for the group to expand the wind power industry affiliated companies.	China	23.81%	23.81%

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of individually insignificant associate's equity	<u>\$ 920,162</u>	<u>925,446</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Attributable to the Group:		
Net income	<u>\$ (4,371)</u>	<u>13,728</u>

(ii) Collaterals

The investment accounted for using equity method of the Group had not been pledged as collaterals as of December 31, 2022 and 2021.

(h) Acquisition of subsidiary and non-controlling interests

(i) Acquisition of subsidiary— COTECH

On December 23, 2021 and February 8, 2022, the Group prepaid the amounts of \$65,000 thousand for both periods, totaling \$130,000 thousand. The payments were used for investing 130,000 thousand shares of the preferred shares, with voting rights issued by COTECH. According to the share subscription agreement, the Group obtained all the account books and various seals of COTECH on January 1, 2022, resulting in its shareholding percentage to increase to 80.82% after all the subscription shares were issued, allowing the Group to have control over COTECH. The issuance and registration of the preferred shares had been completed on February 8, 2022. COTECH is primarily engaged in the manufacturing of carbon fiber, as well as designing, analyzing and manufacturing of composite structure. The Group through the above acquisition integrates the downstream supply chains to extend its products from carbon fiber prepreg and pultruded sheet to carbon fiber molding, so as to expand the carbon fiber reinforced composite material market.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The following is the class of consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

1) Consideration transferred

Consideration transferred is amounting to 130,000 thousand in cash.

2) The recognized amounts of assets acquired and liabilities assumed

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

Cash and cash equivalents (note 6(a))	54,011
Preferred shares receivable	65,000
Notes receivables (note 6(d))	346
Accounts receivables (note 6(d))	3,771
Other receivables (note 6(e))	38
Inventories (note 6(f))	6,519
Prepayments	532
Other current assets (note 6(o))	830
Property, plant and equipment (note 6(l))	244,776
Intangible assets (note 6(n))	20,546
Right-of-use assets (note 6(m))	13,250
Deferred income tax assets (note 6(x))	8,828
Refundable deposits (note 6(o))	6,703
Current contract liabilities (note 6(ab))	(922)
Notes payable	(10,837)
Accounts payable	(1,650)
Other payables (note 6(q))	(23,203)
Other payables to related parties	(14,672)
Other current liabilities (note 6(q))	(216)
Long-term borrowings, current portion (note 6(r))	(16,071)
Current lease liabilities (note 6(t))	(1,699)
Long-term borrowings (note 6(r))	(99,405)
Non-current provisions (note 6(u))	(26,430)
Non-current lease liabilities (note 6(t))	(12,568)
Receivable deposits (note 6(q))	(427)
Total fair value of identifiable net assets	<u><u>\$ 217,050</u></u>

(ii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$ 130,000
Add: Non-controlling interests	87,050
Less: Fair value of identifiable net assets	<u>217,050</u>
Goodwill	<u><u>\$ -</u></u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(i) Loss control of subsidiaries

The Board of Directors of the Group determined to dispose of 100% of its shares in Synera Renewable Energy and extend time of disposal on June 20 and June 30, 2019. The Group lost its control over Swancor Renewable Energy due to the disposal of its 95% shares in it on July 31, 2019. Since the share price had fluctuated from \$717,721 thousand to \$2,959,604 thousand (USD23,019 thousand to USD94,920 thousand), the Group recognized a gain of \$482,054 thousand based on the most likely price of \$717,721 thousand and received in 2022.

The Group had recognized financial assets profit of \$646,591 thousand with the condition matched and had received all in September, 2022.

The amount of \$1,364,312 thousand and \$1,128,645 thousand had been collected and recognized, respectively, due to disposal transactions mentioned above as of December 31, 2022.

(j) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non- controlling interests</u>	
		<u>2022.12.31</u>	<u>2021.12.31</u>
Swancor Advanced Materials	China	20.76%	20.76%

The following information on the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Intragroup transactions were not eliminated in this information.

The collective financial information of Swancor Advanced Materials:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 5,908,319	7,608,040
Non-current assets	2,143,075	2,178,901
Current liabilities	(2,985,767)	(5,212,469)
Non- current liabilities	<u>(13,986)</u>	<u>(136)</u>
Net assets	<u>\$ 5,051,641</u>	<u>4,574,336</u>
Non-controlling interests	<u>\$ 1,048,721</u>	<u>949,632</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

	For the year ended December 31,	
	2022	2021
Sales revenue	\$ <u>8,250,372</u>	<u>8,995,451</u>
Net income (loss)	407,741	76,892
Other comprehensive income	<u>(2,848)</u>	<u>(16,575)</u>
Comprehensive income	\$ <u>404,893</u>	<u>60,317</u>
Profit, attributable to non-controlling interests	\$ <u>84,647</u>	<u>15,963</u>
Comprehensive income, attributable to non-controlling interests	\$ <u>83,056</u>	<u>12,522</u>
Net cash flows from operating activities	\$ 506,149	496,552
Net cash flows from investing activities	(138,770)	(976,059)
Net cash flows from financing activities	<u>(254,703)</u>	<u>306,625</u>
Net income in cash and cash equivalents	\$ <u>112,676</u>	<u>(172,882)</u>
Dividend paid to non-controlling interest	\$ <u>-</u>	<u>(28,543)</u>

(k) 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 movements of cash surrender value of life insurance were as follows:

	For the nine months ended	
	September 30,	
	2022	2021
Balance at January 1	\$ 56,340	55,235
Increase in cash value	11,683	1,105
Decrease in surrender value of life insurance	<u>(68,023)</u>	<u>-</u>
Balance at December 31	\$ <u>-</u>	<u>56,340</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(l) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	\$ 776,587	1,275,616	986,412	601,412	244,215	3,884,242
Acquired in acquisition of the subsidiary	-	287,349	34,258	35,445	-	357,052
Additions	3,640	42,992	97,292	62,583	439,953	646,460
Disposals	-	(10,413)	(78,454)	(5,464)	-	(94,331)
Reclassification	-	12,726	32,724	17,915	(22,952)	40,413
Effect of movements in exchange rates	-	21,175	13,748	6,227	551	41,701
Balance at December 31, 2022	<u>\$ 780,227</u>	<u>1,629,445</u>	<u>1,085,980</u>	<u>718,118</u>	<u>661,767</u>	<u>4,875,537</u>
Balance at January 1, 2021	484,076	1,064,582	612,741	490,895	120,756	2,773,050
Additions	203,515	208,798	320,200	117,578	234,439	1,084,530
Disposals	-	-	(7,778)	(19,102)	-	(26,880)
Reclassification	88,996	66	59,190	9,649	(110,967)	46,934
Effect of movements in exchange rates	-	2,170	2,059	2,392	(13)	6,608
Balance at December 31, 2021	<u>\$ 776,587</u>	<u>1,275,616</u>	<u>986,412</u>	<u>601,412</u>	<u>244,215</u>	<u>3,884,242</u>
Depreciation and impairment loss:						
Balance at January 1, 2022	-	400,855	332,129	341,448	-	1,074,432
Acquired in acquisition of the subsidiary	-	53,279	29,097	29,900	-	112,276
Depreciation	-	71,863	82,855	81,149	-	235,867
Disposals	-	(9,658)	(13,836)	(4,667)	-	(28,161)
Reclassification	-	2	596	(598)	-	-
Effect of movements in exchange rates	-	4,700	3,856	2,605	-	11,161
Balance at December 31, 2022	<u>\$ -</u>	<u>521,041</u>	<u>434,697</u>	<u>449,837</u>	<u>-</u>	<u>1,405,575</u>
Balance at January 1, 2021	-	342,403	277,886	285,565	-	905,854
Depreciation	-	56,849	57,522	70,846	-	185,217
Disposals	-	-	(4,467)	(16,485)	-	(20,952)
Reclassification	-	48	21	1	-	70
Effect of movements in exchange rates	-	1,555	1,167	1,521	-	4,243
Balance at December 31, 2021	<u>\$ -</u>	<u>400,855</u>	<u>332,129</u>	<u>341,448</u>	<u>-</u>	<u>1,074,432</u>
Carrying amounts:						
Balance at December 31, 2022	<u>\$ 780,227</u>	<u>1,108,404</u>	<u>651,283</u>	<u>268,281</u>	<u>661,767</u>	<u>3,469,962</u>
Balance at January 1, 2021	<u>\$ 484,076</u>	<u>722,179</u>	<u>334,855</u>	<u>205,330</u>	<u>120,756</u>	<u>1,867,196</u>
Balance at December 31, 2021	<u>\$ 776,587</u>	<u>874,761</u>	<u>654,283</u>	<u>259,964</u>	<u>244,215</u>	<u>2,809,810</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022, and 2021 the amount of interest capitalization was \$7,522 thousand and \$9,545 thousand, respectively.

The Group obtained property, plant and equipment due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

As of December 31, 2022 and 2021, property, plant and equipment pledged as collateral for bank loans are described in note 8.

(m) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
Costs:				
Balance at January 1, 2022	\$ 234,145	20,169	2,466	256,780
Acquired in acquisition of the subsidiary	15,969	-	1,432	17,401
Additions	-	20,042	-	20,042
Disposals	-	(704)	-	(704)
Effects of movements in exchange rates	4,164	16	-	4,180
Balance at December 31, 2022	<u>\$ 254,278</u>	<u>39,523</u>	<u>3,898</u>	<u>297,699</u>
Balance at January 1, 2021	\$ 233,043	9,492	2,466	245,001
Additions	-	10,676	-	10,676
Effect of movements in exchange rates	1,102	1	-	1,103
Balance at December 31, 2021	<u>\$ 234,145</u>	<u>20,169</u>	<u>2,466</u>	<u>256,780</u>
Depreciation:				
Balance at January 1, 2022	\$ 15,128	10,122	1,302	26,552
Acquired in acquisition of the subsidiary	3,807	-	344	4,151
Depreciation	6,423	7,773	1,299	15,495
Disposals	-	(274)	-	(274)
Effects of movements in exchange rates	241	17	-	258
Balance at December 31, 2022	<u>\$ 25,599</u>	<u>17,638</u>	<u>2,945</u>	<u>46,182</u>
Balance at January 1, 2021	\$ 10,032	3,869	480	14,381
Depreciation	5,045	6,252	822	12,119
Effect of movements in exchange rates	51	1	-	52
Balance at December 31, 2021	<u>\$ 15,128</u>	<u>10,122</u>	<u>1,302</u>	<u>26,552</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

Carrying amount:	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
Balance at December 31, 2022	\$ <u>228,679</u>	<u>21,885</u>	<u>953</u>	<u>251,517</u>
Balance at January 1, 2021	\$ <u>223,011</u>	<u>5,623</u>	<u>1,986</u>	<u>230,620</u>
Balance at December 31, 2021	\$ <u>219,017</u>	<u>10,047</u>	<u>1,164</u>	<u>230,228</u>

The Group obtained right of use assets due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

As of December 31, 2022 and 2021, right-of-use assets pledged as collateral for bank loans are described in note 8.

(n) Intangible Assets

The costs of intangible assets, amortization, and impairment loss of the Group were as follows:

Costs:	<u>Technique</u>	<u>Computer software</u>	<u>Total</u>
Balance at January 1, 2022	\$ 43,345	49,754	93,099
Acquired in acquisition of the subsidiary	20,546	-	20,546
Additions	28,537	3,630	32,167
Disposals	-	(352)	(352)
Reclassification	-	94	94
Effect of movement in exchange rates	1,137	41	1,178
Balance at December 31, 2022	\$ <u>93,565</u>	<u>53,167</u>	<u>146,732</u>
Balance at January 1, 2021	\$ 44,557	46,196	90,753
Additions	154	3,545	3,699
Effect of movement in exchange rates	(1,366)	13	(1,353)
Balance at December 31, 2021	\$ <u>43,345</u>	<u>49,754</u>	<u>93,099</u>
Amortization and Impairment Loss:			
Balance at January 1, 2022	\$ 40,315	41,476	81,791
Amortization	8,725	2,231	10,956
Disposals	-	(352)	(352)
Effect of movement in exchange rates	396	24	420
Balance at December 31, 2022	\$ <u>49,436</u>	<u>43,379</u>	<u>92,815</u>
Balance at January 1, 2021	\$ 40,839	38,791	79,630
Amortization	1,596	2,673	4,269
Effect of movement in exchange rates	(2,120)	12	(2,108)
Balance at December 31, 2021	\$ <u>40,315</u>	<u>41,476</u>	<u>81,791</u>
Carrying value:			
Balance at December 31, 2022	\$ <u>44,129</u>	<u>9,788</u>	<u>53,917</u>
Balance at January 1, 2021	\$ <u>3,718</u>	<u>7,405</u>	<u>11,123</u>
Balance at December 31, 2021	\$ <u>3,030</u>	<u>8,278</u>	<u>11,308</u>

The Group obtained intangible assets due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(i) Amortization

For the years ended December 31, 2022 and 2021, the amortizations of intangible assets were included in the statement of comprehensive income:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 31	28
Operating expenses	<u>10,925</u>	<u>4,241</u>
	<u>\$ 10,956</u>	<u>4,269</u>

(ii) Acquisition of the subsidiary

The Group obtained intangible assets due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

(iii) Disclosures on pledges

As of December 31, 2022 and 2021, the intangible assets of the Group had not been pledged as collateral.

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current assets :		
Advanced payments	\$ 6,381	24,032
Guarantee deposit paid	1,788	-
Other-current	<u>51,290</u>	<u>85,331</u>
	<u>\$ 59,459</u>	<u>109,363</u>

The VAT of purchasing inventories is confined as “other”.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current financial assets :		
Restricted bank deposits	<u>\$ 156,070</u>	<u>167,915</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

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

	December 31, 2022	December 31, 2021
Other non-current assets :		
Guarantee deposit paid	\$ 10,080	4,634
Restricted bank deposits	60,789	67,035
Prepayments for investments	4,200	400,029
Advance payment of investment	-	65,000
Others-non-current	6,145	7,381
	<u>\$ 81,214</u>	<u>544,079</u>

The VAT of purchasing inventories is confined as "other".

The Group obtained other current assets and other non-current assets due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

(p) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 1,280,064	2,144,132
Secured bank loans	14,610	148,135
	<u>\$ 1,294,674</u>	<u>2,292,267</u>
Unused short-term credit lines	<u>\$ 3,062,425</u>	<u>1,572,194</u>
Range of interest rates	<u>1.30%~6.40%</u>	<u>1.00%~5.02%</u>

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

(q) Other payables, other current and non-current liabilities

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

	December 31, 2022	December 31, 2021
Other payables-salary	\$ 175,193	122,286
Other payables-employee bonus	2,769	885
Other payables-employee bonus	14,523	2,655
Other payables-director compensation	-	-
Payables on equipment	57,081	75,990
Other	189,658	210,947
	<u>\$ 439,224</u>	<u>412,763</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

Business tax payable, payable on professional service fee and shipping expense are confined as “Other”.

	December 31, 2022	December 31, 2021
Other current liabilities:		
Temporary receipts	\$ 475	37,998
Receipts under custody	3,559	3,893
Current deferred revenue	4,931	1,040
Other	51,324	19,514
	\$ 60,289	62,445
	December 31, 2022	December 31, 2021
Non-current liabilities:		
Non-current deferred revenue	\$ 45,193	30,883
Gaurantee deposit received	862	583
	\$ 46,055	31,466

The Group obtained other account payable, current and non current liabilities due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

Deferred revenue please refer to note 6(v).

(r) Long-term borrowings

The details of long-term borrowings of the group were as follows:

	December 31, 2022			
	Currency	Rate	Maturity date	Amount
Unsecured bank loans	NTD	1.33%~4.65%	113/8/23~117/6/15	\$ 231,035
Secured bank loans	NTD	1.33%~4.65%	111/4/7~121/6/22	303,514
Other loans (note)	NTD	2.43%~3.92%	114/1/22	38,651
				573,200
Less: current portion				(62,304)
Total				\$ 510,896
Unused long-term credit line				\$ 291,000

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2021				
	<u>Currency</u>	<u>Rate</u>	<u>Maturity date</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.33%~4.65%	113/8/23~117/6/15	\$ 120,326
Secured bank loans	NTD	1.35%	115/3/25	203,515
Other loans (note)	NTD	2.43%~3.92%	114/1/22	<u>40,073</u>
				363,914
Less: current portion				<u>(20,187)</u>
Total				\$ <u>343,727</u>
Unused long-term credit line				\$ <u>414,722</u>

Note: Loaned by the company of development zone platform held by government where the subsidiary is located.

The details of the assets of the Group had been pledged, please refer note 8.

(s) Bonds payable

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

	December 31, 2022	December 31, 2021
Third secured convertible bonds- domestic	\$ 1,000,000	1,000,000
Fourth unsecured convertible bonds- domestic	1,000,000	1,000,000
Unamortized discounted corporate bonds payable	(55,855)	(99,094)
Cumulative converted amount	<u>(442,100)</u>	<u>-</u>
Corporate bonds issued balance at year-end	\$ <u>1,502,045</u>	<u>1,900,906</u>
Embedded derivative – call and put options, including financial assets at fair value through profit or loss	\$ <u>-</u>	<u>1,500</u>
Embedded derivative – call and put options, including financial liabilities at fair value through profit or loss	\$ <u>3,208</u>	<u>4,700</u>
Equity component – conversion options, included in capital surplus– stock options	\$ <u>167,610</u>	<u>213,351</u>
	December 31, 2022	December 31, 2021
Embedded derivative instruments – call and put rights, including net gain of evaluation in financial asset and liabilities	<u>(244)</u>	<u>(900)</u>
Interest expense	<u>17,220</u>	<u>5,049</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

- (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)
 - 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. In 2022, the cash dividend was declared, resulting in an adjustment of the conversion price to \$97.8 per share from July 16, 2022.
 - 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	<u>900</u>
Equity components upon issuance	<u><u>\$ 111,221</u></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.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

- (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%
 - 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. In 2022, the cash dividend was declared, resulting in an adjustment of the conversion price to \$93.8 per share from July 16, 2022.
 - 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 (warrant)	(5,000)
Equity components upon issuance	\$ 102,130

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

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(t) Lease liabilities

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ <u>16,784</u>	<u>8,009</u>
Non-current	\$ <u>17,967</u>	<u>3,564</u>

The amounts recognized in profit or loss were as follows:

	<u>For the year ended December 31,</u> <u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>580</u>	<u>273</u>
Expenses relating to short-term leases	\$ <u>5,785</u>	<u>15,026</u>

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

	<u>For the year ended December 31,</u> <u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>17,038</u>	<u>22,068</u>

(i) Real estate leases

As of December 31, 2022 and 2021, the Group leases land and buildings for its office and factory space. The leases of office and factory space typically run for a period of 3 to 5 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

The Group leases staff dormitory and trivial leases with lease terms of 1 to 3 years, these leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(iii) The Group obtained lease liabilities due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

(u) Liabilities provisions

	<u>December 31, 2022</u>
January 1, 2022	\$ -
Acquisition of subsidiaries	26,430
Current liabilities provisions	<u>(18,530)</u>
December 31, 2022	<u>\$ 7,900</u>

The Group obtained provisions due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

Due to the acquisition of COTECH, the Group assumed the responsibility for involving illegal fund raising, violating the Securities and Exchange Act by the chairman of COTECH, Qing Long, Wong, his spouse, Yu Wen, Shen, and other managers, Zu Wang Li and Ming Dao, Xiao in 2018. The Taichung District Court ruled that the four persons should be forfeited in amount of \$66,503 thousand on May 27, 2021. COTECH needs to recover \$26,430 thousand, based on the advice of the Group's legal counsel, the management estimates the most likely consequence is that COTECH should pay \$26,430 thousand to pay off this obligation, including the expected litigation costs, of which has been paid \$18,530 thousand for the six months ended December 31, 2022.

(v) Deferred income

	December 31, 2022	December 31, 2021
Government grants	\$ 50,124	31,923
Current	\$ 4,931	1,040
Non-current	45,193	30,883
	\$ 50,124	31,923

The Group has been awarded government grants for its factories in May 2021, which was conditional on the acquisition of plants in a specified region. The factories have been completed and have been in operation since June 2021; and the grants, recognized as deferred income, were amortized over the useful life of the building.

The subsidiary has received an industrial economic grant from its local government in April 2021, which was conditional on the acquisition of equipment wherein high intelligent equipment for technical improvement had to be installed. The equipment has been used in May 2021, and the grant, recognized as deferred income, was amortized over the useful life of the equipment.

The Group has been awarded government grants for both of its factories in April 2021 and June 2022, wherein it was recognized as deferred income and amortized over the useful life of the building. The building had been used since December, 2021.

The Group acquired low-rate loan in April 2021, which was working capital subsidy for small and medium-sized enterprises from the government where the subsidiary is located in April 2021. The subsidy was recognized as deferred income and amortized during the loan period.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The Group has received a low-rate government subsidy loan from the government where the subsidiary is located, and the related condition required the subsidiary to purchase machinery and equipment. The machinery and equipment had been used since June 2021. The subsidy was recognized as deferred income and amortized during the useful life of machinery and equipment.

The Group has received an industrial economic grant from the government where the subsidiary is located in June 2022, which was conditional on the acquisition of equipment wherein high intelligent equipment for technical improvement had to be installed. The equipment has been used in June 2022, and the grant, recognized as deferred income, was amortized over the useful life of the equipment.

The Group received a low-rate government subsidy loan from the government where the subsidiary is located in February and December 2022, and the related condition required the subsidiary to purchase machinery and equipment. The machinery and equipment had been used since February and December 2022. The subsidy was recognized as deferred income and amortized during the useful life of machinery and equipment.

(w) Employee benefits

(i) Defined benefit plans

The Group allocate 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. The subsidiaries abroad are allocated in accordance with local laws to the Bureau of Labor Insurance. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$40,009 thousand and \$36,906 thousand for the years ended December 31, 2022 and 2021, respectively.

(ii) Short-term compensated absence

The short-term compensated absence for the years ended December 31, 2022 and 2021 were included in other payable with balance of \$8,639 thousand and \$8,357 thousand, respectively.

(x) Income taxes

(i) The components of income tax were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 121,344	28,586
Adjustment for prior periods	681	(15,362)
Undistributed earnings additional tax	<u>2,781</u>	<u>12,165</u>
	<u>124,806</u>	<u>25,389</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>61,542</u>	<u>(121,778)</u>
Income tax expense(benefit)	<u>\$ 186,348</u>	<u>(96,389)</u>

For the year ended December 31, 2022 and 2021, there were no income taxes recognized directly in equity and other comprehensive income.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

Reconciliation of income tax and profit before tax 2022 and 2021 were as follows :

	<u>2022</u>	<u>2021</u>
Profit excluding income tax	\$ <u>1,146,327</u>	<u>122,463</u>
Income tax using each Company's domestic tax rate	\$ 366,670	59,330
Income tax impact of foreign operating entity surplus not expected to be repatriated	(92,177)	(51,243)
Share of profit of subsidiaries accounted for using equity method-domestic	4,555	(2,309)
Adjustment in tax rate	(116,265)	(11,251)
Recognition of previously unrecognized tax losses	-	(5,305)
Recognition of previously unrecognized tax losses	15,555	7,035
Changes in provision in prior periods	681	(15,362)
Recognition of previously under-estimated deferred tax assets	(18,818)	(8,407)
Recognition of previously over-estimated deferred tax liabilities	-	(81,042)
Undistributed earnings additional tax	2,781	12,165
Income basic tax	28,465	-
Changes in unrecognized temporary differences	<u>(5,099)</u>	<u>-</u>
Income tax expense(benefit)	<u>\$ 186,348</u>	<u>(96,389)</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Tax effect of deductible Temporary Differences	\$ 1,920	1,920
The carry forward unused tax losses	<u>19,417</u>	<u>8,472</u>
	<u>\$ 21,337</u>	<u>10,392</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Company</u>	<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
COTECH	2022	\$ 22,737	2032
Swancor Innovation & Incubation	2021	16,862	2031
Swancor Innovation & Incubation	2022	<u>57,654</u>	2032
		<u><u>\$ 97,253</u></u>	

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 2022 and 2021. 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 2,571,952</u>	<u>2,482,505</u>
Unrecognized deferred tax liabilities	<u>\$ 514,390</u>	<u>496,501</u>

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

	<u>Impairment and obsolescence of inventory</u>	<u>Unrealized profit from subsidiaries</u>	<u>Unrealized foreign exchange loss</u>	<u>Impairment loss of bad debts</u>	<u>The carry forward of unused tax losses</u>	<u>Refund liability</u>	<u>Other</u>	<u>Total</u>
Balance on 1 January 2022	\$ 7,085	14,795	2,778	11,199	39,337	1,871	10,909	87,974
Recognized profit or loss	<u>10,884</u>	<u>(1,645)</u>	<u>6,235</u>	<u>(5,906)</u>	<u>(16,549)</u>	<u>(1,871)</u>	<u>11,936</u>	<u>3,084</u>
Balance on 31 December 2022	<u>\$ 17,969</u>	<u>13,150</u>	<u>9,013</u>	<u>5,293</u>	<u>22,788</u>	<u>-</u>	<u>22,845</u>	<u>91,058</u>
Balance on 1 January 2021	\$ 4,638	16,192	3,486	7,409	30,301	-	5,044	67,070
Recognized profit or loss	<u>2,447</u>	<u>(1,397)</u>	<u>(708)</u>	<u>3,790</u>	<u>9,036</u>	<u>1,871</u>	<u>5,865</u>	<u>20,904</u>
Balance on 31 December 2021	<u>\$ 7,085</u>	<u>14,795</u>	<u>2,778</u>	<u>11,199</u>	<u>39,337</u>	<u>1,871</u>	<u>10,909</u>	<u>87,974</u>

Deferred Tax Liabilities:

	<u>Unrealized foreign exchange gain</u>	<u>Recognized foreign investment income in equity method</u>	<u>Other</u>	<u>Total</u>
Balance on 1 January 2022	\$ 272	-	567	839
Recognized profit or loss	<u>9,471</u>	<u>46,220</u>	<u>107</u>	<u>55,798</u>
Balance on 31 December 2022	<u>\$ 9,743</u>	<u>46,220</u>	<u>674</u>	<u>56,637</u>
Balance on 1 January 2021	\$ 1,391	100,322	-	101,713
Recognized profit or loss	<u>(1,119)</u>	<u>(100,322)</u>	<u>567</u>	<u>(100,874)</u>
Balance on 31 December 2021	<u>\$ 272</u>	<u>-</u>	<u>567</u>	<u>839</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The Group has no income tax expense recognized under equity and other comprehensive gains and losses in the year ended 2022 and 2021

(iii) Assessment of tax

The Company's tax returns were assessed by the Taipei National Tax Administration as follows:

	<u>Assessed Year</u>
The Company	2020
Sunwell Carbon Fiber Composite	2020
Swancor Highpolymer	2020
COTECH	2020

(y) 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, 2022 and 2021, 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 98,131 thousand and 93,505 thousand common shares for years ended December 31, 2022 and 2021.

Reconciliation of shares outstanding for 2022 and 2021 were as follows:

	<u>Ordinary Shares</u>	
	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 93,505	93,505
Conversion to Convertible corporate bonds	4,626	-
Balance on December 31	<u>\$ 98,131</u>	<u>93,505</u>

(i) Capital surplus

The balances of capital surplus were as follows:

	<u>December 31,</u>	<u>January 1,</u>
	<u>2022</u>	<u>2021</u>
Share capital	\$ 405,127	405,127
Premium on bonds conversion	956,812	541,507
Donation	253	253
Employee share options (overdue and not be executed)	8,151	8,151
Treasury share transactions	107,315	107,315
Expired stock option	41,059	41,059
Difference arising from subsidiary's share price and its carrying value	1,067,139	1,064,440
Stock transfer (from retained earnings of Swancor)	780,337	780,337
Equity component of convertible bonds recognized in stock option	167,610	213,351
	<u>\$ 3,533,803</u>	<u>3,161,540</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

- 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) A resolution was decided during the Board of Directors' meeting of Sunwell Carbon Fiber Composites 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. For the six months ended June 30, 2021 the Group had repurchased 183 thousand of the above shares, resulting in its shareholding ratio to increase from 86.63% to 86.42% and recognized the amount of \$346 thousand as capital surplus.
- 3) A resolution was decided during the Board of Directors meeting of Sunwell Carbon Fiber Composites 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. For the years 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.
- 4) A resolution was decided during the Board of Directors' meeting of Sunwell Carbon Fiber Composites 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 thousand share premium - subsidiary changes in equity was recognized, and \$67 thousand share premium was recognized for non-controlling interest. 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.
- 5) A resolution was decided during the Board of Directors' meeting of the Company 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 \$6,843 thousand was recognized.
- 6) 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.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(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.

The Company is currently in a growth stage. The Company's policy on the distribution of dividends to shareholders is subject to the Company's current and future investment environment, capital requirements, domestic and international competition and capital budget, taking into account the interests of shareholders and Company's long-term financial planning. The earning distribution can be settled by cash or by stocks and cash dividends shall not be more than 10% of total dividends.

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 the regulations of 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

The earnings distribution for 2021 and 2020 were decided during the Company's board meeting and the general meeting of the shareholders held on May 31, 2022 and July 19, 2021, respectively, as follows:

	2021	2020
Dividends distributed to ordinary shareholders		
Cash	\$ <u>139,187</u>	<u>323,766</u>

Earnings distribution for 2022 were decided by the general meeting of the shareholders held on March 10, 2022, as follows:

	2022
Dividends distributed to ordinary shareholders :	
Cash	\$ <u>487,091</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(iii) Treasury shares

- 1) In accordance with the requirements under section 28(2) of the Securities and Exchange Act, as the March 23, 2020, the Board of Directors of the Company determined to repurchase 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.

The movement of treasury stock for 2022 was as follows:

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

The movement of treasury stock for 2021 was as follows:

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

Treasury shares transferred to employees 287 thousand shares in 2021, please refer note 6(z).

- 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) Other equity(net after tax)

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at 1 January 2022	\$ (387,002)	(4,365)	(391,367)
Exchange differences on foreign operations	53,910	-	53,910
Net change in fair value of investments in financial assets at FVTOCI	-	(10,280)	(10,280)
Balance at 31 December 2022	<u>\$ (333,092)</u>	<u>(14,645)</u>	<u>(347,737)</u>
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 investments in financial assets at FVTOCI	-	(603)	(603)
Balance at 31 December 2021	<u>\$ (387,002)</u>	<u>(4,365)</u>	<u>(391,367)</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(z) Share-based Payments

(i) Transfer to employees

- 1) According to Article 167-1 of the Company Law, the Sunwell Carbon Fiber Composites was decided during the Board of Directors' meeting held on December 31, 2020 and August 4, 2021 to determine whether to repurchase the 600 thousand shares within the period from January 1 to June 30, 2021 and August 4, 2021 to February 4, 2022 at the price of 10 to \$10.20 per share, as treasury shares, in order to encourage its employees.

On November 5, 2021, the Sunwell Carbon Fiber Composites announced that it will transfer 127,452 thousand treasury shares to its employees, with the value of \$1,847 thousand, wherein the Sunwell Carbon Fiber Composites will recognize the salary expense and capital surplus of \$494 thousand and \$502 thousand, respectively. The transfer of treasury shares had been completed in December 2020.

- 2) 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.
- 3) Measurement of fair value on grant date

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

	November 8, 2021
	Transfer for employees
Fair value of grant day	12.79
Stock price of grant day	12.79
Strike price	10.09
Expected volatility	24.39 %
Expected Life	4
Risk-free interest rate	0.29 %

- 4) 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, capital surplus, and minority interest of \$7,606 thousand, \$6,843 thousand, and \$763 thousand, respectively, in December 2021. The transfer procedures had been completed in January 2022.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

5) Measurement of fair value on grant date

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

	December 16, 2021
	Transfer for employees
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	0.4050 %

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 Group determined the expected dividends, wherein the risk-free interest rate is based on interest rate of bank time deposit. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(ii) Details of the share-based payment agreement of Swancor Advanced Materials are as follows:

Type of agreement	Grant date	Granted share (in thousand shares)	Contract Period	Conditions
Restricted employee stock option plan (Notes)	2016.03.31	3,047	4 years	Employees' performance has reached the Company's performance standard
Restricted employee stock option plan	2022.05.25	673	4 years	Employees' performance has reached the Company's performance standard

Notes: The restricted employee stock option issued by Swancor Advanced Materials cannot be transferred without meeting the required condition but voting rights and participation of dividend distribution are not limited.

(iii) The Shareholders' meeting was held on March 29, 2016, Swancor Advanced Materials decided to award 3,047 thousand new shares of restricted stock at an issuance price of RMB\$9.82 and a fair value of RMB\$2.44, on grant day to those full-time employees who meet the Company's requirements.

(iv) The Extraordinary shareholders' meeting was held on May 25, 2022, Swancor Advanced Materials decided to award 673 thousand new shares of restricted stock at an issuance price of RMB4.32, and a fair value of RMB4.52, on grant day to those full-time employees who meet the Company's requirements.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

Details of restricted non-vesting stock option for employees of the Company were as follows:

	<u>2022</u>	<u>2021</u>
	<u>Number of shares(thousand)</u>	<u>Number of shares(thousand)</u>
Outstanding at 1 January	-	3,047
Vested	673	(3,047)
Outstanding at 31 December	<u>673</u>	<u>-</u>

(v) Expense incurred from share-based arrangements:

	<u>2022</u>	<u>2022</u>
Expenses resulting from granted employee share options	<u>\$ 3,355</u>	<u>-</u>

(aa) Earnings per Share

1 Basic earnings per share

(i) Profit attributable to ordinary shareholders of the Company

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Company	<u>\$ 903,153</u>	<u>185,933</u>

(ii) Weighted average number of ordinary shares

	<u>2022</u>	<u>2021</u>
Issued ordinary shares at 1 January	95,270	92,505
Effect of treasury shares	-	7
Weighted average number of ordinary shares	<u>95,270</u>	<u>92,512</u>

(iii) Basic earnings per share

	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 9.48</u>	<u>2.01</u>

2 Diluted earnings per share

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

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Company(basic)	\$ 903,153	185,933
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	13,580	3,320
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 916,733</u>	<u>189,253</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

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

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares (basic)	\$ 95,270	92,512
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	18,361	5,397
Effect of restricted employee shares unvested (Notes)	<u>31</u>	<u>18</u>
Weighted average number of ordinary shares (diluted)	<u><u>\$ 113,662</u></u>	<u><u>97,927</u></u>

(iii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Diluted earnings per share	<u><u>\$ 8.07</u></u>	<u><u>1.93</u></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.

(ab) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets		
Taiwan	\$ 1,007,594	911,127
China	5,816,167	7,165,814
Other	<u>2,947,693</u>	<u>2,633,359</u>
	<u><u>\$ 9,771,454</u></u>	<u><u>10,710,300</u></u>
Major products/services lines		
Anti-corrosion material	\$ 3,158,719	3,239,275
Wind blade material	4,363,861	4,881,708
Other	<u>2,248,874</u>	<u>2,589,317</u>
	<u><u>9,771,454</u></u>	<u><u>10,710,300</u></u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liability-advance payment	<u>\$ 35,333</u>	<u>14,144</u>	<u>8,586</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The Group obtained contract liabilities due to the acquisition of the subsidiary in 2022, please refer to note 6(h).

The amount of revenue recognized for the for the years ended December 31, 2022 and 2021, that were included in the contract liability balance at the beginning of the period were \$14,532 thousand and \$8,017 thousand, respectively.

(ac) 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. However, the Company amended its Articles of incorporation in May 31, 2022, were in the Company is now required to appropriate its remuneration of not less than 0.01% and not more than 3% of its annual profit to its employees and directors, respectively. 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.

For the years ended December 31, 2022 and 2021, the Company estimated and reversed its employee remuneration amounting to \$2,769 thousand, \$885 thousand, and directors' and supervisors' remuneration amounting to \$14,523 thousand and \$2,655 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 for each period. 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.

(ad) Non-operating income and expenses

(i) Interest income

	2022	2021
Interest income from bank deposits	\$ 18,246	8,965
Interest income bonds	1,552	1,474
	<u>\$ 19,798</u>	<u>10,439</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(ii) Other income

	<u>2022</u>	<u>2021</u>
Government subsidy	\$ 14,316	54,958
Other	<u>26,531</u>	<u>11,613</u>
	<u>\$ 40,847</u>	<u>66,571</u>

(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains (losses) on disposal of property, plant and equipment \$	(9,707)	972
Foreign exchange gains (losses)	56,775	(32,802)
Gains on disposal of financial assets (liabilities) measured at fair value through profit or loss	<u>650,607</u>	<u>5,287</u>
	<u>\$ 697,675</u>	<u>(26,543)</u>

Gains on disposal of financial assets, please refer to note 6(i).

(iv) Finance costs

The details of finance costs were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense-bank loans	\$ 68,103	92,512
Interest expense-lease liabilities	580	273
Interest expense-bonds	17,220	5,049
Interest expense-government loans	2,724	2,817
Less: capitalization of interest	<u>(7,522)</u>	<u>(9,545)</u>
	<u>\$ 81,105</u>	<u>91,106</u>

(ae) 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

Major clients of the Group are concentrated in composite material market. To minimize credit risk, the Group periodically evaluates its financial positions and will pledge a collateral if deemed necessary. Besides, the Group monitors and reviews the recoverable amounts of its trade receivables to ensure the uncollectible amounts are recognized appropriately as impairment loss. As of December 31, 2022 and 2021, the percentage of 8% and 16%, respectively, of accounts receivable were derived from major customers. Thus, the credit risk is significantly centralized.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(d). Other financial assets at amortized cost includes other receivables and other financial assets.

Debt investment at fair value through other comprehensive income include company 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 Group has no loss allowance provision for the years ended December 31, 2022 and 2021.

(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, 2022						
Non-derivative financial liabilities						
Secured loans	\$ 318,124	341,338	26,294	16,775	245,834	52,435
Unsecured loans	1,511,099	1,534,532	1,354,196	105,032	67,584	7,720
Other loans	38,651	41,448	-	-	41,448	-
Accounts payable (including related parties)	2,582,857	2,582,857	2,582,857	-	-	-
Bonds payable	1,502,045	1,557,900	-	-	1,557,900	-
Lease liability	34,751	36,603	17,468	8,889	4,669	5,577
	<u>\$ 5,987,527</u>	<u>6,094,678</u>	<u>3,980,815</u>	<u>130,696</u>	<u>1,917,435</u>	<u>65,732</u>
December 31, 2021						
Non-derivative financial liabilities						
Secured loans	\$ 351,650	363,943	151,499	2,747	209,697	-
Unsecured loans	2,264,458	2,289,782	2,182,959	27,699	68,854	10,270
Other loans	40,073	44,500	-	-	44,500	-
Accounts payable	3,235,146	3,235,146	3,235,146	-	-	-
Bonds payable	1,900,906	2,000,000	-	-	2,000,000	-
Lease liability	11,573	11,732	8,134	2,786	812	-
	<u>\$ 7,803,806</u>	<u>7,945,103</u>	<u>5,577,738</u>	<u>33,232</u>	<u>2,323,863</u>	<u>10,270</u>

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

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure foreign currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 45,430	30.71	1,395,155	28,599	27.68	791,620
EUR	1,268	32.72	41,489	13,297	31.32	416,462
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	11,947	30.71	366,892	22,807	27.68	631,298
EUR	88	32.72	2,879	7,891	31.32	247,146

2) Sensitivity analysis

The Group'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 financial assets at fair value through other comprehensive income, financial liabilities at fair value through profit of loss, loans and borrowings and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 0.5% of the NTD against the USD and EUR as of December 31, 2022 and 2021 would have increased (decreased) the net profit or loss after tax by \$4,267 thousand and \$1,319 thousand, respectively.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$56,775 thousand and \$(32,802) thousand, respectively.

4) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Group'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 assumes 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 Group management's assessment of the reasonably possible interest rate change.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

If the interest rate had increased/decreased by 0.5%, with all other variable factor remaining constant, the Group's net income would have increased/decreased by \$7,471 thousand and \$10,624 thousand for the year ended December 31, 2021, and 2022, respectively. This is mainly due to the Group's borrowing in variable rates.

5) Other market price risk

For the years ended December 31, 2022 and 2021, 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 with all other variable factors remaining constant as illustrated below:

	For the years ended December, 31			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 0.5%	\$ 239	10	245	10
Decreasing 0.5%	(239)	(10)	(245)	(10)

(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 Group'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, 2022				
	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	\$ 667,955	2,051	-	665,904	667,955
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	47,750	47,750	-	-	47,750
Original bonds	36,881	36,881	-	-	36,881
Subtotal	109,662	84,631	-	25,031	109,662
Financial assets measured at amortized cost					
Cash and cash equivalents	2,527,070	-	-	-	-
Notes, accounts and other receivables	4,933,495	-	-	-	-
Other financial assets-current	156,070	-	-	-	-
Cash surrender value of life insurance	4,200	-	-	-	-
Refundable deposit	11,868	-	-	-	-
Subtotal	7,632,703	-	-	-	-
Total	\$ 8,410,320	86,682	-	690,935	777,617

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

		December 31, 2022				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial liabilities						
Financial liabilities at fair value through profit or loss						
Non derivative financial liabilities mandatorily measured at fair value through profit or loss	\$	3,761	-	3,761	-	3,761
Financial liabilities measured at amortized cost						
Short-term borrowings		1,294,674	-	-	-	-
Notes, accounts and other payables (including related parties)		2,582,857	-	-	-	-
Long-term borrowings, current portion		62,304	-	-	-	-
Long-term borrowings (including other loans)		510,896	-	-	-	-
Bonds payable		1,502,045	-	1,737,686	-	1,737,686
Current and non-current lease liabilities		34,751	-	-	-	-
Subtotal		<u>5,987,527</u>	<u>-</u>	<u>1,737,686</u>	<u>-</u>	<u>1,737,686</u>
Total	\$	<u>5,991,288</u>	<u>-</u>	<u>1,741,447</u>	<u>-</u>	<u>1,741,447</u>
		December 31, 2021				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
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
Original bonds		41,946	41,946	-	-	41,946
Subtotal		<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		2,530,959	-	-	-	-
Notes, accounts and other receivables		5,037,267	-	-	-	-
Other financial assets-current		167,915	-	-	-	-
Other financial assets-non-current		400,029	-	-	-	-
Cash surrender value of life insurance		56,340	-	-	-	-
Refundable deposit		4,634	-	-	-	-
Subtotal		<u>8,197,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$	<u>8,980,670</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 liabilities mandatorily measured at fair value through profit or loss	\$	4,700	-	4,700	-	4,700
Financial liabilities measured at amortized cost						
Short-term borrowings		2,292,267	-	-	-	-
Notes, accounts and other payables		3,235,146	-	-	-	-
Long-term borrowings, current portion		20,187	-	-	-	-
Long-term borrowings (including other loans)		343,727	-	-	-	-
Bonds payable		1,900,906	-	2,299,500	-	2,299,500
Current and non-current lease liabilities		11,573	-	-	-	-
Subtotal		<u>7,803,806</u>	<u>-</u>	<u>2,299,500</u>	<u>-</u>	<u>2,299,500</u>
Total	\$	<u>7,808,506</u>	<u>-</u>	<u>2,304,200</u>	<u>-</u>	<u>2,304,200</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

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

The Group 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.

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 Group 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 for the year ended, 2022 and 2021.

- 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, 2022	664,094	25,031
Recognized in profit or loss	1,810	-
Ending balance on December, 31, 2022	\$ 665,904	25,031
Opening balance on January 1, 2021	\$ 536,642	25,031
Purchased	127,452	-
Ending balance on December, 31 2021	\$ 664,094	25,031

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

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

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

The Group, 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.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through profit or loss - equity investments without an active market- Synera Renewable Energy	Discounted Cash Flow Method	<ul style="list-style-type: none"> • Cost of equity Ratio (As of December 31, 2022 and 2021 were 9.12% and 6.96%) • Lack of marketability discount (As of December 31, 2022 and 2021 were 19% and 26.2%) 	<ul style="list-style-type: none"> • the higher 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, 2022 and 2021 were 9.12% and 6.96%) • Lack of marketability discount (As of December 31, 2022 and 2021 were 19% and 26.2%) 	<ul style="list-style-type: none"> • the higher 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 (Available-for-sale financial assets) 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, 2022 and 2021 were 2.02~2.42 and 2.12~3.97, respectively) • Price-to-Sales Ratio (As of December 31, 2022 and 2021 were 0.63~1.58 and 0.65~1.88, respectively) • Lack of marketability discount (As of December 31, 2022 and 2021 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 and subsidiaries
Notes to the Consolidated Financial Statements

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

The Group'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, 2022						
Financial assets at fair value through profit or lost						
Equity investments without an active market	\$ 665,904	0.5 %	3,330	(3,330)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	25,031	0.5 %	-	-	125	(125)
	<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)

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.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(af) Financial risk management

(i) Overview

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

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

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 Group' 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 Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Group' 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 Group continue to review the amount of the risk exposure in accordance with the Group' s policies and the risk management's policies and procedures. The Group 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 Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, that arise principally from the Group' s accounts receivable from customers and investments securities.

1) Trade and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. When it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors its exposure to credit risk and counterparty credit ratings, and sets sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

The Group did not have any collateral or other credit enhancements in order to avoid credit risk of the financial assets.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

2) Investment

The exposure to credit risk for bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group 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 Group manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises its banking facilities to ensure they are following the terms on loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2022, and 2021, the Group's unused short term and long-term bank facilities amounted to \$3,353,425 thousand and \$2,186,916 thousand, respectively.

(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 Group'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

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan (NTD), US Dollars (USD) and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, and CNY.

2) Interest rate risk

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

(ag) Capital management

The Group'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 Group 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.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

The Group 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, 2022, the Group's capital management strategy is consistent with that of the prior year, and the gearing ratio is maintained within 25% to 55% to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2022, and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 6,326,628	8,015,982
Less: cash and cash equivalents	<u>2,527,070</u>	<u>2,530,959</u>
Net debt	3,799,558	5,485,023
Total equity	<u>7,947,467</u>	<u>6,560,326</u>
Adjusted equity	<u><u>\$ 11,747,025</u></u>	<u><u>12,045,349</u></u>
Debt-to-equity ratio	<u><u>32 %</u></u>	<u><u>46 %</u></u>

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

The Group's investing and financing activities, which did not affect its current cash flow in the years ended December 31, 2022 and 2021, were as follows:

- (i) For acquisition of right-of-use assets through lease, please refer to note 6(m).
- (ii) For conversion of convertible bonds to ordinary shares, please refer to notes 6(y).
- (iii) For shared-based payments, please refer to notes 6(z).

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>Acquired in of the subsidiary</u>	<u>December 31, 2022</u>
			<u>Acquisition</u>	<u>Foreign exchange movement</u>	<u>Amortization</u>		
Short-term borrowings	\$ 2,292,267	(997,593)	-	-	-	-	1,294,674
Long-term borrowings (including current portion)	323,841	95,278	(1,969)	604	1,319	115,476	534,549
Other loans (including deferred income)	71,996	16,686	1,969	1,092	(2,968)	-	88,775
Lease liabilities (including current portion)	11,573	(10,673)	19,580	4	-	14,267	34,751
Bonds payable	<u>1,900,906</u>	<u>-</u>	<u>(416,081)</u>	<u>-</u>	<u>17,220</u>	<u>-</u>	<u>1,502,045</u>
Total liabilities from financing activities	<u><u>\$ 4,600,583</u></u>	<u><u>(896,302)</u></u>	<u><u>(396,501)</u></u>	<u><u>1,700</u></u>	<u><u>15,571</u></u>	<u><u>129,743</u></u>	<u><u>3,454,794</u></u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2021</u>
			<u>Acquisition</u>	<u>Foreign exchange movement</u>	<u>Amortization</u>	
Short-term borrowings	\$ 738,071	1,554,196	-	-	-	2,292,267
Long-term borrowings (including current portion)	662,800	(335,989)	(3,613)	-	643	323,841
Other loans (including deferred income)	69,078	(308)	3,613	476	(863)	71,996
Lease liabilities (including current portion)	7,665	(6,769)	10,676	1	-	11,573
Bonds payable	-	2,113,308	(217,451)	-	5,049	1,900,906
Total liabilities from financing activities	<u>\$ 1,477,614</u>	<u>3,324,438</u>	<u>(206,775)</u>	<u>477</u>	<u>4,829</u>	<u>4,600,583</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Anhui Meijia New Materials Co., Ltd. (Meijia New Materials)	Associate of the Group
Pan-Jiang, Yang	Director of the Group
Wan-Cong, Wong	Director of the subsidiary of the Group
Qian-Xiu, Wong	Relative within second degree of relationship of director of the subsidiary of the Group
Yun-Zhe, Won	Relative within second degree of relationship of director of the subsidiary of the Group
Qing-Long, Wong	Relative within first degree of relationship of director of the subsidiary of the Group

(b) Significant transactions with related parties

(i) Purchase

The Group purchase from related parties was as follows:

Associates-Meijia New Materials	<u>2022</u> \$ <u>218,107</u>	<u>2021</u> <u>29,523</u>
---------------------------------	----------------------------------	------------------------------

There are no significant differences with the purchase price from the above-mentioned companies to general companies. The payment term is 30 days to 120 days, which is not significant different from general companies.

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(ii) Borrowings from Related Parties

The Group's borrowings from related parties (accounting other payables to related parties) were as follows:

<u>Relationship</u>	<u>December 31, 2022</u>
Chairman of the subsidiary— Wan-Cong, Wong	\$ 1,421
Director of the subsidiary— Qian-Xiu, Wong	2,459
Director of the subsidiary— Yun-Zhe, Wong	717
Relative within first degree of relationship of chairman of the subsidiary— Qing-Long, Wong	<u>403</u>
	<u>\$ 5,000</u>

The Group's borrowings from related parties were interest-free and unsecured, please refer note 6(h).

(iii) Other transaction

The Group's labor expense due to related party provide legal advisory services (accounting operating expense) for the three months and nine months ended December 31, 2022 was as follows:

	<u>2022</u>	<u>2021</u>
Director of the company— Pan-Jiang, Yang	<u>\$ 90</u>	<u>-</u>

(iv) Payable from Related Parties

The payable from associates were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	Associates - Meijia New Materials	<u>\$ 4,318</u>	<u>29,523</u>

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 47,444	29,762
Post-employment benefits	556	1,194
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	<u>-</u>	<u>5,035</u>
	<u>\$ 48,000</u>	<u>35,991</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	Bank Loans	\$ 540,921	537,281
Buildings	Bank Loans	151,263	146,647
Right-of-use asset	Bank Loans	160,608	161,260
Restricted bank deposit (other financial assets-current)	Bank's acceptance bill, long-term borrowings, stand by L/C and bank guarantee	156,070	167,915
Restricted bank deposit (other non-current assets)	Guarantee letter of convertible bond and bank loans	4,200	400,029
		<u>\$ 1,013,062</u>	<u>1,413,132</u>

(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 493,913</u>	<u>863,705</u>

(b) Outstanding standby letter of credit

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Outstanding standby letter of credit	<u>\$ 87,704</u>	<u>128,242</u>

(c) Contingencies: None.

(d) Other: None.

(10) Losses Due to Major Disasters: None

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(11) Subsequent Events:

A resolution was decided during the Board of Directors meeting held on January 18, 2023, determine to disposal of 7.5% of its share in Formosa I International (listed as non-current financial assets at fair value through profit or loss) to STONEPEK VETTEL HOLDINGS COMPANY LIMITED(referred to as a trading partner), the disposition price is USD \$40,000 thousand and deducted the agreed amounts. However, the disposition of the equity transaction has yet to complete the following important agreements are as follows:

- (1)Apply to the Investment Commission Ministry of Economic Affairs (and other relevant government agencies) for permission to invest in Formosa I International and obtain approval;
- (2)Pass the KYC review of the financial institutions;
- (3)Obtain the approval of relevant government agencies for Anti-trust Laws (if needed), including but not limited to Competition Laws issued by the European Union and Anti-trust Laws of the PRC.

(12) Other:

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

By item	2022			2021		
	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	162,036	358,328	520,364	157,431	289,794	447,225
Labor and health insurance	14,898	25,088	39,986	13,774	22,124	35,898
Pension	14,892	25,207	40,099	16,029	20,877	36,906
Others	8,492	5,700	14,192	10,117	5,962	16,079
Depreciation	162,507	88,855	251,362	109,942	87,394	197,336
Amortization	31	10,925	10,956	28	4,241	4,269

(Continued)

SWANCOR HOLDING COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions, required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, of the Group:

(i) Lending 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	Actual usage amount during the period (Note 5)	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
													Item	Value		
0	Swancor Holding	Swancor Innovation & Incubation	Other receivables	Yes	30,000	-	-	-	2	-	Operating purpose	-	-	-	2,663,286 (Note 1)	2,663,286 (Note 2)
0	Swancor Holding	Swancor Ind. Co., Ltd.	Other receivables	Yes	USD2,000 64,430	USD2,000 61,420	USD2,000 61,420	4%	2	-	Operating purpose	-	-	-	2,663,286 (Note 1)	2,663,286 (Note 2)
0	Swancor Holding	Sunwell Carbon Fiber Composite	Other receivables	Yes	250,000	120,000	-	1.6%	2	-	Operating purpose	-	-	-	998,732 (Note 1)	2,663,286 (Note 2)
0	Swancor Holding	Swancor (Jiangsu) Carbon Composites	Other receivables	Yes	RMB18,000 81,166	0	0	-	2	-	Operating purpose	-	-	-	998,732 (Note 1)	2,663,286 (Note 2)
1	Sunwell Carbon Fiber Composite	Swancor (Jiangsu) Carbon Composites	Other receivables	Yes	RMB20,000 90,184	RMB15,000 66,141	RMB15,000 66,141	4.25%	2	-	Operating purpose	-	-	-	104,550 (Note 3)	278,799 (Note 3)
2	Swancor Highpolymer	Swancor Ind (m)	Other receivable	Yes	USD1,500 46,065	USD1,500 46,065	USD1,500 46,065	5.30%	2	-	Operating purpose	-	-	-	138,268 (note 3)	368,714 (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 Sunwell Carbon Fiber Composite, the amount of endorsements and/or guarantees to subsidiaries of the Group shall not exceed 15% of Swancor Highpolymer Sunwell Carbon Fiber Composites' net worth. The total amount of endorsements and/or guarantees to subsidiaries of the Group shall not exceed 40% Swancor Highpolymer of Swancor Highpolymer 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 AND SUBSIDIARIES
Notes to the Consolidated 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	S-wanlai	2	3,329,108	70,000	70,000	-	-	1.05 %	6,658,215	Y	N	N
0	Swancor Holding	Swancor (Jiangsu) Carbon Composites	2	3,329,108	940,636	854,931	419,255	-	12.85 %	6,658,215	Y	N	Y
1	Swancor Highpolymer	Swancor Ind (M)	1	460,892	193,290	184,260	-	-	19.99 %	921,785	N	N	N
2	Swancor Advanced Materials	Swancor (Jiangsu)	2	1,515,492	605,988	595,269	48,120	53,584	11.78 %	2,525,821	N	N	Y
2	Swancor Advanced Materials	Swancor (Tianjin)	2	1,515,492	1,122,200	1,102,350	168,665	93,601	21.82 %	2,525,821	N	N	Y
2	Swancor Advanced Materials	Swancor Ind (M)	2	1,515,492	996,690	78,909	-	-	1.56 %	2,525,821	N	N	N

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 Group shall not exceed 30% of Swancor Advanced Materials' net worth. The total amount of endorsements and/or guarantees to subsidiaries of the Group 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 Group shall not exceed 50% of Swancor Highpolymer's net worth. The total amount of endorsements and/or guarantees to subsidiaries of the Group shall not exceed 100% of Swancor Highpolymer's 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 AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(In Thousands of New Taiwan Dollars)

Name of holder	Name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership in the min-period	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Swancor Holding	Stock – Synera Renewable Energy	Other related parties	Financial assets at fair value through profit or loss-non-current	25,127	212,904	5.00 %	212,904	5.00 %	
Swancor Holding	Stock – China Communications Media Group Co., Ltd.		Financial assets at fair value through profit or loss-current	10	187	0.04 %	187	0.04 %	
Swancor Holding	Stock- Tsang Yow Industrial Co., Ltd.		Financial assets at fair value through profit or loss-current	26	590	0.03 %	590	0.03 %	
Swancor Holding	Stock – Aero Win Technology Corporation		Financial assets at fair value through profit or loss-current	12	312	0.02 %	312	0.02 %	
Swancor Holding	Stock – KoanHau Technology Co., Ltd.		Financial assets at fair value through profit or loss-current	68	962	0.09 %	962	0.09 %	
Swancor Holding	Stock - F I International		Financial assets at fair value through profit or loss-non-current	45,246	453,000	7.50 %	453,000	7.50 %	
Swancor Holding	Stock – Gigantex Composite Technologies Co., Ltd.		Financial assets at fair value through other comprehensive income-non-current	20	25,031	14.92 %	25,031	14.92 %	
Swancor Holding	Special Stock – WT Microelectronics Co., Ltd.		Financial assets at fair value through other comprehensive income-non-current	1,000	47,750	0.10 %	47,750	0.01 %	
Swancor Holding	Stock – Promix Composites, Inc.		Financial assets at fair value through other comprehensive income-non-current	1,500	-	10.00 %	-	10.00 %	
Swancor Holding	Stock- Ideal Star International Corp.		Financial assets at fair value through other comprehensive income-non-current	500,000	-	10.00 %	-	10.00 %	
Swancor Holding	Bonds-The Royal Bank of Scotland Group plc		Financial assets at fair value through other comprehensive income-non-current	-	6,154	- %	6,154	- %	
Swancor Holding	Stock- Dell International L.L.C		Financial assets at fair value through other comprehensive income-non-current	-	6,306	- %	6,306	- %	
Swancor Holding	Bonds-Citigroup Inc.		Financial assets at fair value through other comprehensive income-non-current	-	8,295	- %	8,295	- %	
Swancor Holding	Bonds-AT & T Corporation		Financial assets at fair value through other comprehensive income-non-current	-	6,308	- %	6,308	- %	
Swancor Holding	Bonds-British Petroleum		Financial assets at fair value through other comprehensive income-non-current	-	5,025	- %	5,025	- %	
Swancor Holding	Bonds-Hewlett Packard Company		Financial assets at fair value through other comprehensive income-non-current	-	4,793	- %	4,793	- %	

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.

(v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital:

(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	Construction in progress	2021.1.1~2021.12.31	335,442	According to contract	Truedreams Construction Co., LTD etc.	None	Not applicable	Not applicable	Not applicable	-	Public Bidding	For operating	None

(vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

(Continued)

SWANCOR HOLDING COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(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 (Tianjin)	Swancor (Jiangsu)	Direct of indirect subsidiaries of the Company	(Sales)	(134,118)	(1.37) %	90 day	Note 1	No difference	-	- %	Note2
Swancor (Jiangsu)	Swancor (Tianjin)	Direct of indirect subsidiaries of the Company	Purchases	134,118	1.84 %	90 day	Note 1	No difference	-	- %	Note2
Swancor (Jiangsu)	Swancor (Tianjin)	Direct of indirect subsidiaries of the Company	(Sales)	(485,123)	(4.96) %	90 day	Note 1	No difference	125,912	2.55 %	Note2
Swancor (Tianjin)	Swancor (Jiangsu)	Direct of indirect subsidiaries of the Company	Purchases	485,123	6.66 %	90 day	Note 1	No difference	(125,912)	(6.46) %	Note2
Swancor (Jiangsu)	Swancor Advanced Materials	Direct of indirect subsidiaries of the Company	(Sales)	(847,621)	(8.67) %	90 day	Note 1	No difference	175,398	3.56 %	Note2
Swancor Advanced Materials	Swancor (Jiangsu)	Direct of indirect subsidiaries of the Company	Purchases	847,621	11.64 %	90 day	Note 1	No difference	(175,398)	(9.01) %	Note2
Swancor (Jiangsu)	Meijia New Materials	Shift in investment: subsidiary to associates	Purchases	140,975	1.94 %	30-120day	-	No difference	(2,172)	(0.11) %	
Meijia New Materials	Swancor (Jiangsu)	Shift in investment: associates to subsidiary	(Sales)	(140,975)	(1.44) %	30-120day	-	No difference	2,172	0.04 %	

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) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
Swancor(Jiangsu)	Swancor Advanced Materials	Direct of indirect subsidiaries of the Company	175,398	(5.12) %	-	-	155,134	-
Swancor (Jiangsu)	Swancor (Tianjin)	Direct of indirect subsidiaries of the Company	125,912	(7.71) %	-	-	124,351	-

- (ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).

(Continued)

SWANCOR HOLDING COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2022:

(In Thousands of New Taiwan Dollars)

No. (Note1)	Name of company	Name of counterparty	Nature of relationship (Note2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Swancor(Tianjin)	Swancor(Jiangsu)	3	Sales	134,118	The sales prices and payment terms were same as those of sales to third parties.	1.37 %
2	Swancor(Jiangsu)	Swancor(Tianjin)	3	Purchases	134,118	The sales prices and payment terms were same as those of sales to third parties.	1.37 %
3	Swancor(Jiangsu)	Swancor(Tianjin)	3	Sales	485,123	The sales prices and payment terms were same as those of sales to third parties.	4.96 %
4	Swancor(Tianjin)	Swancor(Jiangsu)	3	Purchases	485,123	The sales prices and payment terms were same as those of sales to third parties.	4.96 %
5	Swancor(Jiangsu)	Swancor Advanced Materials	3	Sales	847,621	The sales prices and payment terms were same as those of sales to third parties.	8.67 %
6	Swancor Advanced Materials	Swancor(Jiangsu)	3	Purchases	847,621	The sales prices and payment terms were same as those of sales to third parties.	8.67 %

Note1 : The number filled in as follows:

- 1) 0 represents the company.
- 2) Subsidiaries are sorted in a numerical order starting from 1.

Note2 : Transactions labeled as follows:

- 1) represents the transactions from the company to subsidiaries.
- 2) represents the transactions from subsidiaries to the company.
- 3) represents the transactions between subsidiaries.

- (b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China) for 2022:

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership in the mid-period	Share of profits/losses of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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 %	601,761	86.42 %	35,328	35,328	
Swancor Holding	Swancor Innovation & Incubation	R.O.C.	Management consulting	210,000	10,000	21,000	100.00 %	136,477	100 %	(57,484)	(57,484)	
Swancor Holding	Strategic	Samoa	Investing and holding	USD 9,601,317,780	USD 9,601,317,780	9,601	100.00 %	3,884,116	100 %	US\$10,739,320,545	320,545	
Swancor Holding	S-Wanlai	R.O.C.	Chemical products manufacturing and processing	200,000	-	20,000	100.00 %	204,178	100 %	4,178	4,178	
Strategic	Swancor	Samoa	Investing and holding	USD 7,100,233,692	USD 7,100,233,692	7,100	100.00 %	USD 103,509,3,178,772	100 %	USD 8,670,258,781	USD 8,670,258,781	
Swancor Advanced Materials	Swancor (HK)	Hong Kong	Investing and holding	USD 21,880,662,997	USD 21,880,662,997	35,650	100.00 %	RMB 257,519,1,135,516	100 %	RMB 54,770,243,059	RMB 54,770,243,059	
Swancor (HK)	Swancor Ind. (M)	Malaysia	Chemical products manufacturing and processing	USD 7,820,241,521	USD 7,820,241,521	32,657	100.00 %	HKD 53,926,212,401	100 %	HKD 6,019,22,941	HKD 6,019,22,941	
Swancor (HK)	Swancor Highpolymer	R.O.C.	Chemical products manufacturing and processing	USD 14,000,415,800	USD 14,000,415,800	41,580	100.00 %	HKD 234,027,921,775	100 %	HKD 57,765,220,173	HKD 57,765,220,173	
Sunwell Carbon Fiber Composite	COTECH	R.O.C.	Producing and selling carbon composites	130,000	-	130,000	80.82 %	130,000	80.82 %	(22,939)	-	

(Continued)

SWANCOR HOLDING COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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/RMB/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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership in the mid-period	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 RMB 348,576 1,834,912	Indirectly owned by the company	USD 2,500 84,071	-	-	USD 2,500 84,071	USD 13,660 407,741	79.24 %	79.24 %	USD 10,824 323,094	USD 130,346 4,002,920	RMB 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 (Note 1)	USD 250 8,098	-	-	USD 250 8,098	-	10.00 %	10.00 %	-	-	-
Swancor (Tianjin)	Energy conservation wind power laminar resins' manufacturing and selling	USD 7,000 RMB 5,500 254,376	Indirectly owned by the company	USD 7,000 230,401	-	-	USD 7,000 230,401	RMB 12,729 56,490	79.24 %	79.24 %	RMB 10,087 44,763	RMB 93,332 852,486	-
Swancor (Jiangsu)	Energy conservation wind power laminar resins' manufacturing and selling	RMB 122,500 613,850	Indirectly owned by the company	RMB 76,875 380,892	-	-	RMB 76,875 380,892	RMB 4,273 18,964	79.24 %	79.24 %	RMB 3,386 15,027	RMB 34,803 594,406	-
Meijia New Materials	Producing and selling of powder coating and epoxy resin	RMB 210,000 913,290	Indirectly owned by the company	-	-	-	-	RMB 7,330 32,529	18.87 %	18.87 %	RMB (781) (3,464)	165369 729,136	-
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	RMB (5,813) (25,795)	72.50 %	72.50 %	RMB (4,214) (18,702)	403,211	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Swancor Holding	USD 2,282	USD 90,401 2,726,477	4,768,480

Note 1 : Invested by Ideal Star

Note 2 : The amount was recognized based on the audited financial statements.

Note 3 : The amount was translated at the rates of exchange at each authorization by Investment Commission.

Note 4 : 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.

(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.		11,255,625	11.46 %
Tsai's family Holding Co., Ltd.		7,858,033	8.00 %

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group's reportable segment is the Composite Material segment. The Composite Material segment's main operating activities are the manufacturing and selling of Precision chemical materials, energy conservation LED resins and energy conservation wind power laminar resins.

(b) Information about reportable segments and their measurement and reconciliations:

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The profits and losses, assets, and assets' information of the Group's reportable segment are in consistent with the Group's consolidated financial statements. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

The operating segment accounting policies are similar to those described in note 4.

(c) Product and Service information

Revenue from the external customers of the Group was as follows:

Product and services	2022	2021
Anti-corrosion material	\$ 3,158,719	3,239,275
Green energy material	4,363,861	4,881,708
Others	<u>2,248,874</u>	<u>2,589,317</u>
Total	<u>\$ 9,771,454</u>	<u>10,710,300</u>

(Continued)

Swancor Holding Company Limited and subsidiaries
Notes to the Consolidated Financial Statements

(d) Geographic information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2022</u>	<u>2021</u>
Revenue from external customers:		
Taiwan	\$ 1,007,594	911,127
China	5,816,167	7,165,814
Other countries	<u>2,947,693</u>	<u>2,633,359</u>
	<u>\$ 9,771,454</u>	<u>10,710,300</u>
	<u>2022</u>	<u>2021</u>
Non-current assets :		
Taiwan	\$ 2,130,756	1,372,263
China	1,520,931	1,613,068
Other countries	<u>190,643</u>	<u>140,431</u>
	<u>\$ 3,842,330</u>	<u>3,125,762</u>

Non-current assets include property, plant and equipment, right-of-use asset, intangible assets, and other assets, excluding financial instruments, refundable deposits, other financial assets, prepaid pension cost, and deferred tax assets.

(e) Major Customers

	<u>2022</u>	<u>2021</u>
customer (A) of composite material division	<u>\$ 1,311,449</u>	<u>1,359,671</u>

(Continued)