

STOCK CODE:3708



**SWANCOR HOLDING CO., LTD.**

2023

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# Annual Report

## Notice to readers

The English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on April 8, 2024

(This Annual Report is available at: <http://mops.twse.com.tw>)

(Company Website: <http://www.swancor.com>)

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**V. Name of any overseas securities trading agency and method for inquiring information of such overseas securities: None**

**VI. Company website** : <https://www.swancor.com/tw>

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## Chapter 1. Letter to Shareholders

Dear Shareholders:

First, we would like to express our gratitude for the support and encouragement of all shareholders in the past year.

Swancor Holding Company Limited (hereinafter referred to as "Swancor Holdings") is an investment holding company. Its main subsidiaries are Swancor Advanced Materials Co., Ltd. (hereinafter referred to as "Swancor Advanced Materials"), Sunwell Carbon Fiber Composite Corporation (hereinafter referred to as "Swancor Carbon Fiber"), and Swancor Innovation & Incubation Co., Ltd. (hereinafter referred to as "Swancor Innovation & Incubation"). Its main businesses include the research and development of precision chemicals, carbon composite materials, and innovative materials as well as new business incubation.

Swancor Holdings established the integrated industrial structure and independent development strategies by focusing on combining precision chemicals and composite materials with green energy and carbon-neutral industries to enhance its overall operating performance and market competitiveness.

The 2023 business results and 2024 business plan are listed as follows:

### I. 2023 Business Report

#### (I) Implementation results of business plan:

Swancor's consolidated sales was NT\$7.29 billion in 2023, decreased by 25.35% compared with 2022, of which sales of anti-corrosion resin decreased by 1.44%, and environmental protection and green energy materials revenue decreased by 47.21%.

The Company's gross profit margin increased by 2.65ppt YoY to 18.29%, which was mainly due to the reduced cost of raw materials.

The net profit attributable to the Company was NT\$12.56 million, a increase of 39.12% compared with last year. The earnings per share were NT\$12.88, a increase of NT\$3.40 compared with last year.

#### (II) Implementation status:

Unit: NT\$ thousands	
Item \ Year	2023 Actual Amount
Net operating revenue	7,294,813
Operating costs	5,960,308
Gross profit from operations	1,334,505
Operating expenses	1,104,397
Operating income	230,108
Net non-operating Income (expenses)	1,217,999
Profit before income tax	1,448,107
Income tax expenses	166,109
Net profit for this period	1,281,998
Current Period Profit and Net Income Attributable to Owners of the Parent Company	1,256,499

Note : Publication of financial forecasts is not required according to regulations.

(III) The financial income and expenditure and profitability analysis are listed below:

Unit: NT\$ thousands

Item		Year	2023
Financial revenue and expenditure	Net operating revenue		7,294,813
	Gross profit from operations		1,334,505
	Profit before income tax		1,448,107
Profitability	Return on Shareholders' Equity (%)		15.43
	Income before tax to be paid-in capital ratio (%)	Operating income	23.35
		Net profit before income tax	146.93
	Basic Earnings Per Share (NT\$)		12.88
	Diluted Earnings Per Share (NT\$)		11.04

## II. Technology Development

Swancor Holdings' has innovation and execution abilities, providing products and technologies that meet customer needs, and supporting corporate growth as well as enhancing profitability.

### (I) Anti-Corrosion Resin

Swancor has launched SWANCOR HYVER, an innovative product that offers customers an additional choice of high performance and cost-effective anti-corrosion resins, especially for applications in vessels, where the shipbuilding process can be streamlined to improve production efficiency and performance. The product has successfully entered the international market.

In addition, Swancor has cooperated with its strategic partner, Anhui Meijia New Materials Co., Ltd., in developing a special-purpose epoxy resin, to enhance and accumulate its independent research and development capabilities with a particular focus on upstream materials.

### (II) Recyclable Thermoset Epoxy Resin

In response to the growing trends of carbon neutrality and carbon reduction, Swancor has developed the Recyclable Thermoset Epoxy Resin "EzCiclo". Using Swancor's recyclable thermosetting epoxy to manufacture composite materials offers not only the performance and characteristics of traditional epoxy resins but also aligns with the principles of a circular economy at the end of the product lifecycle. By immersing the composite material in Swancor's developed the degradation solution CleaVER and applying appropriate heat treatment, both resin and fibers can be recovered. This process does not generate waste solvents or emissions, thereby fully meeting the requirements of the circular economy.

EzCiclo of Swancor is a basic epoxy resin that can be used not only in the wind power industry, but also in a wide range of applications, and replace many processes and products that require epoxy resins, such as the sports and leisure, bicycle, rail traffic, marine, and automotive industries. It can transform the thermosetting epoxy resins that are not recyclable to environmentally friendly products that can be recycled.

### (III) Wind Turbine Laminar Epoxy Resin

Swancor's two innovative products, Swancor EzCiclo and SWANCOR HYVER, can substitute for the traditional wind turbine blade infusion resins, providing more choices for the wind turbine blade manufacturers. The Recyclable Thermoset Epoxy Resin is currently undergoing certification testing by international and Chinese customers, while SWANCOR HYVER is undergoing certification testing by Chinese customers.

#### (IV) High-Performance Carbon Fiber Prepreg Sheets and Pultruded Carbon Fiber Plates

In addition to the carbon fiber prepreg sheets and pultruded carbon fiber plates originally provided, Swancor has developed and used "SWANCOR HYVER" and "EzCiclo" prepreps and pultruded sheets to provide customers with more diversified product choices.

### III. Recent Corporate Development Overview

In June 2022, Swancor announced the establishment of a subsidiary, S-Wanlai Co., LTD., to manufacture and sell circular recycled materials. Swancor is strategically integrating upstream resources, in addition to external investments, it has also invested resources in developing new raw materials.

EzCiclo products have passed ISO 14021 certification, and a declaration of recycled material has been made. The composite materials made with EzCiclo can reach a recycling rate of  $\geq 95\%$ . EzCiclo, through degradation and recycling, secured the world's first Global Recycled Standard certification for 100% recycled carbon fiber, substantiating the viability of EzCiclo's sustainable circular utilization.

### IV. Business Plan for 2024

Swancor, as an Investment Holding Company, outlines below the strategic directions and plans for its principal product categories for fiscal year 2024.

#### 1. Anti-corrosion resin:

China: Aligned with the environmental protection directives of China, the Company proactively captures business opportunities across various environmental application sectors, enhancing supply chain management to deliver competitively superior products to clients. It extends its outreach to clients in the composite materials sector and maintains its developmental focus on innovation in products and applications. The Company bolsters its geographical expansion strategy, intensifying sales initiatives in peripheral regions through distributors, thereby augmenting its market presence and sustaining revenue growth.

Global: Leveraging successful market strategies from Taiwan and China, the Company allocates resources to strategically initiate regional projects. In collaboration with distributors, it cultivates markets in Southeast Asia, India, and the Middle East, aiming to elevate market penetration. It advances the application of HYVER in maritime industries and establishes production partnerships with strategic allies in Europe and North America to enhance its competitive edge, increase market share, and boost profitability.

The Company established a subsidiary in the Netherlands to provide proximate technical services and collaborate with European academic and research institutions, integrating materials from the product development phase.

The medium and long-term goal of anti-corrosion material business unit is to achieve the No. 1 market share in Asian market.

#### 2. Eco-friendly green energy materials:

China: The Company keeps abreast of industry market trends and government policies, continuously strengthening strategic alliances with complete machine manufacturers in China to enhance technical service capabilities and brand strength. It is dedicated to acquiring new clients and increasing market penetration. Capitalizing on its capacity across multiple locations, the Company collaborates closely with clients who are expanding in the international market.

Global: Leveraging product quality, technical capabilities, and the Company's achievements in Taiwan's offshore wind power industry, the wind turbine blade resins have been certified by major international wind turbine manufacturers and received orders. The Company is committed to cultivating new clients and establishing production cooperation with strategic partners in Europe to enhance competitiveness through

proximate service and supply. Concurrently, it seizes opportunities in emerging industries such as offshore wind power in Taiwan, continuously exploring new application opportunities, increasing market share, and enhancing profitability.

In the medium and long term, our goal is to become a technology leader in wind turbine blade materials.

### 3. Carbon Fiber Composite:

Mainly pultruded plates and prepreg sheets:

**Pultruded plates:** The products have been certified by leading international wind turbine manufacturers and major customers in China and have received orders from them. The products are mainly used for wind turbine blade spars. Swancor will continue to refine its product quality, improve its yield of products and technological capabilities, and actively explore and obtain accreditation from new customers to ensure the stable supply of upstream carbon and glass fibers and accelerate sustainable growth.

**Prepreg sheets:** We will actively explore new customers and applications outside of wind power industry, increase capacity utilization rate, and develop innovative recyclable prepreg sheets in combination with recyclable resins to accelerate sustainable growth.

In addition to the sustainable development of the two major products, we will integrate the resources of Cotech Inc. and move from materials to carbon fiber molded components, so as to exploit the combined effect and develop more customers for carbon fiber composite material applications in aerospace industry and new energy vehicles. We are also actively developing new products as a new growth engine.

### 4. Circular Recycled Materials:

The introduction of new products such as EzCiclo and CleaVER marks the beginning of diversified development in application fields including recyclable resins, recyclable pre-impregnated fabrics, recyclable extruded sheets, etc. These products are applicable across various composite materials. A distinguishing feature of these products is their durability and the capability to be recycled and degraded using CleaVER upon reaching the end of their useful life, thus achieving sustainable circular use. Additionally, the Company has developed various maritime applications for the recycled low-carbon materials recovered post-recycling, completing the circular economy loop for EzCiclo.

## V. Impact by external competition environment, regulatory environment and overall operating environment

Fixed export ratio of the Company was approximately 90%, and the competitors were peers all over the world, where, with sales volume accounting for 50%, Mainland China was our main market. However, in China, factors such as the economic decoupling from the United States, withdrawal of foreign capital, unresolved difficulties in the real estate sector, and weakening domestic consumer spending have impacted operations. In response, the Company is investing in niche markets outside of China and strengthening customer relationships to adapt. Chinese enterprises commonly employ price competition as a sales strategy. The Company has adjusted its procurement strategies for critical raw materials to reduce inventory levels and enhance product competitiveness.

The Company has long been entrenched in the environmental sector, with a focus on corrosion-resistant environmental materials and supplying materials for green wind energy and lightweight carbon fiber composites. Recently, the Company launched the recyclable thermosetting epoxy resin



product line, EzCiclo, which addresses the recycling challenges of "thermoset composites" that have persisted since the 1930s. In response to climate change and global warming, countries are increasingly focusing on energy conservation and carbon reduction, aiming for net-zero emissions, supported by relevant policies and regulations. This shift presents new opportunities and benefits for the Company in its transition to net-zero.

This year, amid heightened geopolitical risks, numerous conflicts, and central banks in Europe and America delaying interest rate cuts to combat inflation, the economic recovery in China is unclear and growth is slowing. Consequently, the global economic outlook remains bleak. The operational risks for businesses are significant. We will continue to leverage our competitive advantages while expanding, conducting thorough risk assessments and implementing preventative measures beforehand to mitigate risks and achieve operational objectives.

## VI. Future Prospects

In the coming year, building on the business foundations developed over the past few years, we will pursue a dual-strategy focus on solidifying core operations and developing new ventures. The mass production and diverse application of EzCiclo and CleaVER will be emphasized, aiming to position ourselves as a leading company in green circular materials. We will further deepen and expand academic-industrial collaborations with a research and development focus on carbon neutrality, carbon capture, storage, reuse, and carbon fiber recycling applications, committing to research and development related to carbon neutrality. Supported by proactive investments in carbon-neutral related enterprises, we are earnestly developing the circular economy, aspiring to become experts in carbon reduction committed to carbon neutrality.

Swancor Holdings plans to merge companies with excellent teams and products, in the hope to generate synergy and strengthen competitiveness to accomplish its mission of "Devoted to carbon neutrality and new materials innovation" and lay a broader foundation for corporate sustainability and profitability.

Finally, we would like to express our sincere gratitude to all shareholders for your love and care over the past years, and we would appreciate your continued support for the future. Please feel free to give us any advice or opinions.

I wish you all the best.

Good Health and Good Luck.

Chairman : Jau-Yang Tsai

## Chapter 2. Company Profile

I. Date of establishment: August 31, 2016.

II. Milestones:

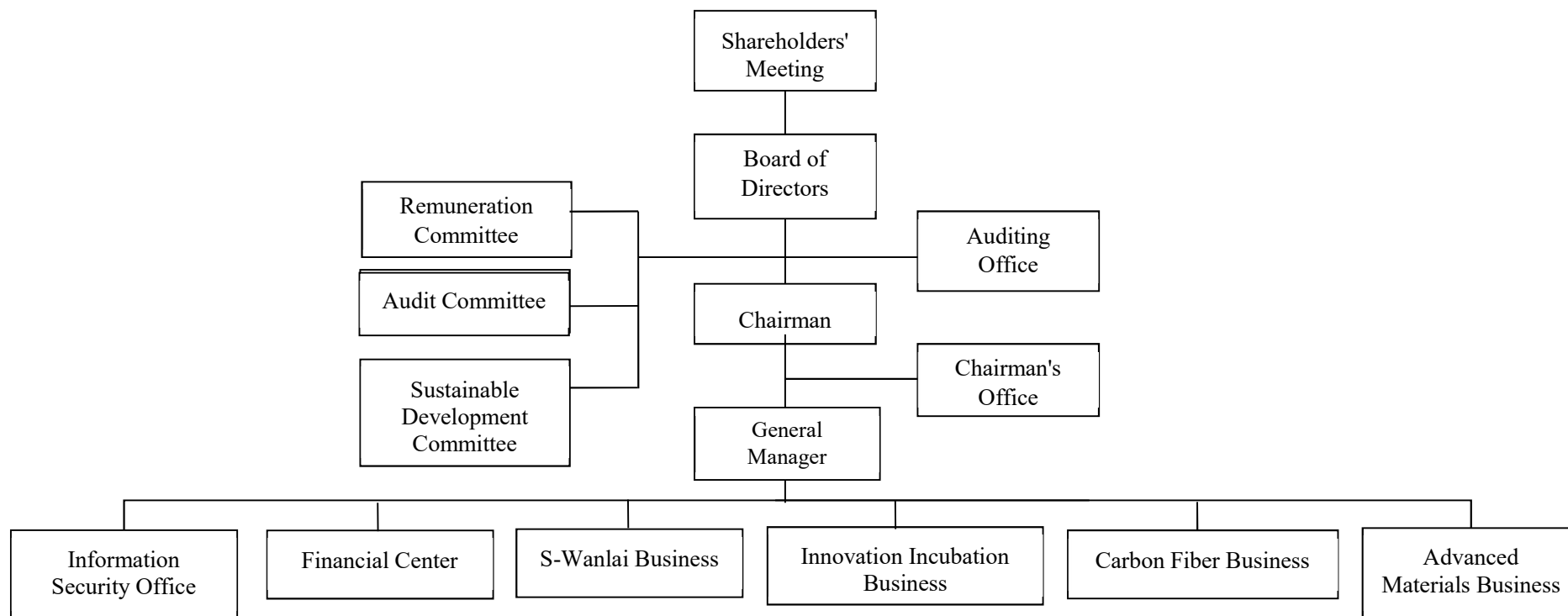
Year/Month	Milestones
Aug. 2016	The Company was established in Nantou by stock conversion of Swancor Industrial Co., Ltd. (hereinafter referred to as Swancor Industrial), and was listed (stock code: 3708) on the date of establishment in accordance with relevant laws and regulations.
Oct. 2016	Established Swancor Highpolymer Co., Ltd.
Jan. 2017	The advanced materials business of Swancor Industrial was transferred to the sub-subsidiary Swancor Highpolymer Co., Ltd. by demerger. Macquarie Capital and DONG Energy signed an investment agreement with Swancor.
Apr. 2017	Subsidiary Formosa I Wind Power CO., Ltd. got the Taiwan first offshore wind power commercial operating license from Taiwan Ministry of Economic Affairs. The two wind turbines demonstrated in Phase 1 by Formosa I were the first offshore wind turbines to be put in commercial operation.
Nov. 2017	Won the Silver Award for the Traditional Manufacturing of the 2017 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report.
Dec. 2017	Subsidiary Formosa I Wind Power Co., Ltd. signed the Offshore Wind Power System Purchasing Agreement with Taipower, which is the first comprehensive offshore wind farm purchase contract in Taiwan, with a contract period of 20 years since the initial date of parallel connection (meter reading) in accordance with the Renewable Energy Development Act and The Electricity Act.
Mar. 2018	The Company expanded offshore wind supply chain localization in cooperation with Macquarie Capital, and signed a memorandum of understanding (MOU) with FPC and Formosa Heavy Industries.
Jun. 2018	Formosa I Wind Power Co., Ltd. was the first company in Asia engaged in offshore wind turbine project finance.
Oct. 2018	Swancor signed supply contracts with Siemens Gamesa for wind turbine laminar resins, and became the first resin supplier in Asia to supply wind turbine laminar resins for Siemens Gamesa's offshore wind turbine laminar.
Dec. 2018	Won the Silver Award for the Traditional Manufacturing of the 2018 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report.
Jan. 2019	Formosa I Wind Power Co., Ltd. won the 2018 Renewable Energy Asia Pacific Project Finance Award of Project Finance International (PFI).
Mar. 2019	Swancor Ind(M) SDN. BHD. opened and completed trial production.
Jul. 2019	Disposal of 95% shareholding of the subsidiary Swancor Renewable Energy Co., Ltd. to Stonepeak Oceanview (Cayman) Holdings Company by the Company's resolution.
Aug. 2019	Ranked 5th for the "Common Wealth Magazine 2019 - Top 100 Rapidly Evolving Enterprises" and 8th in the "Top 10 Profitability of the Rapidly Evolving Enterprises".
Oct. 2019	The subsidiary Swancor Renewable Energy Co., Ltd. completed the construction of Taiwan's first commercial scale offshore wind farm, with a total capacity of 128 MW. It was put into commercial operation on December 27, 2019.
Apr. 2020	Swancor Industrial's short-form merger with the Company with record date December 31, 2019 was approved by the Department of Commerce, Ministry of Economic Affairs on April 14, 2020.
Sep. 2020	The subsidiary, Swancor Advanced Materials Co., Ltd. was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange on September 28, 2020. It is the first Taiwan funded enterprise to be listed on the Science and Technology Innovation Board of Shanghai Stock Exchange.
Nov. 2020	Won the Bronze Award for the Traditional Manufacturing of the 2020 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report.
Sep. 2021	The subsidiary, Swancor Advanced Materials Co., Ltd. launched the SWANCOR HYVER structural innovation to lead a new direction of cost reduction and efficiency enhancement.
Nov. 2021	Won the Silver Award for the Traditional Manufacturing Industry of the 2020 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report.
Dec. 2021	Sunwell Carbon Fiber Composite Corporation, a subsidiary of Swancor Holding Co., Ltd. invested in COTECH, Inc. to enter the aerospace and new energy vehicle market.
Mar. 2022	Swancor has launched new recyclable thermoset resins: EzCiclo and CleaVER for the zero carbon era.
Jun. 2022	The subsidiary, Swancor Advanced Materials Co., Ltd., has won the title of the R&D Center for Multinational Companies.
Nov. 2022	Won the Silver Award for the Traditional Manufacturing of the 2022 Taiwan Corporate Sustainability

Year/Month	Milestones
	Awards (TCSA) - Corporate Sustainability Report. The program of the EzCiclo Recyclable Epoxy Resin and CleaVER Recycling Technology of the subsidiary Swancor Advanced Materials Co., Ltd. won the SAMPE Innovative Award for Materials in 2022 and the 19th National Innovation Award - Corporate Innovation Award issued by the Institute for Biotechnology and Medicine Industry (IBMI).
Jan. 2023	The recyclable thermoset epoxy resin developed by Swancor has been included into the JEC “BEST OF 2022” and the “Top 10 Products in 2022” of the Composites World. The Company has sold the 7.5% equity of Formosa 1 International Investment Co., Ltd. to Stonepeak Partners LP.
Feb. 2023	The subsidiary Swancor Advanced Materials Co., Ltd. won the title of the “Enterprise with Outstanding Contribution at the 30th Anniversary of the Songjiang Economic and Technological Development Zone”. Swancor has introduced the Taiwan Intellectual Property Management System (TIPS) developed by the Industrial Development Bureau of the Ministry of Economic Affairs and passed the Class A certification in 2022. Swancor EzCiclo sustainable cycled material has passed the ISO14021 certification.
Mar. 2023	Swancor has worked with Times New Materials to complete the first trial production of large blade using EzCiclo recyclable thermoset resin. Swancor has worked with Ming Yang Smart Energy to complete the first trial production of large blade using EzCiclo recyclable thermoset resin. The Company worked with GIGANTEX to develop the Recyclable Thermoset Carbon Fiber Composite Wheelset, and won the 2023 Taipei International Cycle Show Innovation Design Award. The program of the EzCiclo Recyclable Epoxy Resin and CleaVER Recycling Technology of the subsidiary Swancor Advanced Materials Co., Ltd. won the Outstanding Innovative Product Award in the 2022 China Composite Material Show – JEC.
July 2023	Swancor has secured the world's first Global Recycled Standard (GRS) certification for 100% recycled carbon fiber.
Oct. 2023	Establishment of the subsidiary Shandong Longneng Renewable Resources Utilization Co., Ltd.
Nov. 2023	The subsidiary, Swancor Advanced Materials Co., Ltd., was honored with the "2022 Golden Bull Science and Innovation Award" from the Shanghai Stock Exchange. Won the Silver Award for the Traditional Manufacturing of the 2023 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report. Establishment of the subsidiary Swancor Recycling Technology (Jiangsu) Ltd.
Mar. 2024	The operational headquarters, Swancor Industrial Innovation Park, was completed and received both the Gold Level Green Building Mark and the Silver Level Smart Building Mark. In collaboration with MASSLOAD, Swancor has introduced the world’s first bicycle water bottle cage made entirely from 100% recycled materials. Swancor Highpolymer and Siemens Gamesa Renewable Energy A/S (hereafter referred to as SGRE) have executed a Letter of Intent. Starting from 2026, SGRE plans to collaborate with Swancor Industries on the application of recyclable blades, specifically aiming to exclusively use recyclable resin.

## Chapter 3. Corporate Governance Report

### I. Organization

#### (I) Organizational Structure



(II) Major Corporate Operations:

Department	Functions
Auditing Office	Responsible for auditing and tracking of the Company's internal control system, and making suggestions on the improvement of internal control and audit report.
Chairman's Office	Responsible for supervision of the Group's subsidiaries, supporting the Chairman on consolidating and formulating strategies, and communication and coordination with external parties.
General Manager	Responsible for the Group's business management and supervising the formulation and decision-making of major investment plans.
Advanced materials business	Responsible for R&D, production and sales of high-performance resins.
Carbon fiber business	Responsible for R&D, production and sales of carbon fiber products.
Innovation Incubation Business	Responsible for forward-looking technology research and Group logistics support to improve the Group's operational efficiency.
S-Wanglai Business	Responsible for the R&D, production and sales of circular economy products.
Financial Center	Responsible for finances, accounting, and stock affairs.
Information Security Office	Information security risk management includes compliance with regulations, information security management strategies, education guidelines and policy advocacy, anomaly handling, supervision and management, and technology application.

II. Information Regarding Directors, President, Vice President, Associate Manager, and Manager of Each Division and Branch

(I) Information Regarding Directors:

1. Information of Directors

April 2, 2024																				
Title	Nationality or place of registration	Name	Gender Age interval	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Education and work experiences	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Tsai's Family Holding Co., Ltd.	-	2022.05.31	3 years	2022.05.31	10,683,625	11.43	19,380,658	18.87	0	0	0	0	Master's degree, Department of Chemical Engineering, National Tsing Hua University Department of Business Administration, National Cheng Chi University	Chairman of Swancor Holding Co., Ltd, Swancor Innovation & Incubation Co., Ltd., Swancor Advanced Materials Co., Ltd., Swancor (Tianjin) Wind Blade Materials Co., Ltd., Swancor (Jiangsu) New Materials Co., Ltd., and Swancor (Jiangsu) Carbon Composite Co., Ltd.; Chairman of Swancor Highpolymer Co., Ltd.; Chairman of Sunwell Carbon Fiber Composite Corporation	Director	Hsiao-Yi Tsai	Son	(Note 1)
		Representative: Jau-Yang Tsai	Male 61-69				8,957,033	9.58	2,197,000	2.14	0	0	12,762,943	12.43						
Director	Republic of China	Tsai's Family Holding Co., Ltd.	-	2022.05.31	3 years	2022.05.31	10,683,625	11.43	19,380,658	18.87	0	0	0	0	Department of Accounting Information, Da Yeh University Procurement Specialist of Swancor Highpolymer Co., Ltd. Deputy Section Manager of Swancor Carbon Fiber Composite Corporation	Director of Sunwell Carbon Fiber Composite Corporation Special Assistant to the Chairman of Swancor Holding Co., Ltd. Director of COTECH INC. Chairman of S-Wanlai Co., Ltd. Chairman of Swancor Recycling Technology (Jiangsu) Ltd.	Chairman	Jau-Yang Tsai	Father	
		Representative: Hsiao-Yi Tsai	Male 31-40				521,000	0.56	300,000	0.29	0	0	2,461,727	2.40						
Director	Republic of China	Pan-Chiang Yang	Male 61-69	2022.05.31	3 years	2019.05.31	97,311	0.10	97,311	0.09	0	0	0	0	College of Law, National Taiwan University Attorneys-at-law of Root Law Office Junior partner lawyer of Formosa Transnational Attorneys at Law Arbitrator of Chinese Arbitration Association, Taipei Supervisor of Taichung Bar Association Volunteer attorney and Chairperson of Consumers' Foundation Chinese Taipei, Taichung Branch Member of the Petitions and Appeals Committee and Consumer Dispute Mediation Commission of Taichung City Government Taiwan City Government Public Nuisance Dispute Mediation Committee Member Legal Aid Lawyer, Member of Screening Committee, Member of Rehearing Committee, Legal Aid Foundation	Lawyer at Pan-Chiang Yang Law Office	Nil	Nil	Nil	
Director	Republic of China	Kuei-Tuan Chen	Male More than 70	2022.05.31	3 years	2016.08.31	410,527	0.44	446,527	0.43	0	0	0	0	Master of Public Finance, Department of Public Finance, National Cheng Chi University PhD, Department of Economic Law, China University of Political Science and Law, Beijing Professor and Director of the Department of Accounting, and Director of Center for Corporate Governance, Feng Chia University Senior legislative assistant of the Legal Counsel Center, Legislative Yuan Arbitrator of Chinese Taipei and Guangzhou Arbitration Commission Executive Director of Taiwan Certified Public Accountant Association	Professor of the Department of Accounting, Feng Chia University CPA, EnWise CPAs & Co. Independent Director of Lee Chi Enterprises Co., Ltd., and Chumpower Machinery Corp.	Nil	Nil	Nil	

Title	Nationality or place of registration	Name	Gender Age interval	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Education and work experiences	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Hsiu-Chun Wang	Male 51-60	2022.05.31	3 years	2016.10.19	0	0	0	0	9,360	0.01	0	0	PhD, Department of Engineering-Economic Systems, Stanford University Bachelor of Department of Electrical Engineering, National Tsing Hua University General Manager of WK Innovation Ltd. Principal Analyst for Global Semiconductor, ABN AMRO Bank	Managing Partner, GRC Managers Limited Independent Director of TPK Holding Co., Ltd. Director of GreenPeak Renewables Company Limited Chairman of Sinogreenergy Management Company	Nil	Nil	Nil	
Independent Director	Singapore	Jui-Hua Li	Male 61-69	2022.05.31	3 years	2019.05.31	0	0	0	0	0	0	0	0	Master Degree, Stanford Graduate School of Business Deputy General Manager and Head of Human Resources of TSMC Vice President of Asia Pacific at Lucent Technologies Inc. General Manager for Greater China at Polaroid Corporation General Manager of General Electric (China) Co. Ltd. Managing Director for Southeast Asia at DuPont	Contracted Professor of the College of Commerce at National Cheng Chi University Professor of EMBA, Tsinghua University, Beijing Distinguished Professor, School of Management, Shanghai Fu Dan University	Nil	Nil	Nil	
Independent Director	Republic of China	Chung-Ming Liu	Male More than 70	2022.05.31	3 years	2019.05.31	0	0	0	0	0	0	0	0	MBA of Stanford University; Master & PhD of Chemistry, Columbia University; Bachelor of Department of Chemistry, National Tsing Hua University President and Vice President of ITRI Materials and Chemical Engineering Director of ITRI Chairman of the Materials Research Society, Taiwan Chairman of the Chinese Chemical Society Chairman of The Polymer Society, Taipei Chairman of Industrial Technology Investment Corporation	Distinguished expert of ITRI Independent Director of APAQ Technology Co., Ltd. and Andros Pharmaceuticals Co., Ltd.	Nil	Nil	Nil	
Independent Director	Republic of China	Sheng-Chung Lin	Male More than 70	2022.05.31	3 years	2019.05.31	0	0	0	0	0	0	0	0	PhD in Institute of Natural Resource Management, National Taipei University Master of Economics, National Taiwan University Chairman of CPC Chief Delegate and Administrative Deputy Minister of the Ministry of Economic Affairs CEO of Taiwan WTO and RTA Center, Chung-Hua Institution for Economic Research Heads of Delegation of Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu to the WTO Chief of Public Works Department, Taipei City Government	Honorary Professor, Department of International Business, Chung Yuan Christian University Consultant of Chinese National Association of Industry and Commerce, Taiwan (CNAIC) Independent Director of Century Iron and Steel Industrial Co. Ltd, Formosa Taffeta Co. Ltd and Taiwan Glass Industry Corporation	Nil	Nil	Nil	

Note 1: Where the chairman and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or managerial officers):

The Company's chairman concurrently served as president aims to improve operational efficiency and the execution of decisions. In addition to the following measures at present, through the succession planning of important management levels, suitable personnel are trained to strengthen the independence of the board of directors:

1. There are four independent directors, more than one-half (inclusive) of all directors. They are specialized in financial accounting and industrial fields, and can effectively perform their supervisory functions.
2. Each director is required to undergo at least 6 hours of professional training annually to continuously enhance their knowledge and improve the efficiency of the board's operations.
3. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
4. Over half of the directors in the Board of Directors do not concurrently serve as an employee or managerial officer.

## 2. Major Shareholders of Institutional Shareholders:

Institutional Shareholders	Major Shareholders of Institutional Shareholders	%
Tsai's Family Holding Co., Ltd.	Jau-Yang Tsai	63.05
	Hsiao-Yi Tsai	13.24
	Hsiao-Wei Tsai	12.00
	Hsiao-Te Tsai	11.71

## 3. List of Institutional Shareholders of SOI's Major Institutional Shareholders: None.

## 4. Independence of Directors

### 4-1. Disclosure of professional qualifications of directors and independence of independent directors:

Conditions Name	Professional Qualifications and Experience	Circumstances of Independence	Number of independent directors of holding a concurrent post of other public offering companies
Chairman Jau-Yang Tsai	1. As the founder of The Company, he is not only familiar with the development of the Company's industrial field, but also advanced in the management and decision-making of the company, leading the Company's sustainable development. 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 10.	N/A	0
Directors Hsiao-Yi Tsai	1. Professional in financial accounting and industrial knowledge. 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 10.	N/A	0
Directors Pan-Ching Yang	1. A practicing lawyer with legal professional qualification. 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 10.	N/A	0
Directors Kuei-Tuan Chen	1. A certified public accountant with professional qualification of financial accounting. 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 10.	N/A	2
Independent director Hsiu-Chun Wang	1. Professional in operation and management, leadership and decision-making and industrial knowledge. 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 11.	1. The independent director complies with the independence requirements of Article 3 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Observed". 2. For relevant information, see Page 11.	1
Independent director Jui-Hua Li	1. Professional in operation and management, leadership and decision-making, and financial accounting. 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 11.	1. The independent director complies with the independence requirements of Article 3 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Observed". 2. For relevant information, see Page 11.	0
Independent director Chung-Ming Liu	1. Professional in industrial knowledge 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 11.	1. The independent director complies with the independence requirements of Article 3 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Observed". 2. For relevant information, see Page 11.	2
Independent director Sheng-Chung Lin	1. Professional in operation and management, leadership and decision-making, industrial knowledge and financial accounting 2. Not subject to the circumstances in Article 30 of the Company Law. 3. For major education / experience, please see Page 11.	1. The independent director complies with the independence requirements of Article 3 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Observed". 2. For relevant information, see Page 11.	3



#### 4-2. Diversification and Independence of the Board of Directors:

##### (I) Diversification of the Board of Directors:

- (1) In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company has a policy of diversification in the “Code of Practice on Corporate Governance” and the “Measures for the Election of Directors”
- (2) The composition of the Board of Directors takes into account the Company's business structure, business development and strategy, and evaluates the diversification aspects such as A, basic conditions and values: gender, age, nationality and culture. B. Professional knowledge and skills: professional background (e.g. law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc. For information on the diversification and its implementation of directors of the company are as follow:

Diversified core		Basic component										Operation and management	Leadership and decision-making	Industrial knowledge	financial accounting	Law
Item		Nationality or place of registration	Gender	Regarding the company's employees	Age interval				Seniority of Independent Directors							
Member					30 ~ 40	51 ~ 60	61 ~ 69	More than 70	Under 3 years	4~6 years	7~9 years or more					
Title	Name															
Chairman	Jau-Yang Tsai	Republic of China	Male	✓			✓					✓	✓	✓		
Director	Hsiao-Yi Tsai	Republic of China	Male	✓	✓									✓	✓	
Director	Kuei-Tuan Chen	Republic of China	Male					✓							✓	
Director	Pan-Chiang Yang	Republic of China	Male				✓								✓	
Independent Director	Hsiu-Chun Wang	Republic of China	Male			✓					✓	✓	✓	✓		
Independent Director	Jui-Hua Li	Singapore	Male				✓			✓		✓	✓		✓	
Independent Director	Sheng-Chung Lin	Republic of China	Male					✓		✓		✓	✓	✓		
Independent Director	Chung-Ming Liu	Republic of China	Male					✓		✓				✓		

- (3) In 2021, Board of Directors focuses on gender equality in the composition of members, and the goal of adding one female director is expected to be achieved in the fourth Board (2025) of Directors.

##### (II) Independence of the Board of Directors:

The company has 8 directors, including 4 independent directors, accounting for 50% of the total number of directors. Please refer to Page 10-11 for any specified circumstances on items 3 and 4 of Article 26-3 of the Securities and Exchange Act among directors and independent directors.

(II) General Manager, Deputy General Managers, Associate Manager, and Supervisors of Divisions and Branches:

April 2, 2024

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse/minor shareholding		Shareholding by nominees		Education and Work Experiences	Other position concurrently held at the Company or other companies	Managers who are spouses or within the second degree of kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	Republic of China	Jau-Yang Tsai	Male	2021.05.28	2,197,000	2.14	0	0	12,762,943	12.43	Master's degree, Department of Chemical Engineering, National Tsing Hua University Department of Business Administration, National Chengchi University	Chairman of Swancor Holding Co., Ltd, Swancor Innovation & Incubation Co., Ltd., Swancor Advanced Materials Co., Ltd., Swancor (Tianjin) Wind Blade Materials Co., Ltd., Swancor (Jiangsu) New Materials Co., Ltd., and Swancor (Jiangsu) Carbon Composite Co., Ltd.; Chairman of Swancor Highpolymer Co., Ltd.; Chairman of Sunwell Carbon Fiber Composite Corporation	-	-	-	(Note 1)
Associate Manager	Republic of China	Chia-Min Hung	Female	2019.11.01	16,000	0.02	0	0	0	0	EMBA, Nation Chung Hsing University KPMG Taiwan	General Manager of COTECH INC. Supervisor of Swancor Advanced Materials Co.,Ltd.	-	-	-	
Associate Manager	Republic of China	Li-Min Hung	Female	2023.08.08	20,162	0.02	0	0	0	0	Master of Business Administration in Financial Technology and Administration at National Changhua University of Education.	Director of Gigantex Composite Technologies Co., Ltd. Supervisor of COTECH INC.				(Note 2)
Manager of Auditing Office	Republic of China	Mei-Ling Chen	Female	2016.08.31	11,000	0.01	0	0	0	0	Master of Human Resources Management, National Sun Yat-sen University Accounting Department of Feng Chia University Lee, Lin & Co. Certified Public Accountants	Nil	-	-	-	

Note 1: Where the chairman and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or managerial officers):

The Company's chairman concurrently served as president aims to improve operational efficiency and the execution of decisions. In addition to the following measures at present, through the succession planning of important management levels, suitable personnel are trained to strengthen the independence of the board of directors:

1. There are four independent directors, more than one-half (inclusive) of all directors. They are specialized in financial accounting and industrial fields, and can effectively perform their supervisory functions.
2. Each director is required to undergo at least 6 hours of professional training annually to continuously enhance their knowledge and improve the efficiency of the board's operations.
3. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
4. Over half of the directors in the Board of Directors do not concurrently serve as an employee or managerial officer.

Note 2: On August 8, 2023, Ms. Li-Min Hung, Assistant Manager, was transferred from another subsidiary to the company.

III. Remuneration Paid to Directors, Supervisors, General Manager and Deputy General Managers in the Most Recent Year:

1. Remuneration to Directors and Independent Directors

Unit: NT\$ thousands/%																						
Title	Name	Remuneration								Ratio of the total of 4 items A, B, C and D to net income after taxes		Relevant remuneration received by directors who are also employees								Proportion of NIAT after summing the seven items of A, B, C, D, E, and F		Remuneration paid to directors from an invested company other than the Company's subsidiaries or parent company
		Remuneration (A)		Severance pay and pension (B)		Remuneration of Directors (C)		Business expense (D)				Salary, Bonus and Special Allowance (E)		Retirement pension (F)		Employee's compensation (G)						
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company		All companies listed in this Financial Report		The Company	All companies listed in this Financial Report	
Directors	Representative of Tsai's Family Holding Co., Ltd. : Jau-Yang Tsai	0	0	0	0	18,044	18,044	30	30	18,074 1.44%	18,074 1.44%	6,027	9,189	0	0	0	0	0	0	24,101 1.92%	27,263 2.17%	0
Directors	Representative of Tsai's Family Holding Co., Ltd. : Hsiao-Yi Tsai	0	0	0	0	146	146	30	30	176 0.01%	176 0.01%	930	930	52	52	95	0	95	0	1,253 0.10%	1,253 0.10%	0
Directors	Kuei-Tuan Chen	0	0	0	0	1,344	1,344	30	30	1,374 0.11%	1,374 0.11%	0	0	0	0	0	0	0	0	1,374 0.11%	1,374 0.11%	0
Directors	Pan-Chiang Yang	0	0	0	0	1,344	1,344	30	30	1,374 0.11%	1,374 0.11%	0	0	0	0	0	0	0	0	1,374 0.11%	1,374 0.11%	0
Independent Director	Hsiu-Chun Wang	0	0	0	0	1,827	1,827	30	30	1,857 0.15%	1,857 0.15%	0	0	0	0	0	0	0	0	1,857 0.15%	1,857 0.15%	0
Independent Director	Jui-Hua Li	0	0	0	0	1,039	1,039	20	20	1,059 0.08%	1,059 0.08%	0	0	0	0	0	0	0	0	1,059 0.08%	1,059 0.08%	0
Independent Director	Sheng-Chung Lin	0	0	0	0	1,006	1,006	30	30	1,036 0.08%	1,036 0.08%	0	0	0	0	0	0	0	0	1,036 0.08%	1,036 0.08%	0
Independent Director	Chung-Ming Liu	0	0	0	0	1,073	1,073	25	25	1,098 0.09%	1,098 0.09%	0	0	0	0	0	0	0	0	1,098 0.09%	1,098 0.09%	0
1. Please describe the policies, systems, standards and structure of the remuneration for independent directors, and explain the relevance of the amount of remuneration paid based on factors such as responsibility, risk, and time period: According to the Articles of Association of the Company, if have profit of contributions is not higher than 3% a year as the reward for the director as the foundation, according to each term of the independent directors, to participate in the Remuneration Committee, Audit Committee and Sustainable Development Committee and other functional committee present situation, performance, contribution and risk of major policy decisions, and consider with the operation and management of communication between the company executives times/time and advice. After a review by the Remuneration Committee, the proposed remuneration shall be submitted to the Board of Directors for resolution.																						
2. Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services in the most recent year (e.g., as consultants to all the companies listed in the parent company/financial reports/subventures other than employees): None.																						

## 2. Remuneration for General Manager and Deputy General Managers

Unit: thousand NT\$ / %

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and Allowances ( C)		Employee’s remuneration (D)				Total amount of A, B, C and D and percentage of after-tax pure profit (%)		Remuneration paid to directors from an invested company other than the Company’s subsidiaries or parent company
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company		All companies listed in this Financial Report		The Company	All companies listed in this Financial Report	
								Cash	Stock	Cash	Stock			
General Manager	Jau-Yang Tsai	4,911	7,438	0	0	1,116	1,751	0	0	0	0	6,027 0.48%	9,189 0.73%	0

### 3. Amount of Employee Bonus Paid to Managerial Officers and Their Names:

Unit: NT\$ thousands March 31, 2024

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Manager	General Manager	Jau-Yang Tsai	0	941	941	0.07%
	Associate Manager	Li-Min Hung (Note 1)				
	Associate Manager	Chia-Min Hung				

Note 1: On August 8, 2023, Ms. Li-Min Hung, Assistant Manager, was transferred from another subsidiary to the company.

4. The ratio of total remuneration paid by Swancor and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, General Manager and Deputy General Managers of the Company, as a percentage of net income stated in the parent company only or unconsolidated financial reports, and the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

- (1) The ratio of total remuneration paid for the two most recent fiscal years to directors, supervisors, General Manager and Deputy General Managers of the Company, as a percentage of net income stated in the parent company only financial reports or unconsolidated financial reports: The ratio of total compensation paid by Swancor for the two most recent fiscal years to directors, supervisors, General Manager and Deputy General Managers of the Company, as a percentage of net income is as follows:

Title	2022		2023	
	Parent Company Only Financial Statements	Consolidated Financial Statements	Parent Company Only Financial Statements	Consolidated Financial Statements
Directors	2.58%	2.86%	2.64%	2.89%
General Managers and Deputy General Managers	0.96%	1.37%	0.48%	0.73%

- (2) Policies, Standards, and Portfolios of Remuneration; Procedures for Determining Remuneration; and Correlation between Business Performance and Future Risks

#### A. Directors

No higher than 3% of profit of the current year is distributable as remuneration to directors in accordance with Article 30 of the Company's Articles of Incorporation. In allocating remuneration, we not only consider the Company's overall business achievements, industry risks, and future development trends, but also the individual performance and contribution of directors (such as investment time, business communication with senior executives, and strategy advice, etc.), which shall be submitted for resolution of the board of directors after review by the Remuneration Committee. In addition, the travel expenditures for performing duties and attending board meetings are also included.

## B. General Managers and Deputy General Managers

Article 30 of the Articles of Incorporation that if there is any profit in the current year, no less than 0.01% shall be paid for employees. Manager's remuneration includes salary and bonus, in which salary refers to market salary level, title, rank, academic background(experiences), professional ability and responsibility, etc., The bonus considers manager performance evaluation items, including financial indicators (such as company revenue, net profit before tax and net profit after tax). Non-financial indicators (major deficiencies in compliance with decrees and operation risk matters of the departments under their jurisdiction, implementation of corporate culture by the personnel under their jurisdiction, the effectiveness of ESG implementation.) and in accordance with the principle of distribution recommended by the compensation committee, the Board of directors shall check and approve according to business performance.

## IV. Implementation of Corporate Governance:

- (I) Board operations: Number of board meetings, attendance rate of each Director, objectives and implementation for strengthening board functions in the current year and most recent fiscal year, and other matters to be stated.

A total of the 7th (A) meetings were held by the Board in the most recent year (2023). The attendance of the Directors are as follows:

Title	Name	Attendance in person B	By proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Jau-Yang Tsai	7	0	100	
Director	Hsiao-Yi Tsai	7	0	100	
Director	Kuei-Tuan Chen	7	0	100	
Director	Pan-Chiang Yang	7	0	100	
Independent Director	Hsiu-Chun Wang	7	0	100	
Independent Director	Jui-Hua Li	6	1	86	
Independent Director	Sheng-Chung Lin	7	0	100	
Independent Director	Chung-Ming Liu	7	0	100	

### Other matters:

- I. Where the proceedings of the board meeting include one of the following circumstances, then describe the date, session, topic discussed, opinions of every independent director, and their handling by the Company:
- (I) Items listed in Article 14-3 of the Securities and Exchange Act: Please refer to page 51-53.
  - (II) Any recorded or written Board resolutions to which independent directors have an objection or reservation that should be noted in addition to the above: None.
- II. Recusal of Directors due to conflict of interests (the name of the Directors, the content of the proposals, reasons for recusal, and participation in voting shall be stated):
- (I) January 18, 2023 board meeting: When discussing the year-end bonus plan and various bonus and subsidy payment plans of the Company's managers in 2022, as it involves the remuneration received by Jau-Yang Tsai, the Chairman of the Board of Directors, as the company's general manager, which is related to personal interests, he abstained from voting. The remaining directors present approved the proposal without objection.
  - (II) August 8, 2023 board meeting: Discussions were held regarding the list of employees entitled to receive new shares with restricted rights for the fiscal year 2023, the number of shares, and the setting of the issuance date (the base date for capital increase). Due to the involvement of the share numbers allocated to Chairman Jau-Yang Tsai and Director Hsiao-Yi Tsai respectively serving as the Company's President and an employee, which relates to their personal interests, they recused themselves and did not participate in the voting. The remaining directors present approved the proposal without objection.
  - (III) February 1, 2024 board meeting: When discussing the year-end bonus plan and various bonus and subsidy payment plans of the Company's managers in 2023, as it involves the remuneration received by Jau-Yang Tsai, the Chairman of the Board of Directors, as the company's general manager, which is related to personal interests, he abstained from voting. The remaining directors present approved the proposal without objection.

### III. Implementation of self/peer evaluation of the board of directors:

Evaluation Cycle	Period of Evaluation	Scope	Evaluation Methods	Assessment Content
Once/Year	January 1, 2023~ December 31, 2023	Board of Directors	Fill in the "self-evaluation questionnaire for performance evaluation of Board "	I. The degree of participation in the company's operations. II. Improving the quality of board decision-making. III. Composition and Structure of the Board. IV. Election and Continuing Education of Directors. V. Internal control.
Once/Year	January 1, 2023~ December 31, 2023	Individual Directors	Fill in the "self-evaluation questionnaire for performance evaluation of Board members"	I. Alignment of the goals and missions of the Company. II. Awareness of the duties of a Director. III. Participation in the operation of the Company. IV. Management of internal relationship and communication. V. The Director's professionalism and continuing education. VI. Internal control. VII. Other contributions
Once/Year	January 1, 2023~ December 31, 2023	Remuneration Committee, Audit Committee and Sustainable Development Committee	Fill in the Functional Committee Performance Self-Evaluation Questionnaire	I. Participation in the operation of the Company. II. Cognition of functional committees' responsibilities. III. Improvement of the decision-making quality of functional committees. IV. Composition and selection of members of the functional committees. V. Internal control.
The evaluation is carried out by external professional independent institutions every three years	September 1, 2022 ~ August 31, 2023	Performance evaluation of the board of directors	The evaluation was conducted by the Taiwan Corporate Governance Association, which reviewed relevant documents and interviewed relevant personnel.	I. Composition of the Board of Directors. II. Board of Directors' Guidance. III. Board of Directors' Authorization. IV. Board of Directors' Supervision. V. Board of Directors' Communication. VI. Internal Control and Risk Management. VII. Board of Directors' Self-discipline. VIII. Others (such as board meetings, support systems, etc.).

### IV. Measures taken to strengthen the functions of the Board (for example, establishing an Audit Committee and enhancing information transparency) for the current year and the most recent year and the implementation:

- The Company's Board of Directors is responsible to the Company and the shareholders' meeting, and shall exercise its powers in accordance with relevant laws and the Articles of Incorporation or the resolution of the shareholders' meeting.
- In addition to regular self-inspection of the Board of Directors' operations, the Company shall also strengthen the functions of the Board of Directors. The internal auditors shall also prepare audit reports on the operations of the Board of Directors.
- The results of the Corporate Governance Evaluation in 2021 and 2022 both ranked the second level, and 「Ranked top 5% in the category of “Market Value of NT\$5 Billion to NT\$10 Billion”」
- The self-assessment results of the Board of Directors, board members, and various functional committees for the fiscal year 2023 were submitted to the Remuneration Committee and the Board of Directors on March 11, 2024. The results of the external evaluation of the Board's performance for the fiscal year 2023 were reported to the Board on November 7, 2023. The aforementioned information is disclosed on the company's official website (Investor Relations/Corporate Governance/Board of Directors).
- The results and recommendations of the external evaluation of the Board's performance, the operation of risk management policies, the implementation of intellectual property management plans, the promotion of sustainable development, the execution of corporate integrity management, and the communication and implementation with stakeholders were submitted to the Board on November 7, 2023. Relevant implementation details were also included in the Sustainable Development Committee's report on the same day.

(II) Operations of the Audit Committee:

A total of 6th (A) Audit Committee meetings were held in the most recent year (2023). The attendance of the Independent Directors was as follows:

Title	Name	Attendance in person B	By proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Sheng-Chung Lin	6	0	100	
Member	Hsiu-Chun Wang	6	0	100	
Member	Jui-Hua Li	5	1	83	
Member	Chung-Ming Liu	6	0	100	

Other matters:

I. If the operation of the Audit Committee is under any of the following circumstances, it shall state the date of the Audit Committee's meeting, the date of the meeting, the content of proposals, the independent directors' objections, reservations or major suggestions, the resolution results of the Audit Committee and the company's treatment of the opinions of the Audit Committee.

(I) Items listed in Article 14-5 of the Securities and Exchange Act: Please refer to page 53-54

(II) Other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee in addition to the above: None.

II. Ways in which Independent Directors have abstained from motions that pose a conflict of interest, the Independent Director's name, the content of the motion, cause of the conflict of interest, and the circumstances of the vote shall be elaborated: None.

III. Communication between the independent director and the internal audit manager or independent auditor (shall include material matters, methods, and results of communication on the finances and state of business of Company):

(I) Methods of communication

1. The audit manager and CPAs also directly contact the independent directors as needed, which shows fluent communication.

2. In addition to providing the monthly audit reports to independent directors, the audit supervisor of the Company shall also report to the Audit Committee regularly or irregularly:

A. Annual Audit Plan

B. Report regularly to the Audit Committee on the performance of internal audit operations.

C. Attend the audit committee from time to time and accept inquiries from independent directors.

3. At the quarterly meeting, the accountant shall report the audit results and findings of the financial statements to the independent directors and reply to the questions raised by the independent directors, and provide information on the latest law revision direction or tax policy.

(II) Summary of past meetings between the independent directors and internal audit supervisor

The Independent Directors of the Company perform well in auditing execution, the effectiveness and communication.

The key communication matters for the year of 2023 are summarized as follows:

Date:	Attendance List of Independent Directors	Communication matters	Communication Results
March 10, 2023	Sheng-Chung Lin Hsiu-Chun Wang Jui-Hua Li Chung-Ming Liu	Audit Operations Report and Internal Control System Deficiency Review Report	There are no comments at this meeting.
June 20, 2023	Sheng-Chung Lin Hsiu-Chun Wang Jui-Hua Li Chung-Ming Liu	Attend the audit committee and accept inquiries from independent directors	There are no comments at this meeting.
August 8, 2023	Sheng-Chung Lin Hsiu-Chun Wang Jui-Hua Li Chung-Ming Liu	Audit Operations Report and Internal Control System Deficiency Review Report	The Company's Independent Directors agree for the Audit Office to participate in projects without assuming managerial responsibilities, assisting functional teams.



(III) Summary of previous communications between the independent directors and CPAs  
Swancor's Independent Directors and CPAs have maintained good communications.  
The key communication matters for the year 2023 are summarized as follows:

Date:	Attendance List of Independent Directors	Key points of communication	Communication Results
January 18, 2023 Communication meeting on audit matters	Sheng-Chung Lin Hsiu-Chun Wang Jui-Hua Li Chung-Ming Liu	Communication on key audit matters of CPAs	The key audit items for the financial statements as reported by the auditors for the fiscal year are implemented to focus on the audit of the company's financial statements.
March 10, 2023 Pre-session meeting of the Board of Auditors	Sheng-Chung Lin Hsiu-Chun Wang Jui-Hua Li Chung-Ming Liu	Report on Review Results of Individual and Consolidated Financial Statements for the Fourth Quarter of 2022	There is no significant abnormality in the audit result reported by the accountant, and the financial report for the Year 2022 has been approved by the Audit Committee and submitted it to the Board of Directors for approval.
May 8, 2023 Pre-session meeting of the Board of Auditors	Sheng-Chung Lin Hsiu-Chun Wang Chung-Ming Liu	Report on Review Results of Consolidated Financial Statements for the First Quarter of 2023	There is no significant abnormality in the audit result reported by the accountant, and the financial report for the First Quarter of 2023 has been reported to the Audit Committee and submitted it to the Board of Directors for approval.
		Latest Tax Policy Report	There are no other comments after discussion.
August 8, 2023 Pre-session meeting of the Board of Auditors	Sheng-Chung Lin Hsiu-Chun Wang Jui-Hua Li Chung-Ming Liu	Report on Review Results of Consolidated Financial Statements for the Second Quarter of 2023	There is no significant abnormality in the audit result reported by the accountant, and the financial report for the Second Quarter of 2023 has been reported to the Audit Committee and submitted it to the Board of Directors for approval.
		Latest Tax Policy Report	There are no other comments after discussion.
November 7, 2023 Pre-session meeting of the Board of Auditors	Sheng-Chung Lin Hsiu-Chun Wang Jui-Hua Li Chung-Ming Liu	Report on Review Results of Consolidated Financial Statements for the Third Quarter of 2023	There is no significant abnormality in the audit result reported by the accountant, and the financial report for the Third Quarter of 2023 has been reported to the Audit Committee and submitted it to the Board of Directors for approval.
		Latest Tax Policy Report	There are no other comments after discussion.
		Audit scope, methods, and key audit matters for the year 2023	The key audit items for the financial statements as reported by the auditors for the fiscal year are implemented to focus on the audit of the company's financial statements.

(III) If a company has set up a Remuneration Committee and a Nomination Committee, it shall disclose its composition and operation:

(1) Remuneration Committee

1. Member information

Categories of Identity	Conditions	Professional Qualifications (Note 1) and Experiences	Situation of Independence (Note 2)	Number of members of Remuneration Committee of holding a concurrent post of other public offering companies
	Name			
Independent director (Convener)	Jui-Hua Li	1. Professional qualification A and C 2. Please refer to Page 11 for major qualifications / experiences.	1. Article 6 of the Regulations on the Establishment and Exercising of the Compensation and Salary Committees of Companies Listed or Traded in Securities Firms, meets the requirements of independence. 2. See Page 12 for information.	0
Independent director	Hsiu-Chun Wang	1. Professional qualification C 2. Please refer to Page 11 for major qualifications/experiences.	1. Article 6 of the Regulations on the Establishment and Exercising of the Compensation and Salary Committees of Companies Listed or Traded in Securities Firms, meets the requirements of independence. 2. See Page 12 for information.	1
Independent director	Chung-Ming Liu	1. Professional qualification C 2. Please refer to Page 11 for major qualifications/experiences.	1. Article 6 of the Regulations on the Establishment and Exercising of the Compensation and Salary Committees of Companies Listed or Traded in Securities Firms, meets the requirements of independence. 2. See Page 12 for information.	2
Independent director	Sheng-Chung Lin	1. Professional qualification A and C 2. Please refer to Page 11 for major qualifications/experiences.	1. Article 6 of the Regulations on the Establishment and Exercising of the Compensation and Salary Committees of Companies Listed or Traded in Securities Firms, meets the requirements of independence. 2. See Page 12 for information.	3

Note 1: In accordance with Article 5 of the “Regulations on the Establishment and Exercising of the Compensation and Salary Committees of Companies Listed or Traded in Securities Firms”, the professional qualifications are as follows:

- A. Above lecturer in public and private colleges and universities in business, legal affairs, finance, accounting or related departments of corporate business.
- B. Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have obtained certificates in the national examination required for the business of the Company.
- C. Experience required in business, legal affairs, finance, accounting or company business.

Note 2: In accordance with Article 6 of the “Regulations on the Establishment and Exercising of the Compensation and Salary Committees of Companies Listed or Traded in Securities Firms”, the members of Remuneration Committee shall maintain their independence within the scope of their business activities and shall not have direct or indirect interests with the Company, and shall have none of the following circumstances during the two years prior to the appointment and during the term of office:

- I. Employees of the Company or its affiliated enterprises.
- II. Directors or supervisors of the Company or its affiliated enterprises.
- III. A natural person shareholder who owns more than 1% of the total issued shares of the Company or holds the top ten shares in the name of another person, his/her spouse, minor children or other persons.
- IV. The spouse of the manager referred to in the first Section or the person listed in the preceding two Sections, relatives within the second degree or blood relatives within the third degree.
- V. Directors, supervisors or employees who directly hold more than 5% of the total issued shares of the Company, hold the top five shares, or appoint a representative in accordance with Section 1 or 2 of Article 27 of the Company Law to act as a director or supervisor of the Company.
- VI. More than half of the directors or voting shares of a company and another company shall be controlled by the same person, and the directors, supervisors or employees of the other company.
- VII. The Chairman, General Manager or equivalent of a company or organization shall be the same person or spouse, and the director, supervisor or employee of the other company or organization.
- VIII. Directors, supervisors, managers or shareholders who hold more than 5% of the shares of a specific company or organization that has financial or business dealings with the Company.
- IX. Professionals, sole proprietors, partners, directors, supervisors, managers and their spouses who provide business, legal, financial, accounting and other related services for a company or a related

enterprise with an accumulated remuneration of more than NT \$ 500,000 in the last two years. However, members of the Remuneration Committee, the Review Committee for Public Takeovers, or the Special Committee on Mergers and Acquisitions who perform their functions and duties in accordance with this Act or the relevant Act on Mergers and Acquisitions are not subject to the limits.

## 2. Operations of Remuneration Committee

- I. There are a total of 4 members in the Remuneration Committee.
- II. Term of the committee members: From June 10, 2022 to May 30, 2025; 3rd (A) meetings were held by the Remuneration Committee in the most recent year (2023), qualification and attendance of the committee members are as follow:

Title	Name	Attendance in person B	By proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Jui-Hua Li	3	0	100	
Member	Hsiu-Chun Wang	3	0	100	
Member	Sheng-Chung Lin	3	0	100	
Member	Chung-Ming Liu	3	0	100	
Other matters:					
I. If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Remuneration Committee and the reason): None.					
II. If the resolutions to which the members of the Remuneration Committee have an objection or reservation are recorded or written, please state the date and session of the meeting of the Remuneration Committee, proposals, opinions of the members, and handling of the opinions: None.					

(2) Nomination Committee: The Company has no Nomination Committee.

(IV) The situation of corporate governance operation and its differences with the company's practice rules for listing on the company:

Evaluation items	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose the Corporate Governance Best-Practice Principles" based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company refers to the "Corporate Governance Best Practice Principles" and has established and approved by the Board of Directors the "Corporate Governance Best Practice Principles", which have been placed on the Company's website and the Market Observation Post System.	No difference.
II. Shareholding structure & shareholders' rights				
(I) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigations, and does the Company implement the procedures in accordance with the procedure?	V		(I) The Company has set up a spokesperson, deputy spokesperson system and stock affairs unit with the mailbox and contact No. disclosed on the Company's official website for shareholder opinions, queries and solving disputes.	(I) No difference.
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) In addition to monthly reports of changes in shareholding by directors, managers, and shareholders holding more than 10% of shares, the Company also obtains the shareholder roster of shareholders holding more than 5% of shares every quarter to grasp the list of major shareholders and ultimate controllers of the Company.	(II) No difference.
(III) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies?	V		(III) Through the establishment of internal control systems and related measures, such as the "Regulations Governing the Supervision and Management of Subsidiaries" and "Regulations on Financial and Business Operations Between Related Parties", the Company conducts control and periodically audits the effectiveness of risk control and firewall operations between the Company and its affiliates.	(III) No difference.
(IV) Has the Company established internal rules against insiders using undisclosed information to trade with?	V		(IV) The Company has established the "Regulations Governing the Prevention of Insider Trading" and placed them on the Company's website for employees and relevant parties to ensure consistency and accuracy in the Company's public information disclosure. In addition to regular education advocacy, messages are sent by email on an irregular basis as a reminder for internal	(IV) No difference.

Evaluation items	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>staff.</p> <p>The "Corporate Governance Best Practice Principles" also stipulate control measures prohibiting insiders from trading stocks from the day they become aware of undisclosed financial reports or related performance information in the public market.</p>	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors formulate diversified policies, specific management objectives and implementation?</p>	V		<p>(I) The Company has stipulated a policy on the diversity of Board members in the Corporate Governance Best Practice Principles, and has set up a nomination system for Board members in the Articles of Incorporation. Apart from considering professional skills and industry and academic experience, the Company also values integrity and leadership, providing diversity and independence of Board members in accordance with the "Procedures for the Election of Directors". See Page 13.</p> <p>The Company's third Board of Directors consists of 8 members (including 4 independent directors), all of whom are male. There are 2 directors with employee status (including managers), accounting for 25% of the total; 3 directors are over the age of 70, 4 directors are between 51 and 69, and 1 director is under 50 years old.</p> <p>The Company has experts in various fields, Jau-Yang Tsai, Hsiu-Chun Wang, Jui-Hua Li and Sheng-Chung Lin (former parliamentary undersecretary of the MOEA) are experienced in leadership, business decision-making, operational management, industry knowledge, and the international market; Pan-Chiang Yang in legal affairs; Kuei-Tuan Chen and Hsiao-Yi Tsai in financial accounting; and Chung-Ming Liu (Senior Consultant of ITRI) in product development.</p> <p>Considering the diversification policy of gender equality and the addition of a new female board seat, the fourth Board of Directors is expected to be completed.</p>	(I) No difference.
<p>(II) In addition to the legally-required Remuneration Committee and Audit</p>	V		<p>(II) In addition to the establishment of the Remuneration Committee and the Audit Committee, the Sustainable Development Committee shall be</p>	(II) No difference.

Evaluation items	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
Committee, has the Company voluntarily established other functional committees?			responsible for the development of corporate social responsibility and the implementation of sustainable business strategy of the Company, and shall report to the Board regularly.	
(III) Does the Company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	V		(III) The Company has established the "Procedures for Evaluation of Performance of the Board", and the Remuneration Committee is responsible for regular reviews of the performance of directors and managerial officers, and the policy, system, standards, and structure of their compensations and submit recommendations for discussion at the Board. The regulations stipulate that an external professional independent organization or scholar shall be commissioned to conduct a Board of Directors' external performance evaluation at least once every three years; self-performance evaluations of the Board of Directors, board members, and functional committees' operations are conducted annually. For the execution status in 2023, please refer to page 19 of this annual report. The Remuneration Committee proposes individual director remuneration recommendations to the Board for discussion, taking into account the Company's overall operating performance, individual directors' contributions to the Company, and exchange of advice with the Company's management.	(III) No difference.
(IV) Did the Company regularly implement assessments on the independence of CPA?	V		(IV) The Company's Board of Directors evaluates CPA independence and appropriateness on an annual basis, and requires CPAs to provide the Auditor's Independence Declaration (without violating Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China). The Audit Committee and the Board of Directors confirmed that visa accountants and inter-company non-interested parties met the independence requirements on March 10 in 2023 respectively. The Company's evaluation items are as follows: 1. Apart from CPA auditing and certification, whether there is any other relationship that could affect his/her independence. 2. Whether he/she holds the Company's shares. 3. Whether he/she is a relative of the Company's director, supervisor,	(IV) No difference.

Evaluation items	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>manager, or employee.</p> <p>4. Whether there are any other situations that may affect the independence of the Company.</p> <p>5. Audit Quality Indicators (AQIs) assess the five dimensions and thirteen indicators.</p>	
IV. Did the TWSE/TPEX listed company has qualified and an appropriate number of corporate governance personnel, and appointed corporate governance directors responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?	V		<p>1. The Company has established the position of Corporate Governance Director, and Associate Manager Li-Min Hung was appointed by the Board of Directors as the Chief Executive of Corporate Governance. She is responsible for corporate governance-related matters, and staffed with qualified personnel and number to handle corporate governance matters.</p> <p>2. The director of corporate governance supervises the handling of corporate governance-related matters, including handling the Board of Directors and shareholders' meeting, preparing the minutes of the Board of Directors and Board of Shareholders, assisting the directors to take office and continuing their studies, providing the materials necessary for the directors to carry out the business, assisting the directors to comply with the decrees, reporting to the Board of Directors the results of the inspection on whether the qualifications of independent directors at the time of nomination/appointment/during their term of office are in compliance with relevant decrees and regulations, and providing the latest decrees and policies in real time, etc.</p>	No difference.
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established on the Company's website? Are major Corporate Social Responsibility (CSR) topics that the	V		<p>The Company's website has a "Stakeholders" section and "Contact us" to disclose spokesperson, deputy spokesperson, CSR email boxes and contact windows for stakeholders. It serves as a channel for stakeholders to inquire about issues of concern, give immediate reply and report the record to the Board of Directors. The issues of concern and response of the Company to interested parties in 2023 were reported by the Board of Directors on November 7, 2023.</p>	No difference.

Evaluation items	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
stakeholders are concerned with addressed appropriately by the Company?				
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	V		The Company appointed a professional stock affairs agency to handle affairs related to the shareholders' meeting. The information of stock affairs agency is as follows: Name: Stock Affairs Department of Taishin Securities Co., Limited Address: B1, No. 96, Sec. 1, Jianguo N. Rd., Taipei City Website: <a href="https://www.tssco.com.tw/stocktransfer">https://www.tssco.com.tw/stocktransfer</a> Tel: (02)2504-8125	No difference.
VII. Information disclosure				
(I) Has the Company established a website to disclose information on financial operations and corporate governance?	V		(I) The Company has a website to disclose the relevant information of the Company (in both Chinese and English), and may also inquire about the financial business and corporate governance information of the Company through the Public Information Observation Station.	(I) No difference.
(II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?	V		(II) The Company has specially assigned persons responsible for the collection and disclosure of the Company's information, and has established a system of spokespersons and acting spokespersons to respond to the questions of interested parties in real time, and is invited to attend the legal person's briefing held by the securities firm to explain the Company's financial business and future operation status. The Corporate Briefing will be presented at the Public Information Observation Station and the Company's website in both Chinese and English.	(II) No difference.
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.		V	(III) The Company was unable to announce and file its annual financial report within two months after the end of the fiscal year due to the audit by the subsidiary's local accountant, but announced and filed its Q1, Q2 and Q3 financial reports in advance of the required deadline. The Company's operating status for each month has been published and reported before the specified deadline in accordance with relevant laws and regulations.	(III) According to local laws and regulations and audit schedules of subsidiaries, the financial statements could not be approved by the Board of Directors



Evaluation items	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
				in advance before the end of February.
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		<p>(I) Employee interests and employee care: The Company attaches great importance on employee rights in expressing their opinions, and labor-management relations. The HR department interviews employees on an irregular basis and cares for their working conditions, and set up the Employees' Welfare Committee to organize activities on an irregular basis for employees and their families.</p> <p>(II) Investor relations: The Company has set up the spokesperson and deputy spokesperson system to respond to shareholders' opinions.</p> <p>(III) Supplier relations: A supplier management mechanism is used for supplier assessment (including environmental protection, occupational safety and health, labor issues, and environmental, social and governance (ESG)), and the suppliers are required to sign the Honesty and Integrity Statement.</p> <p>(IV) Stakeholder rights: The stakeholder section has been set up on the Company's official website to provide stakeholder communication channels and enable them to express their opinions to ensure stakeholder interests.</p> <p>(V) Continuing Education for Directors and Supervisors: Please refer to page 31 of the Annual Report.</p> <p>(VI) Continuing Education for Managers on corporate governance: Please refer to page 32 of the Annual Report.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: A risk management department is established and various internal regulations are in place for management and control. Please refer to page 276-279 of the Annual Report.</p> <p>(VIII) Implementation of customer policies: In addition to telephone, email and communication software, the sales staff will conduct company visits and record interviews. The customer complaint handling mechanism has been set up to ensure that customers can receive feedback and resolve their problems.</p> <p>(IX) In order to ensure that directors and supervisors have the loyalty and exercise the due care of a good administrator in conducting Swancor's</p>	No difference.

Evaluation items	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			business operation, and lower and diversify the risk of material loss to the Company due to negligence of directors and managers during their terms of office, the Company has purchased the liability insurance, with the latest contents as follows: (1) Insurance Company: Mingtai Insurance Co., Ltd. (2) Insurance Period: November 1, 2023 to November 1, 2024 (3) Insured amount: US\$8,000,000	
IX. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out. (not required for companies not included in the Evaluation Companies List)  The Company has conducted self-evaluation based on the most recent corporate governance evaluation indicators, followed by a review and discussion of the reasons for the differences between the results of corporate governance evaluation and the Company's self-evaluation. In addition, the Company makes improvements for unscored indicators based on the difficulty of self-evaluation, in order to meet corporate governance requirements.  Improvement projects in 2023: Full-time corporate governance personnel, individual director and managerial remuneration disclosure in the annual report, and uploading of shareholder meeting audio files to the company's website, etc.				

(V) The status of Directors and Supervisors training:

The Company's directors and supervisors have the relevant expertise. The continued education and training courses of directors and supervisors in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” are as follows:

Courses	Hours	Chairman Jau-Yang Tsai	Directors Hsiao-Yi Tsai	Directors Pan-Chiang Yang	Directors Kuei-Tuan Chen	Independent Director Hsiu-Chun Wang	Independent Director Jui-Hua Li	Independent Director Sheng-Chung Lin	Independent Director Chung-Ming Liu
Practical seminars for Directors, Supervisors (including independent ones), and Corporate Governance Practitioners - "Legal Risks and Responses to Major Corporate Scandals by Directors and Supervisors"	3		V						
Company Directors and Supervisors Training - "2023 Taishin Net Zero Electricity Summit"	3	V	V			V			
2023 Cathay Sustainable Finance and Climate Change Summit	3					V			
Corporate Governance and Sustainable Business Operations Workshop	3	V							
Company Directors and Supervisors Training - "Enterprise Resilience Taiwan Competitiveness"	3							V	
Company Directors and Supervisors Training - "Corporate Information Security Governance Issues in the Board of Directors - Performance and Risk Agenda"	3							V	
Climate change and us	3						V		
Family Charter and Family Office	3						V		
Corporate Governance and Securities Regulations	3			V					
Integrity Operation and Anti-Bribery Management System Practice	3			V					
Practical Seminar for Directors, Supervisors (including Independent), and Corporate Governance Practitioners [From CSR to ESG Corporate Management Principles]	3								V
Practical Seminar for Directors, Supervisors (including Independent), and Corporate Governance Practitioners [Corporate Governance and Securities Regulations]	3								V
Family Wealth Succession Planning	3				V				
Anti-Money Laundering and Counter-Terrorist Financing	3				V				
Practical Analysis of Corporate Mergers and Divisions	3				V				
IFRSs Trend Analysis	3				V				
Subtotal		6	6	6	12	6	6	6	6

(VI) Continuing education for managers on corporate governance:

The courses related to continuing education for the Company's financial, corporate governance and audit managers are listed as follows:

Title	Name	Training date	Organizer	Course title	Hours of Courses	Remark
Associate Manager (Accounting Supervisor)	Chia-Min Hung	October 13, 2023	Institute of Internal Auditors	Subsidiary Audit Practice	6	Acting Audit Supervisor Refresher Course
		October 19, 2023-October 20, 2023	Accounting Research and Development Foundation	Issuer Securities Firm Securities Exchange Accounting Supervisor Continuing Education Program	12	
		October 24, 2023	Institute of Internal Auditors	Production Cycle Practice and Audit Focus	6	
Associate Manager (Corporate Governance Supervisor)	Li-Min Hung	September 22, 2023-September 23, 2023	Taiwan Corporate Governance Association	Net Zero Sustainable Talent Development Program [Central Region] - Carbon Offset, Carbon Rights, and Carbon Trading	9	
Manager (Audit Supervisor)	Mei-Ling Chen	April 13, 2023	Institute of Internal Auditors	Internal Audit Digital Transformation and Emerging Technology Applications	6	
		July 6, 2023	Institute of Internal Auditors	Latest Corporate Merger and Governance Practices Case Analysis	6	

(VII) Implementation of the Company's promotion of sustainable development and the circumstances and reasons for differences between the Company and the Code of Practice for Sustainable Development of Listed Companies:

Promotion projects	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the company establish a governance structure to promote sustainable development, and set up full-time (part-time) units to promote sustainable development, which shall be handled by senior management authorized by the Board of Directors and supervised by the Board of Directors?	V		<p>The company has established a Sustainable Development Committee appointed by the Board of Directors (currently composed of all directors), serving as the highest-level decision-making center for sustainability within the company; primarily responsible for formulating ESG policies and overall goals, overseeing the promotion and implementation of sustainable development within the company, and regularly reporting to the Board of Directors.</p> <p>A dedicated Promotion Office was established under the Sustainable Development Committee, with the members appointed by the Chairman. The Promotion Office follows the objectives established by the Board of Directors as well as integrates and utilizes the Company's internal resources, serving as a communication platform to facilitate cross-level and cross-departmental integration and collaboration. Through meetings irregularly every year by members to identify sustainable issues of concern to the operation of the Company and interested parties, formulate corresponding strategies and management policies, plan the KPIs of each department and implement the annual plan, and track the implementation results to ensure that the sustainable development strategy is fully implemented in the daily operation of the Company.</p> <p>The Chairman of the Sustainable Development Committee reports to the Board of Directors annually on the results of implementation of sustainable development and its future work plan. One meeting was held in 2023, the contents of which include the group's sustainable development roadmap planning, interested parties' identification and implementation, short, medium and long-term goal planning of sustainable development ... Etc.</p> <p>The Board of Directors of the Company shall listen to the reports of the operation team (including ESG) from time to time, and shall make</p>	No difference.

Promotion projects	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			suggestions and urge the implementation of sustainable operation according to the strategies formulated by the Company.	
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	V		<p>1. This disclosure covers the performance of sustainable development in major positions from January 2023 to December 2023. The risk evaluation boundary is dominated by companies, including Taiwan, Chinese mainland and Malaysia.</p> <p>2. The Sustainability Committee shall conduct analysis according to the principle of significance of the Sustainability Report, integrate the evaluation data of various departments and subsidiaries, evaluate the significant ESG issues, formulate risk management policies for effective identification, measurement and evaluation, supervision and control, and adopt specific action plans to reduce the impact of related risks.</p> <p>3. The risk operation of Swancor Holding Co., Ltd. and its subsidiaries in 2023, including important risk topics and risk control and implementation results, was reported to the Board of Directors on November 7, 2023. Please refer to the company website for more details. (<a href="http://www.swancor.com/tw/csr/governance/5">http://www.swancor.com/tw/csr/governance/5</a>).</p>	No difference.
III. Environmental Issues				
(I) Did the Company establish a suitable environmental management system based on its industrial characteristics?	V		(I) The Company is committed to promoting environmental management, and achieves systematic management through ISO 14001 environmental management system (with the validity period from January 17, 2022 to January 17, 2025). Annual review shall be conducted to meet international environmental protection requirements and comply with relevant domestic environmental regulations and specifications.	(I) No difference.
(II) Is the company committed to improving energy efficiency and using recycled materials with low impact on environmental load?	V		(II) The types and quantities of materials used based on the nature of the industry indicate the effect of natural resource dependence and materials availability on the organization. The Company's resource conservation strategy is focused on recycling and reusing materials, products and packaging materials. Swancor's main product is vinyl	(II) No difference.

Promotion projects	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the company evaluate the potential risks and opportunities of climate change to the enterprise now and in the future and take relevant countermeasures?	V		<p>ester resins, which are produced by Cycloaddition of epoxy resins and methyl methacrylate, followed by dilution with styrene monomer. However, the above materials are non-renewable raw materials due to the nature of its industry.</p> <p>According to the operating conditions of mechanical equipment, the variable frequency motor is selected, and the frequency converter is used as the speed governor of pump or fan, which has good energy saving effect. At present, about 40% of the motor in the plant is frequency conversion motors, which can improve the energy utilization efficiency.</p> <p>(III) For details on the company's operations related to climate change, please refer to the climate-related information of listed and over-the-counter companies in this annual report (page 40-43).</p>	(III) No difference.
(IV) Does the company make statistics on greenhouse gas emissions, water consumption and total waste weight over the past two years and formulate policies for greenhouse gas reduction, water use reduction or other waste management?	V		<p>(IV) The Company is committed to carbon neutralization, plans short-term, medium-term and long-term objectives, and offsetting its own greenhouse gas emissions by replacing fossil fuels with low-carbon energy, saving energy and reducing emissions, so as to achieve the goal of zero carbon emission. At present, the company has begun to build clean energy, and replace fossil fuels through solar power generation to achieve carbon neutrality year by year.</p> <p>Water consumption for company operations may have an impact on the Earth's water resources, and that obtaining water from the water resources system will lower the groundwater level and reduce the total amount of water, causing an impact on the environment. With that, the Company adopts the strategy of recycling and reusing cooling water instead of obtaining underground in order to achieve</p>	(IV) No difference.

Promotion projects	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>water conservation.</p> <p>For waste reduction, the Company's waste management concept lies in green production, and reduces waste through improved process design, reduction from the source, reduction of packaging materials, and reusing and recycling of resources.</p> <p>In 2021, greenhouse gas emissions were as follows: Category 1: 829.069 metric tons CO<sub>2</sub>e, Category 2: 887.053 metric tons CO<sub>2</sub>e, Category 3: 3,818.258 metric tons CO<sub>2</sub>e, Category 4: 376.743 metric tons CO<sub>2</sub>e, totaling 5,911.123 metric tons CO<sub>2</sub>e. In 2022, the results were as follows: Category 1: 712.84 metric tons CO<sub>2</sub>e, Category 2: 930.571 metric tons CO<sub>2</sub>e, Category 3: 2,646.176 metric tons CO<sub>2</sub>e, Category 4: 361.790 metric tons CO<sub>2</sub>e, totaling 4,651.377 metric tons CO<sub>2</sub>e. The current inventory for 2023 is expected to be completed by the end of the year.</p> <p>The company is committed to environmental protection, with all factories certified by the ISO 14001 environmental management system, setting waste reduction targets, and conducting performance reviews annually. The total water consumption was 15,849 tons in 2022 and 14,944 tons in 2023.</p> <p>The total waste generated was 491.17 metric tons in 2022 and 457.56 metric tons in 2023.</p>	
IV. Social Issues				
(I) Has the Company formulated management policies and procedures following relevant regulations and international human rights treaties?	V		(I) The company has formulated a "Human Rights Policy" based on the spirit and standards of various international human rights conventions such as the Universal Declaration of Human Rights, the UN Global Compact - Ten Principles, the ILO Declaration on Fundamental Principles and Rights at Work, and the International Human Rights Code, and has formulated "Work Rules" in accordance with labor regulations and personnel laws, and is committed to ensuring that every individual inside and outside the company receives equal and dignified treatment, creating a diverse, inclusive, and friendly workplace environment.	(I) No difference.



Promotion projects	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(II) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?	V		(II) All the principal employees of the Company enjoy a consistent salary system. In addition to inspecting the local basic salary level of each factory every year to ensure that the salary is competitive in the local area, a fair evaluation and performance bonus distribution system shall be established. According to the monthly operation conditions of Company, a fixed proportion of profits shall be allocated as bonus distribution amount and employee welfare fund. Through bonus and employee welfare measures, employees can share the business results and strengthen the centripetal force of employees.	(II) No difference.
(III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?	V		(III) The Company is committed to creating a safe and healthy working environment. Through the ISO45001 occupational safety and health management system (with the validity period from January 19, 2022 to January 19, 2025), we can achieve systematic management. The annual review shall be conducted to meet the requirements of international occupational safety and health, and comply with relevant national safety and health regulations. The Company has a complete education and training system, which is arranged according to the individual work position, gives new colleagues a correct safety concept when they report for duty, and conducts monthly safety training for employees, thus shaping the enterprise safety culture.	(III) No difference.
(IV) Has the Company established effective career development and training plans for its employees?	V		(IV) The Company is committed to cultivating talents, improving the training and on-the-job training system for new employees, and setting the training objectives for employees and the personal development plan (IDP) for key employees according to the company's annual development plan. In addition to holding regular courses according to the needs of employees' career development ability, the Company also reviews the learning and development status of employees through quarterly interviews with coaches and	(IV) No difference.

Promotion projects	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(V) Does the Company comply with relevant laws and regulations and international standards, and formulate relevant policies and grievance procedures to protect the rights and interests of consumers or customers with respect to issues such as customer health and safety, customer privacy, marketing and labeling of products and services?	V		(V) counselors to continuously improve the competitiveness and career development ability of employees. Products are packaged and labeled in accordance with the Globally Harmonised System (GHS) standard. Swancor has always attached great importance to customer satisfaction, and has formulated customer complaint handling procedures to immediately deal with complaints and meet consumers' needs.	(V) No difference.
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? And, how well are those policies implemented?	V		(VI) The Company conducts regular evaluation on all suppliers, and only deals with qualified suppliers. The evaluation items include quality control, supplier management, occupational safety and health, environmental protection or labor and human rights issues, and are evaluated with reference to the past environmental and social records. For other supplier management and implementation, please refer to our website ( <a href="https://www.swancor.com/tw/csr/supply">https://www.swancor.com/tw/csr/supply</a> ) for details.	(VI) No difference.
V. Does the company refer to the internationally accepted reporting standards or guidelines for the preparation of reports, and prepare reports that disclose non-financial information of the company, such as sustainable development reports?	V		The Sustainable Development Report of the Company is prepared in accordance with the GRI Standards of Global Reporting Initiative (GRI) by adopting the core disclosure method; Promotion Office led each unit to prepare and write the report, and Deloitte & Touche issued a limited assurance report according to the Statement of Assurance Standards No.1, which was published on the website of the Company. ( <a href="https://www.swancor.com/uploads/images/csr/reports/reports-2022.pdf">https://www.swancor.com/uploads/images/csr/reports/reports-2022.pdf</a> )	No difference.
VI. If the Company has its own sustainable development code in accordance with the "Code of Practice for the Sustainable Development of Listed Companies", please describe the differences between its operation and the established code: 1. On August 8, 2023, the Board of Directors amended the "Sustainable Development Practices Guidelines" in accordance with current laws and regulations. 2. The company's website has a "Sustainable Development" section, disclosing related operations and annual sustainability reports.				
VII. Other important information to help understand the implementation of promoting sustainable development:				

Promotion projects	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<ul style="list-style-type: none"><li>➢ Professional technical talents in the industry are cultivated via industry-academic cooperation.</li><li>➢ Gender equality and equal employment opportunity principles are implemented to prevent gender-based violence and prohibit any form of discrimination.</li><li>➢ Each year, the Company donates funds for charitable activities, mainly focusing on talent cultivation and sponsoring primary and secondary schools.</li><li>➢ Continue to participate and organize various local activities.</li><li>➢ Taiwan’s first offshore wind farm was set up to generate more green electricity.</li><li>➢ Engaged in the first financing case in Taiwan that is based on the Equator Principles.</li><li>➢ All water used in production processes is 100% recycled in order to reduce environmental pollution.</li><li>➢ Waste management is implemented to enhance recycling value, and reduce intermediate treatment and final disposal volume.</li><li>➢ Production of epoxy vinyl ester resins and wind turbine laminar materials to reduce environmental pollution and hazards.</li><li>➢ Launched a revolutionary and innovative product – recyclable thermosetting material "EzCiclo Easy to Recycle"/ "CleaVER Simple to Decompose" to solve the problem that FRP could not be recycled in the past hundred years through the circular economy model.</li><li>➢ Cooperate with external academic institutions and research institutions, and actively participate in the activities of public associations and other groups, so as to convey the message of carbon neutralization.</li><li>➢ Take carbon neutralization and green circular economy as the guiding direction of corporate governance, product service and future development; work with interested parties to create a partnership of mutual benefit, sharing and coexistence between enterprises and society.</li><li>➢ Committed to investing in CCUS (Carbon Capture, Utilization and Storage) and carbon fiber composite material low-carbon recovery technology, and continuing to advance in the field of carbon neutralization and circular economy.</li><li>➢ Cooperated with National Chung Hsing University to cultivate the research talents needed by circular economy related industries and solve the problems related with circular economy industries.</li><li>➢ Obtained ISO 14064-1, ISO 50001, and ISO 27001 certification.</li><li>➢ The "Taiwan Intellectual Property Management System" of the Industrial Development Bureau of the Ministry of Economic Affairs was introduced and passed the A-level verification.</li><li>➢ The world's first carbon fiber made from 100% recycled materials to obtain GRS certification.</li><li>➢ Establishment of a compensation and ESG performance linkage system.</li><li>➢ Implementation of human rights due diligence to enhance human rights management awareness and achieve the goal of "sustainable talent".</li><li>➢ The EzCiclo series of sustainable materials from Swancor, including RB519, RB511, and RB507, have obtained ISO14021 certification.</li><li>➢ Obtained ISO14067 certification, proving that recycled carbon fiber reduces carbon emissions by 97% compared to virgin carbon fiber.</li><li>➢ The operational headquarters "Swancor Group Industrial Innovation Park" has obtained the Gold-level Green Building certification and the Silver-level Smart Building certification.</li><li>➢ Collaborated with MASSLOAD to jointly develop and launch the world's first bicycle water bottle cage made entirely from 100% recycled materials.</li></ul>	

(VIII) Climate-related information for listed and over-the-counter companies:

(1) Implementation status of climate-related information

Item	Implementation status
1. Describe the supervision and governance of climate-related risks and opportunities by the board of directors and management.	The Board of Directors is responsible for approving risk policies and the execution outcomes thereof. The Sustainable Development Committee oversees the scope and regulations of climate risk management and supervises their implementation. The General Manager's Office formulates climate risk management regulations, ensuring compliance with the approved regulations by the Board of Directors and the Sustainable Development Committee. Departmental supervisors are tasked with establishing operational guidelines for climate risk management, monitoring and executing climate risk assessments in accordance with internal control procedures, compliance standards, and risk regulations.
2. Describe how identified climate risks and opportunities affect the company's business, strategy, and finances (short-term, medium-term, long-term).	Short-term: Adjustments in product processes and formulations to address climate change may lead to cost increases. Medium-term: Investment in low-carbon technology transformation requires talent, processes, and equipment, resulting in increased costs and compressed profit margins. Long-term: Decreased electricity and carbon expenditure leads to cost reduction; launching new products and services can increase revenue and profit.
3. Describe the financial impact of extreme weather events and transition actions.	<ol style="list-style-type: none"> <li>Regarding extreme weather events (which may disrupt operations) and transition actions, their financial impacts are detailed in the aforementioned item 2 explanation.</li> <li>The company will continuously mitigate climate risk factors' impact on the company's value through product adjustments, investments in low-carbon technology, and the development and expansion of low-carbon goods and services. Furthermore, the company regularly conducts scenario analyses to reassess its capacity to handle climate risks, overseeing the financial impacts of extreme weather risks.</li> <li>To effectively manage risks associated with extreme weather events and the transition to a low-carbon economy, climate change risks are integrated into operational decision-making, identifying and managing risks. Additionally, the company acknowledges the crises of global warming and resource depletion, fully responding to the energy conservation and carbon reduction trends through mitigation and adaptation efforts.</li> </ol>
4. Describe how the identification, assessment, and management processes of climate risks are integrated into the overall risk management system.	The company's climate risk management process consists of four major steps, as detailed below:

Item	Implementation status
	<p>Swancor conducts discussions, information aggregation, and evaluations of climate change risks and opportunities through climate change risk and opportunity research meetings, including:</p> <ol style="list-style-type: none"> <li>1. Setting climate change scenarios: encompassing two climate change scenarios.</li> <li>2. Assessing the impact on the operating environment: evaluating the effects and impacts of climate change on the operating environment and stakeholders.</li> <li>3. Identifying climate risks and opportunities: establishing a risk and opportunity matrix to confirm climate change risks and opportunities.</li> <li>4. To monitor the level of risk exposure and resilience, regular reviews are conducted through business group management meetings, with timely reports submitted to senior management and risk management units as needed.</li> </ol>
<p>5. If scenario analysis is used to assess resilience to climate change risks, explain the scenarios, parameters, assumptions, analysis factors, and major financial impacts used.</p>	<p>Climate change risk simulations are conducted under two scenarios: the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report's SSP5-8.5: warming to 6°C and SSP1-2.6: warming to 2°C. Future dynamic analyses and assessments will consider the impact of climate change on the company's operations.</p>
<p>6. If there are transformation plans to manage climate-related risks, describe the content of the plan, and the indicators and objectives used to identify and manage physical and transition risks.</p>	<ol style="list-style-type: none"> <li>1. Since 2022, the group has adopted ISO 14064-1 for Scope 1 and 2 greenhouse gas inventories, with verification completed in 2022 according to ISO 14064-1:2018.</li> <li>2. Scope 3 greenhouse gas inventory and verification are scheduled for 2024.</li> <li>3. For emission information, please refer to Section 4.3 Greenhouse Gas Emission Management of the 2022 Sustainability Report.</li> </ol>
<p>7. If internal carbon pricing is used as a planning tool, explain the pricing basis.</p>	<p>Internal carbon pricing has not been used as a planning tool to date. Future adoption of internal carbon pricing will be evaluated based on the impact of climate change on the company.</p>
<p>8. If climate-related targets are set, information should be provided on the activities covered, greenhouse gas emission scopes, planning schedules, annual progress towards achieving the goals, etc. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve the related objectives, information should be provided on the source and quantity of the offset carbon emissions or the quantity of RECs exchanged.</p>	<p>Swancor has established goals for each factory to utilize green electricity by 2030, achieve carbon neutrality by 2040, and annually establish reduction targets, revise target plans, and achieve short, medium, and long-term goals based on data from partner factories.</p>
<p>9. Greenhouse gas inventory and verification status are aligned with reduction targets, strategies, and specific action plans.</p>	<p>Please refer to the content of "(2) Recent Two-Year Greenhouse Gas Inventory and Verification Status" on page 42-43.</p>

## (2) Recent Two-Year Greenhouse Gas Inventory and Verification Status

### 1. Greenhouse Gas Inventory Information

Describe the greenhouse gas emissions (metric tons CO<sub>2</sub>e), intensity (metric tons CO<sub>2</sub>e per million dollars), and data coverage for the most recent two years.

The company	2021			2022		
	Total amount (T)	Scope 1 (T)	Scope 2 (T)	Total amount (T)	Scope 1 (T)	Scope 2 (T)
Swancor Holding Co., Ltd / Swancor Innovation and Incubation Co., Ltd.	-	-	-	31.27	3.17	28.098
Swancor Highpolymer Co., Ltd.	1716.122	829.069	887.053	1643.41	712.84	930.571
Sunwell Carbon Fiber Composite Corporation	364.646	8.843	355.803	702.53	13.11	689.42
COTECH INC.	-	-	-	421.92	21.081	400.837

Note 1: Direct emissions (Scope 1, directly from sources owned or controlled by the company), energy indirect emissions (Scope 2, indirectly generated greenhouse gas emissions from imported electricity, heat, or steam), and other indirect emissions (Scope 3, emissions generated by company activities that are not energy indirect, but rather come from sources owned or controlled by other companies).

Note 2: The scope of direct emissions and energy indirect emissions data coverage shall be handled according to the provisions of Article 10, Paragraph 2 of this standard at the specified timing. Information on other indirect emissions may be voluntarily disclosed.

Note 3: Greenhouse Gas Inventory Standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 published by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but data should at least be provided based on revenue (in NT\$ million).

### 2. Greenhouse Gas Assurance Information:

Description of the most recent two years of assurance status as of the printing date of the annual report, including the scope of assurance, assurance provider, assurance standard, and assurance opinion.

Verification Scope: Det Norske Veritas (DNV) undertakes the verification of the greenhouse gas statement contained in the 2022 Greenhouse Gas Inventory Management Report (the "Report") submitted by Swancor Holding Co., Ltd. ("the organization"), with the verification scope set to cover the boundaries of the report: Swancor Holding Co., Ltd./Swancor Innovation and Incubation Co., Ltd./Swancor Highpolymer Co., Ltd./Sunwell Carbon Fiber Composite Corporation/Cotech Inc.

Verification Criteria and Greenhouse Gas Programs:

▪ISO 14064-1:2018

The execution process of this verification follows standard requirements such as ISO/IEC17029:2019, ISO 14065:2020, and ISO 14064-3:2019.

Verification Opinion:

Based on the identified verification criteria, DNV believes that as of December 27, 2023, the fifth edition of the Greenhouse Gas Inventory Report does not have any significant differences that do not comply with the above verification standards. This opinion is determined based on the following methods:

- The reliability of information on direct greenhouse gas emissions and indirect greenhouse gas emissions from imported energy sources has been verified at a reasonable assurance level.
- Information regarding other indirect greenhouse gas emissions was verified and tested using the agreed-upon procedures (AUP) specified in the report.

Note 1: In accordance with the provisions of Article 10, Paragraph 2 of this standard, if the company has not obtained a complete greenhouse gas assurance opinion as of the printing date of the annual report, it should be noted as "Complete assurance information will be disclosed in the sustainability report." If the company has not compiled a sustainability report, it should be noted as "Complete assurance information will be disclosed on the Market Observation Post," and complete assurance information should be disclosed in the next year's annual report.

Note 2: The assurance institution shall comply with the relevant regulations of the Taiwan Stock Exchange and the Taipei Exchange regarding assurance institutions for sustainability reports.

Note 3: Disclosure content can refer to the best practice reference examples on the Taiwan Stock Exchange Corporate Governance Center website.

### 3. Greenhouse gas reduction targets, strategies, and specific action plans

Description of the baseline year and data, reduction targets, strategies, specific action plans, and achievement status of greenhouse gas reduction targets.

Establish targets for each factory to use green energy by 2030 and achieve carbon neutrality by 2040. Set annual emissions reduction targets based on inventory data from partner suppliers, revise target plans, and accomplish short, medium, and long-term goals. Achieve net-zero emissions by 2050 and annually review carbon intensity and decarbonization performance.

Note 1: Should be handled according to the timing specified in Article 10, Paragraph 2 of this standard.

Note 2: The baseline year should be the year in which the greenhouse gas inventory is completed within the boundaries of the consolidated financial statements, for example, according to the timing specified in Article 10, Paragraph 2 of this standard, companies with a capital of over NT\$10 billion should complete the inventory of the consolidated financial statements for the year 2024 in 2025. Therefore, the baseline year is 2024. If the company has completed the inventory of the consolidated financial statements earlier, the earlier year may be used as the baseline year. Additionally, the data of the baseline year may be calculated as a single year or as an average of several years.

Note 3: Disclosure content can refer to the best practice reference examples on the Taiwan Stock Exchange Corporate Governance Center website.

(IX) Implementation of Ethical Management; Difference from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons Thereof:

Item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Does the Company formulate its ethical corporate management policies that have been approved by the Board of Directors? Has the Company declared its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement its commitment to those management policies?	V		(I) The Board of Directors of the Company formulated the “Ethical Corporate Management Best Practice Principles” and the “Procedures for Ethical Management and Guidelines for Conduct”, and has established sound governance and risk control mechanisms by upholding the core values of “Quality, Integrity, Innovation, Diligent”, in order for legal compliance by the Board and top level management and corporate sustainability. In addition to quarterly education and training for new employees, which is included in advocacy courses, the Company also conducts anti-fraud education and training and examinations for all employees from time to time.	(I) No difference.
(II) Does the Company establish an assessment mechanism for unethical risks, according to which it analyzes and assesses operating activities with high potential unethical risks? Does the mechanism include any precautionary measures against all the conducts as stated in Paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		(II) The Company has formulated the “Regulations Governing the Prevention of Insider Trading”, “Code of Ethical Conduct”, “Employee Work Rules”, “Procedures for Ethical Management and Guidelines for Conduct” and “Reporting method” to regulate and prevent relevant staff from unethical conduct such as offering/accepting bribes, illegal political contributions, unreasonable donation/sponsorship/gifts/hospitality or other unwarranted benefits, or the Company's infringement of intellectual property rights or illegal competition, in order to prevent against illegal activities or fraud. A whistle-blowing mechanism is set up for internal and external personnel. The Company conducts investigations in confidentiality and handle the	(II) No difference.



Item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Has the Company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures?	V		(III) The Company's Code of Ethical Conduct, "Procedures for Ethical Management and Guidelines for Conduct", "Whistle-blower System" and Employee Work Rules stipulate punishment and appeals channels in order to promote and implement the Company's "Integrity-based Culture". If the information proves to be true after investigation, the violator shall be mildly/severely punished based on the severity of the violation, and the violation case shall be internally announced for employee awareness. The Company's laws and regulations shall be amended and announced to employees when the Company has discovered via annual self-auditing that it does not comply with the Company's business operations.	(III) No difference.
II. Fulfillment of Ethical Corporate Management (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) The Company conducts internal evaluation procedures on new customers/suppliers and refers to information obtained from external credit rating agencies to reduce the chance of trading with unethical companies. The existing customers/suppliers are evaluated on an annual basis based on the materiality principle in order to safeguard the Company's interests.	(I) No difference.
(II) Has the Company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and	V		(II) In order to establish the Company's corporate culture of ethical management, improve its development and establish good business operation, we have formulated and implemented the "Code of Ethical Management". We have set up the corporate governance unit under the Board of Directors as the responsible unit to promote the ethical management of the Company and in charge of 1.	(II) No difference.

Item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
supervision thereof?			helping to integrate the ethical and moral values into the Company's business strategy; 2. planning the internal organization, establishment and responsibilities, and placing a mutual supervision and balance mechanism for the business activities with higher risk of unethical conducts within the business scope; 3. regularly analyzing and evaluating the risk of unethical conducts within the scope of business, with the assistance of the Human Resources Development Center and the Legal Office. The implementation is reported to the Board of Directors at least once a year, and the date of report to the Board of Directors this year was November 7, 2023.	
(III) Has the Company established policies to prevent conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	V		(III) The Code of Ethical Conduct and Employee Work Rules stipulate relevant appeal and grievance channels and relevant solution methods and encourage directors, supervisors, managers, and employees to express their opinions for review and discussions on improving the efficiency of ethical corporate management.	(III) No difference.
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		(IV) Establish an effective and sound accounting and internal control system, fully implement computerized operations and exception management. The Company also established a professional and independent internal audit operation structure.	(IV) No difference.
(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	V		(V) The Company advocates integrity and requires employees to sign the Honesty and Integrity Statement during new employee orientation, so as to raise employee awareness on the Company's integrity policy	(V) No difference.

Item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			and appeals and grievance channels. At least once a year, we conduct advocacy and appraisal on ethical management for all employees. In 2023, the education and training on compliance with business laws and regulations with integrity included physical and online learning. All my colleagues completed the training with a total of 697 person-times, with a total of 697 hours of training hours.	
III. Status of enforcing whistle-blowing systems in the Company				
(I) Has the Company established a concrete whistleblowing and rewarding system, and set up accessible methods for whistleblowers, and designate appropriate and dedicated personnel to investigate the accused?	V		(I) The Code of Ethical Conduct, Employee Work Rules and Whistle-blower System all stipulate the appeals and grievance channels and punishments. In addition to the internal network, the Company's external website provides a mailbox dedicated for complaints of external parties, which shall be handled by designated personnel. In addition, the "convener of Audit Committee" mailbox was set up to increase independence.	(I) No difference.
(II) Has the Company established standard operating procedures for the reported matters, the measures to be taken after the investigation is completed, and the relevant confidential mechanism?	V		(II) The company has established a "Whistleblowing System," which specifies the procedures for handling whistleblower cases. This system is disclosed on the company's official website. The process from receiving a report to completing the investigation is handled by dedicated personnel according to regulations, and relevant information is kept confidential.	(II) No difference.
(III) Does the Company take any measures to protect whistleblowers so that they are safe from mishandling?	V		(III) A designated individual is appointed to handle this, ensuring the protection of the rights of the complainants and maintaining confidentiality of their identities, thereby preventing improper treatment and threats resulting from whistleblowing.	(III) No difference.

Item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
IV. Enhanced disclosure of corporate social responsibility information Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The implementation of ethical corporate management has already been disclosed on the Company's official website.	No difference.
V. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any deviations between the principles and their implementation: None.				
VI. Other important information that facilitate the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's "Ethical Corporate Management Best Practice Principles"): The company has established various regulations, including the "Code of Conduct and Guidelines for Ethical Business Operations," "Measures for Preventing Insider Trading," "Code of Ethics," "Corporate Governance Practices," "Guidelines for Ethical Business Operations," and "Whistleblower System," which are disclosed on the company's official website.				

- (X) If the Company has adopted Corporate Governance Best-Practice Principles or related bylaws, disclose how these are to be searched.: The Company has established the Corporate Governance Best-Practice Principles which has already been disclosed on the MOPS and the Corporate Governance section of the Company's official website for shareholders' reference.
- (XI) Other Significant Information that Provides Better Understanding of the State of Operations of Corporate Governance: Please refer to the "Investor Relations" section of the Company's official website.
- (XII) The following matters regarding the internal control system implementation status shall be disclosed:
1. Statement of Internal Control: Please refer to page 50.
  2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: None.
- (XIII) Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, details on the punishment if it might have a significant impact on the shareholders' equity or securities prices, major defects and corrective action thereof in the most recent fiscal year and as of the date of this annual report: None.
- (XIV) Material resolutions of a Shareholders' Meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the publication date of the Annual Report: Please refer to page 51-53.
- (XV) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or Supervisors regarding material resolutions passed by the Board of Directors' meetings in the most recent year up to the publication date of the annual report: None.
- (XVI) Summary of resignation or dismissal of personnel (including the Chairman, General Manager, financial manager, accounting manager, internal audit manager and R&D manager) who are involved with the Company's financial statements during the most recent year and up to the date of publication of this annual report: None.

Swancor Holding Company Limited  
Statement of Internal Control System

Date: March 11, 2024

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year of 2023:

- I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. The Company hereby declares that this statement had been approved by the Board of Directors on March 11, 2024. Among the eight directors present, none raised any objection to the contents of this statement.

Swancor Holding Company Limited

Chairman: Jau-Yang Tsai

General Manager: Jau-Yang Tsai

Major resolutions of the shareholder meeting(s), board of directors, audit committee and Remuneration Committee in the most recent year as of the date of publication of the Annual Report

I. Major resolutions of the annual shareholders meeting:

Meeting Date	Major resolutions	Status of execution
May 29, 2023	1. 2022 Earnings Distribution Plan	1. The cash dividend of NT\$5 is found through distribution of each share. Due to the fact that the conversion of the convertible corporate bonds to ordinary shares has effects on the payout ratio, the Company announced an adjustment to the payout ratio on June 8, 2023. After the adjustment, NT\$ 4.99994528 is distributed for each share as the dividend yield for earnings. 2. The base date of interest distribution is July 4, 2023 and the date of distribution is July 25, 2023.
	2. Revise some provisions of the “Procedure for Acquisition or Disposal of Assets” of the Company	The procedure was approved at the shareholders' meeting held on that day.
	3. Issuing New Restricted Employee Shares	Following approval at the shareholders' meeting, a report was submitted to the Financial Supervisory Commission, and after obtaining the effective letter on June 9, 2023, the relevant operations for distributing new shares to employees were executed in accordance with regulations.

II. Major board of directors resolutions:

Meeting Date	Major resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of the independent director	Handling of the opinions of the independent director
Third in 2023 1st meeting January 18, 2023	1. The Company's 2023 Business Report			
	2. 2022 year-end bonus for the Company's and subsidiary Swancor Innovation & Incubation Co., Ltd. managers.			
	3. 2022 bonuses and subsidies for the Company's and subsidiary Swancor Innovation & Incubation Co., Ltd. managers.			
	4. The Company's dispose of the equity of Formosa I International Investment Co., Ltd.	V	Nil	Nil
	5. Adjustment of fund utilization schedule for the domestic third secured convertible corporate bonds and the fourth unsecured convertible corporate bonds of the Company in 2021	V	Nil	Nil
	6. The Company's Endorsement Guarantee Adjustment	V	Nil	Nil
	7. The company's short, medium and long-term goal planning for sustainable development			
	8. Corporate Governance Operation Adjustment Plan of Subsidiary Swancor Innovation & Incubation Co., Ltd.			
	9. The Company's Loans of Financial Institutions			
Third in 2023 2nd meeting March 10, 2023	1. Distribution of 2022 employee compensation and remuneration to Directors			
	2. 2022 Business Report and Financial Statements			
	3. 2022 Earning Distribution Plan			
	4. Revise some provisions of the “Procedure for Acquisition or Disposal of Assets” of the Company	V	Nil	Nil
	5. Issuing New Restricted Employee Shares	V	Nil	Nil
	6. Convening General Meeting of Shareholders in 2023			
	7. 2022 Annual Statement of Internal Control System	V	Nil	Nil
	8. Revise some provisions of the “Procedure for Board of Directors Meetings” and “Procurement and Payment Cycle” of the Company	V	Nil	Nil
	9. Endorsement Guarantee of the Company	V	Nil	Nil
	10. Determination of “Approval Authority” of the Board of Directors of	V	Nil	Nil

	the Company			
	11. Evaluation of Independence and Competence of Certified Public Accountants and remuneration	V	Nil	Nil
	12. Formulation of "General Principles for Prior Approval of Non-Convinced Service Policy"	V	Nil	Nil
Third in 2023 3th meeting May 8, 2023	1. Financial statements for the first quarter of 2023			
	2. Determination of the capital increase benchmark date for the issuance of new shares upon conversion of the Company's "Fourth Unsecured Convertible Corporate Bonds"	V	Nil	Nil
	3. The Company's Loaning of Funds and Making of Endorsements / Guarantees	V	Nil	Nil
	4. The Company subscribing to the cash capital increase of S-Wanlai Co., Ltd.	V	Nil	Nil
Third in 2023 4th meeting May 29, 2023	1. The conditions, record date, and dividend yield for earnings distribution by cash			
	2. Price adjustment during the period of suspension of conversion of the third secured convertible corporate bonds and the fourth unsecured convertible corporate bonds of the Company	V	Nil	Nil
	3.Revision of certain articles of the company's "Regulations on the Issuance of New Shares with Restricted Employee Rights for the Year 2023"	V	Nil	Nil
	4. The reinvestment subsidiary established by the Company	V	Nil	Nil
Third in 2023 5th meeting June 20, 2023	1. The company subscribed to shares transferred by Yang Bao Enterprise Co., Ltd.	V	Nil	Nil
	2. Endorsement Guarantee of the Company	V	Nil	Nil
Third in 2023 6th meeting August 8, 2023	1. Election of Chairman			
	2. Financial statements for the second quarter of 2023			
	3. The company disposed of its equity interest in Synera Renewable Energy.	V	Nil	Nil
	4. Changes in the appointment of managers and the Corporate Governance Officer at the Company.			
	5. The list of receiving employees, shares, and the designated issuance date (increase in capital base date) for the company's "Restricted Employee Rights New Shares for the Year 2023"	V	Nil	Nil
	6. Endorsement Guarantee of the Company	V	Nil	Nil
	7. Establishment of the company's internal control system, "Regulations on Financial Business Operations between Related Parties," and "Operating Procedures for the Preparation and Verification of Sustainability Reports."	V	Nil	Nil
	8. Revision of the "Practical Guidelines for Corporate Social Responsibility"	V	Nil	Nil
	9. The Company's Loans of Financial Institutions			
Third in 2023 7th meeting November 7, 2023	1. Financial statements for the third quarter of 2023			
	2. Investment in the equity of subsidiary "Swancor Recycling Technology (Jiangsu) Ltd."	V	Nil	Nil
	3. Appointment of spokespersons and deputy spokespersons for the company.	V	Nil	Nil
	4. The Company's 2023 Audit Plan			
	5. Endorsement Guarantee of the Company	V	Nil	Nil
	6. Revise the company's short, medium and long-term goal planning for sustainable development			
	7. The Company's Loans of Financial Institutions			
Third in 2024 1st meeting February 1, 2024	1. The Company's 2024 Business Report			
	2. 2023 year-end bonus for the Company's managers.			
	3. 2023 bonuses and subsidies for the Company's managers.			
	4. Cancellation of the issuance of restricted employee rights new shares already issued by the company for capital reduction.	V	Nil	Nil
	5. Change of the company's business registration address.	V	Nil	Nil
	6. Change of personnel responsible for keeping the seal of the Ministry of			



Third in 2024 2nd meeting March 11, 2024	Economic Affairs Industrial Registration.			
	7. Revise some provisions of the “Articles of Incorporation” of Swancor Innovation & Incubation Co., Ltd.			
	1. Distribution of 2023 employee compensation and remuneration to Directors			
	2. 2023 Business Report and Financial Statements			
	3. 2023 Earning Distribution Plan			
	4. Convening General Meeting of Shareholders in 2024			
	5. 2023 Annual Statement of Internal Control System	V	Nil	Nil
	6. Revise some provisions of the “Procedure for Board of Directors Meetings”, “Audit Committee Charter”, “Corporate Governance Practice Principles” and “Labor and Wage Cycle” of the Company	V	Nil	Nil
	7. Endorsement Guarantee of the Company	V	Nil	Nil

### III. Major resolutions of the Audit Committee:

Meeting Date	Proposals	Matters referred to in Article 14-5 of the Securities and Exchange Act	Resolution Result	Swancor's response to the opinions of the Audit Committee
Third in 2023 1st meeting January 18, 2023	1. The Company's dispose of the equity of Formosa I International Investment Co., Ltd.	V	All members agree to pass it.	Approved by all members of the Board of Directors
	2. Adjustment of fund utilization schedule for the domestic third secured convertible corporate bonds and the fourth unsecured convertible corporate bonds of the Company in 2021			
	3. The Company's Endorsement Guarantee Adjustment	V	All members agree to pass it.	Approved by all members of the Board of Directors
Third in 2023 2nd meeting March 10, 2023	1. Distribution of 2022 employee compensation and remuneration to Directors			
	2. 2022 Business Report and Financial Statements	V	All members agree to pass it.	Approved by all members of the Board of Directors
	3. 2022 Earning Distribution Plan			
	4. Revise some provisions of the “Procedure for Acquisition or Disposal of Assets” of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
	5. Issuing New Restricted Employee Shares	V	All members agree to pass it.	Approved by all members of the Board of Directors
	6. Convening General Meeting of Shareholders in 2023	V	All members agree to pass it.	Approved by all members of the Board of Directors
	7. Revise some provisions of the “Procedure for Board of Directors Meetings” and “Procurement and Payment Cycle” of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
	8. Endorsement Guarantee of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
	9. Determination of “Approval Authority” of the Board of Directors of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
	10. Evaluation of Independence and Competence of Certified Public Accountants and remuneration	V	All members agree to pass it.	Approved by all members of the Board of Directors
	11. Formulation of "General Principles for Prior Approval of Non-Convicted Service Policy"	V	All members agree to pass it.	Approved by all members of the Board of Directors

Third in 2023 3rd meeting May 8, 2023	1. Financial statements for the first quarter of 2023			
	2. The Company's Loaning of Funds and Making of Endorsements / Guarantees	V	All members agree to pass it.	Approved by all members of the Board of Directors
	3. The Company subscribing to the cash capital increase of S-Wanlai Co., Ltd.	V	All members agree to pass it.	Approved by all members of the Board of Directors
Third in 2023 4th meeting June 20, 2023	1. The company subscribed to shares transferred by Yang Bao Enterprise Co., Ltd.	V	All members agree to pass it.	Approved by all members of the Board of Directors
	2. Endorsement Guarantee of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
Third in 2023 5th meeting August 8, 2023	1. Financial statements for the second quarter of 2023			
	2. The company disposed of its equity interest in Synera Renewable Energy	V	All members agree to pass it.	Approved by all members of the Board of Directors
	3. The Company's list of non-managerial employees and subsidiary staff receiving restricted stock awards for year 2023	V	All members agree to pass it.	Approved by all members of the Board of Directors
	4. Endorsement Guarantee of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
	5. Establishment of the company's internal control system, "Regulations on Financial Business Operations between Related Parties," and "Operating Procedures for the Preparation and Verification of Sustainability Reports."	V	All members agree to pass it.	Approved by all members of the Board of Directors
	6. Revision of the "Practical Guidelines for Corporate Social Responsibility"	V	All members agree to pass it.	Approved by all members of the Board of Directors
Third in 2023 6th meeting November 7, 2023	1. Financial statements for the third quarter of 2023			
	2. Investment in the equity of subsidiary "Swancor Recycling Technology (Jiangsu) Ltd."	V	All members agree to pass it.	Approved by all members of the Board of Directors
	3. Endorsement Guarantee of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
Third in 2024 1st meeting March 11, 2024	1. Distribution of 2023 employee compensation and remuneration to Director			
	2. 2023 Business Report and Financial Statements	V	All members agree to pass it.	Approved by all members of the Board of Directors
	3. 2023 Earning Distribution Plan			
	4. 2023 Annual Statement of Internal Control System	V	All members agree to pass it.	Approved by all members of the Board of Directors
	5. Revise some provisions of the "Procedure for Board of Directors Meetings", "Audit Committee Charter", "Corporate Governance Practice Principles" and "Labor and Wage Cycle" of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors
	6. Endorsement Guarantee of the Company	V	All members agree to pass it.	Approved by all members of the Board of Directors

#### IV. Important resolutions of the Remuneration Committee:

Date	Proposals	Resolution	The Company's response to Remuneration Committees' opinions
Third in 2023 1st meeting January 18, 2023	1. 2022 year-end bonus for the managers of the Company and its Subsidiary, Swancor Innovation & Incubation Co., Ltd.	Approved by all committee members	Approved by all board members
	2. 2022 bonuses and subsidies for the managers of the Company and its Subsidiary, Swancor Innovation & Incubation Co., Ltd.	Approved by all committee members	Approved by all board members
Third in 2023 2nd meeting March 10, 2023	1. Distribution of 2022 employee compensation and remuneration to Director	Approved by all committee members	Approved by all board members
Third in 2023 3rd meeting August 8, 2023	1. Resignation and Appointment of General Manager	Approved by all committee members	Approved by all board members
	2. The managerial recipient list and share allocation proposal for the company's 2023 restricted employee equity plan	Approved by all committee members	Approved by all board members
Third in 2024 1st meeting February 1, 2024	1. 2023 year-end bonus for the managers of the Company	Approved by all committee members	Approved by all board members
	2. 2023 bonuses and subsidies for the managers of the Company	Approved by all committee members	Approved by all board members
Third in 2024 2nd meeting March 11, 2024	1. Distribution of 2023 employee compensation and remuneration to Director	Approved by all committee members	Approved by all board members

#### V. Information on CPA Professional Fees:

- (I) If any non-audit fee paid to CPAs, CPA's accounting firm and its affiliates accounts for over one-fourth of audit service fee, the amount of non-audit fee and audit fee and the contents of non-audit service shall be disclosed:

Unit of Amount: NT\$ thousands

CPA Firm	Name of CPAs	Audit Period of Accountants	Audit Fee	Non-Audit Fee	Total	Remarks
KPMG Taiwan	Chen, Cheng-Hsueh	2023	6,140	673	6,813	Non-audit public fees include tax project consulting fee of NT\$200 thousand, industrial and commercial registration service fee of NT\$336 thousand, and others of NT\$137 thousand
	Kuo, Shih-Hua					

- (II) Where the CPA firm was replaced, and the audit fees in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed: None.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, please disclose the reduction in the amount of audit fees, reduction percentage, and reasons: None.

#### VI. Replacement of CPA: None.

#### VII. If the Company's Chairman, General Manager, or Managers in charge of finance and accounting operations held positions in an accounting firm or its affiliates in the most recent year, their names, positions, and period of working should be disclosed: None.

VIII. Equity transfer or changes to equity pledge of Directors, Supervisors, managerial officers, or shareholders holding more than 10% of company shares during the past year prior to the publication date of this Annual Report

(I) Share changes by directors, supervisors, managers, and major shareholders

Unit: Shares

Title	Name	2023		Current fiscal year as of April 2, 2024	
		Shareholding Increase (Decrease)	Pledged Share Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Share Increase (Decrease)
Chairman	Tsai's Family Holding Co., Ltd.	11,455,625	0	67,000	0
Chairman	Tsai's Family Holding Co., Ltd. (Date of Dismissal: August 8, 2023)	(11,255,625)	(2,000,000)	N/A	N/A
Representative of Chairman	Tsai, Jau-Yang	510,000	0	187,000	0
Director	Tsai's Family Holding Co., Ltd.	11,455,625	0	67,000	0
Chairman	Tsai's Family Holding Co., Ltd. (Date of Dismissal: August 8, 2023)	(11,255,625)	(2,000,000)	N/A	N/A
Representative of Director	Tsai, Hsiao-Yi	0	0	0	0
Director	Chen, Kuei-Tuan	18,000	0	0	0
Director	Yang, Pan-Ching	0	0	0	0
General Manager	Tsai, Jau-Yang	510,000	0	187,000	0
Associate Manager	Hung, Chia-Min	0	0	0	0
Associate Manager	Hung, Li-Min	0	0	0	0
Major Shareholder	Tsai, Jau-Yang	510,000	0	187,000	0
Independent director	Wang, Hsiu-Chun	0	0	0	0
Independent director	Liu, Chung-Ming	0	0	0	0
Independent director	Lin, Sheng-Chung	0	0	0	0
Independent director	Li, Jui-Hua	0	0	0	0
Accounting Officer	Hung, Chia-Min	0	0	0	0

(II) Information of the equity transfer: None.

(III) Information of equity pledge:

Name	Reasons for Equity Transfer	Transaction Date	Trading Counterparty	The relationship between the counterparty of the transaction and the company, directors, supervisors and shareholders with a shareholding ratio of more than 10%	Number of Shares	Transaction Price	Name	Reasons for Equity Transfer
Tsai's Family Holding Co., Ltd. (Date of Dismissal: August 8, 2023)	Release	June 14, 2023	Yuanta Securities Co., Ltd	Nil	1,051,000	N/A	N/A	N/A
Tsai's Family Holding Co., Ltd. (Date of Dismissal: August 8, 2023)	Release	June 14, 2023	Yuanta Securities Co., Ltd	Nil	949,000	N/A	N/A	N/A
Tsai's Family Holding Co., Ltd.	Setting	June 13, 2023	Yuanta Securities Co., Ltd	Nil	3,000,000	18.87%	2.92%	NT\$111,826 thousand

IX. Top 10 Shareholders Who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other

April 2, 2024

Name	Current shareholding		Spouse/minor shareholding		Shareholding by nominees		Name and Relationship between the Company's 10 Largest Shareholders, or Spouses or Relatives within Second Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tsai's Family Holding Co., Ltd.	19,380,658	18.87%	0	0.00%	0	0.00%	Jau-Yang Tsai Hsiao-Yi Tsai	Holding in the name of others	
Representative of Tsai's Family Holding Co., Ltd.: Jau-Yang Tsai	2,197,000	2.14%	0	0.00%	12,762,943	12.43%	Tsai's Family Holding Co., Ltd.	Name used by others for holding	
Ching-Ling Hsu	3,354,206	3.27%	0	0.00%	0	0.00%	Sunli Investment Co., Ltd.	Holding in the name of others	
Jau-Yang Tsai	2,197,000	2.14%	0	0.00%	250,000	0.24%	Tsai's Family Holding Co., Ltd.	Name used by others for holding	
Hsiang-Yin Hou	1,300,000	1.27%	0	0.00%	0	0.00%	-	-	
Citi (Taiwan) Commercial Bank is entrusted with the custody of UBS European SE investment account	1,085,653	1.06%	0	0.00%	0	0.00%	-	-	
Ssu-Hui Li	1,035,000	1.01%	0	0.00%	0	0.00%	-	-	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,002,426	0.98%	0	0.00%	0	0.00%	-	-	
Sunli Investment Co., Ltd.	784,071	0.76%	0	0.00%	0	0.00%	Ching-Ling Hsu	Name used by others for holding	
Sunli Investment Co., Ltd. Representative: Ching-Ling Hsu	3,354,206	3.27%	0	0.00%	0	0.00%	Sunli Investment Co., Ltd.	Holding in the name of others	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	746,000	0.73%	0	0.00%	250,000	0.24%	-	-	
Jen-Kuo Tung	708,000	0.69%	0	0.00%	0	0.00%	-	-	

- X. Number of shares held and percentage of stake of investment in other companies by the company, the company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the company, and calculations for the consolidated shareholding percentage of the above categories.

March 31, 2024 Unit: Shares: %

Reinvested Company (Note 1)	Investment by the company		Investment by directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Swancor Innovation & Incubation Co., Ltd.	21,000,000	100%	-	-	21,000,000	100%
S-Wanlai Co., Ltd.	20,000,000	100%	-	-	20,000,000	100%
Strategic Capital Holding Limited	9,601,250	100%	-	-	9,601,250	100%
Swancor Ind. Co., Ltd. (SAMOA)	7,100,000	100%	-	-	7,100,000	100%
Swancor Advanced Materials Co., Ltd.	319,517,122	79.23%	-	-	319,517,122	79.23%
Anhui Meijia New Materials Co., Ltd.	50,000,000	18.86%	-	-	50,000,000	18.86%
Swancor (Tianjin) Wind Blade Materials Co., Ltd.	-(Note 2)	79.23%	-	-	-(Note 2)	79.23%
Swancor(Jiangsu) New Materials Co., Ltd.	-(Note 2)	79.23%	-	-	-(Note 2)	79.23%
Swancor (HK) Investment Co., Ltd.	-(Note 2)	79.23%	-	-	-(Note 2)	79.23%
Swancor Highpolymer Co., Ltd.	41,580,000	79.23%	-	-	41,580,000	79.23%
Swancor Ind. (M) SDN. BHD.	32,656,957	79.23%	-	-	32,656,957	79.23%
Sunwell Carbon Fiber Composite Corporation	45,800,000	86.42%	632,000	1.19%	46,432,000	87.61%
Sunwell (Jiangsu) Carbon Fiber Composite Co., Ltd.	-(Note 2)	72.50%	-	-	-(Note 2)	72.50%
COTECH INC.	130,000,000	80.82%	-	-	130,000,000	80.82%
Swancor Recycling Technology (Jiangsu) Ltd.	-(Note 2)	100%			-(Note 2)	100%
Shandong Longneng Renewable Resources Utilization Co., Ltd.	-(Note 2)	43.58%			-(Note 2)	43.58%

Note 1: Invested by the Company using the equity method

Note 2: The company is a limited company with no share issued.

## Chapter 4. Capital Overview

### I. Capital and Shares

#### (I) Sources of capital:

Unit: shares / NT\$ thousands

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
August 2016	10	200,000,000	2,000,000,000	90,833,670	908,336,700	Conversion of shares	Nil	Note 1
February 2017	10	200,000,000	2,000,000,000	90,847,147	908,471,470	Convertible bonds	Nil	Note 2
September 2018	10	200,000,000	2,000,000,000	93,504,604	935,046,040	Convertible bonds	Nil	Note 3
September 2022	10	200,000,000	2,000,000,000	98,096,340	980,963,400	Convertible bonds	Nil	Note 4
December 2022	10	200,000,000	2,000,000,000	98,131,104	981,311,040	Convertible bonds	Nil	Note 5
May 2023	10	200,000,000	2,000,000,000	98,132,170	981,321,700	Convertible bonds	Nil	Note 6
August 2023	10	200,000,000	2,000,000,000	98,560,126	985,601,260	New Restricted Employee Shares	Nil	Note 7
April 2024	10	200,000,000	2,000,000,000	98,542,261	985,422,610	Cancellation of Restricted Employee Rights Shares	Nil	Note 8

Note 1: August 31, 2016 Jing-Shou-Shang No. 10501191530  
 Note 2: February 3, 2017 Jing-Shou-Shang No. 10601012770  
 Note 3: September 18, 2018 Jing-Shou-Shang No. 10701118190  
 Note 4: September 1, 2022 Jing-Shou-Shang No. 11101167640  
 Note 5: December 1, 2022 Jing-Shou-Shang No. 11101231970  
 Note 6: May 22, 2023 Jing-Shou-Shang No. 11230083930  
 Note 7: August 22, 2023 Jing-Shou-Shang No. 11230163450  
 Note 8: April 1, 2024 Jing-Shou-Shang No. 11330033530

April 2, 2024 Unit: Shareholding Type	Authorized capital			Remarks
	Outstanding Shares (Note)	Unissued shares	Total	
Registered common shares	102,682,191	97,317,809	200,000,000	From January 1, 2024, to April 1, 2024, 4,139,930 shares of convertible corporate bonds into common stocks have been issued, and the change registration has not yet been processed.

Note: All issued shares of the Company are listed shares.

#### Information on the Shelf Registration System

Types of securities	Amount of scheduled issuance		Amount issued		The purpose and expected benefits of the issued shares	Unissued shares Scheduled time of issuance	Note
	Total number of shares	Approved amount	Shares	Price			
N/A							

## (II) Composition of shareholders:

April 2, 2024

Shareholding Structure Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	5	28	236	28,726	69	29,064
Total Shares Held	1,815,000	10,410,778	22,456,174	56,119,792	7,330,426	98,132,170
Shareholding (%)	1.85%	10.61%	22.88%	57.19%	7.47%	100.00%

## (III) Shareholding distribution status:

## 1. Distribution of Common Shares:

April 2, 2024

Shareholding range	Number of shareholders	Total Shares Held	Shareholding (%)
1 to 999	16,933	426,618	0.43%
1,000 to 5,000	10,562	18,911,166	19.27%
5,001 to 10,000	865	6,778,286	6.91%
10,001 to 15,000	225	2,913,747	2.97%
15,001 to 20,000	145	2,703,877	2.76%
20,001 to 30,000	115	2,935,883	2.99%
30,001 to 40,000	63	2,238,379	2.28%
40,001 to 50,000	26	1,213,702	1.24%
50,001 to 100,000	55	4,015,913	4.09%
100,001 to 200,000	21	2,937,740	2.99%
200,001 to 400,000	25	7,140,149	7.28%
400,001 to 600,000	12	5,708,295	5.82%
600,001 to 800,000	4	3,004,054	3.06%
800,001 to 1,000,000	5	4,543,497	4.63%
Above 1,000,001	8	32,660,864	33.28%
Total	29,064	98,132,170	100.00%

Note: Par value of NT\$10 per share

Note: The above-mentioned shares are included in the 4,139,930 shares obtained on April 1, 2024, with approval from the Ministry of Economic Affairs for cancellation, and there are still 17,865 common shares undergoing cancellation procedures.

## 2. Preferred Shares: None



## (IV) List of major shareholders

April 2, 2024

Major Name of shareholder	Shares	Shares Held	Shareholding (%)
Tsai's Family Holding Co., Ltd.		19,380,658	18.87%
Ching-Ling Hsu		3,354,206	3.27%
Jau-Yang Tsai		2,197,000	2.14%
Hsiang-Yin Hou		1,300,000	1.27%
Citi (Taiwan) Commercial Bank is entrusted with the custody of UBS European SE investment account		1,085,653	1.06%
Ssu-Hui Li		1,035,000	1.01%
Taipei Branch of J.P. Morgan Chase Bank is entrusted to safeguard the assets of Advanced Starlight Fund Company's series fund Advanced Total International Stock Index Fund Investment Account		1,002,426	0.98%
Sunli Investment Co., Ltd.		784,071	0.76%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds		746,000	0.73%
Jen-Kuo Tung		708,000	0.69%

## (V) Market price, net worth, earnings, dividends and other information in the most recent two years:

Item/ Year			2022	2023	Current year as of March 31, 2024
Market price per share	Highest		145.5	116	136.5
	Lowest		83.2	85.6	92.9
	Average		103.98	96.47	106.18
Net worth per share	Before distribution		68.35	75.23	77.9
	After distribution (Note 1)		68.35	70.23	-
Earnings per share	Weighted average number of shares (thousand shares)		95,270	97,590	97,922
	Earnings per share (Note 2)	Before adjustment	9.48	12.88	0.79
		After adjustment	9.48	12.88	0.79
Dividends per share	Cash dividend (Note 1)		5	5	-
	Stock dividends	Stock dividends appropriated from retained earnings (Note 1)	-	-	-
		Stock dividends appropriated from capital reserve	-	-	-
	Cumulative unpaid dividends		-	-	-
Investment return analysis	P/E ratio (Note 3)		10.97	7.49	-
	Price-dividend ratio (Note 4)		20.80	19.29	-
	Cash dividend yield (Note 5)		4.81%	5.18%	-

Note 1: The available surplus in 2023 was approved by the Board of Directors on March 11, 2024, but was not discussed by the resolutions from the ordinary meeting of shareholders.

Note 2: Earnings per share are retroactively adjusted due to stock dividends.

Note 3: P/E ratio = Average closing price per share for the year/earnings per share.

Note 4: Price-dividend ratio = Average closing price per share for the year/dividends per share.

Note 5: Cash dividend yield = Cash dividend per share/average per share closing price for the year.

Note 6: The net worth per share and earnings per share are self-assessed as of March 31, 2024.

(VI) Company's dividend policy and implementation thereof

1.Dividend Policy:

The annual earnings of the Company shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earning to the legal reserve (not applicable where accumulated legal reserve has reached the amount required by law and regulations) and a special reserve in accordance to the Company's operating needs and pursuant to the applicable law and regulations. Any retained earnings available for distribution together with the accumulated undistributed retained earnings may be proposed by the BOD to appropriate and be resolve at the shareholders' meeting.

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 the Company's long-term financial planning. The shareholders' bonus shall be appropriated from accumulated distributable earnings, of which no less than 30% shall be distributed from the current year's distributable earnings. Shareholders' bonus may be distributed in the form of cash or shares, of which cash dividend shall not be less than 10% of the shareholders' bonus.

2. Resolution of the shareholders' meeting: (passed by the board of directors but has not yet been approved by the shareholders' meeting)

On March 11, 2024, the 2023 earnings distribution has been passed by the Board of Directors. After setting aside 10% legal reserve and special reserve for 2023, the remaining amount of distributable earnings shall be distributed as follows:

Unit: NT\$	
Allocation items	Amount
Distribution of Shareholders' bonus - cash dividends (NT\$5.0 per share)	487,527,315

(VII) The effects of stock dividends proposed this year on company operating performance and earnings per share:

On March 11, 2024, the 2023 earnings distribution has been passed by the Board of Directors with no issuance of stock dividends.

(VIII) Employee and Director Remuneration:

1. Quantity or scope of compensation for employees and Directors as prescribed under the Articles of Incorporation:

If the Company is profitable for the current year, no less than 0.01% of the profit is distributable as employees' remuneration, and no higher than 3% is distributable as remuneration for directors. If there is any accumulated loss, the Company's earnings shall be retained to make up for the deficit. Those paid in shares or cash by employee remuneration in the preceding item, shall include the employees with some qualified conditions in the affiliated companies and its conditions and methods shall be decided by the board of directors and submitted to report in the shareholders' meeting.

2. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: Any discrepancy is deemed as change in accounting estimate and will be recognized as profit/loss for the following fiscal year.

3. Information on any approval by the Board of Directors of distribution of remuneration:
  - (1) Distribution of employee cash bonuses and remuneration for directors totaled NT\$27,065 thousand. There is no difference with the estimated amount of the recognized expenses in the year.
  - (2) The proposed employee stock remuneration allocation as a ratio of the net income after tax for the period and the total employee remuneration: Not applicable.
4. Actual distribution of remuneration for employees, directors, and supervisors in the previous year (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized remuneration for employees, directors, and supervisors, the sum, cause, and treatment of the discrepancy shall be described:

Employee compensation of NT\$2,769 thousand and remuneration for directors of NT\$14,523 thousand. There is no deviation between the estimated and actual distribution amount.

(IX) Share buyback:

(1) Share buyback (Completed):

March 31, 2024

Number of Share Buyback	4th Issuance
Purpose of share buyback	Shares Transferred to Employees
Buyback Period	2020.3.25~2020.4.28
Price Range of Share Buybacks	NT\$37-106
Type and Amount of Share Buybacks	1,000,000 shares of common stock
Amount of Share Buybacks	NT\$66,341,284
Proportion of Quantity Bought Back to Scheduled Buyback Quantity	50%
Number of Retired and Transferred Shares	287,000 shares
Cumulative Number of Shares of the Company	713,000 shares
Proportion of Cumulative Number of Shares Held to Total Number of Shares Issued (%)	0.69%
Subsequent Treatment	On January 17, 2022, 287,000 shares were transferred to employees, leaving 713,000 shares untransferred.

(2) Share buyback (In progress): None.

## II. Corporate Bonds:

### 1. Situations of Corporate Bonds

April 1, 2024

Corporate Bond Type		3rd Domestic Secured Convertible Bond	4th Domestic Unsecured Convertible Bond
Issue date		September 27, 2021	September 28, 2021
Denomination		NT\$100,000 per par value	NT\$100,000 per par value
Issuing and transaction location		Taipei Exchange	Taipei Exchange
Issue price		Issued at 108.38% of par value	Issued at 103.45% of par value
Total price		NT\$ 1 billion	NT\$ 1 billion
Coupon rate		0%	0%
Tenor		5-year maturity: September 27, 2026	5-year maturity: September 28, 2026
Guarantee agency		First Commercial Bank Co., Ltd.	None
Consignee		Yuanta Commercial Bank Co., Ltd.	Yuanta Commercial Bank Co., Ltd.
Underwriting institution		Yuanta Securities Co., Ltd.	Yuanta Securities Co., Ltd.
Certified lawyer		Lawyer Ya-Wen Chiu, Far East Law Office	Lawyer Ya-Wen Chiu, Far East Law Office
CPA		KPMG Taiwan Accountants: Cheng Hsueh, Chen and Tzu-Hsin, Chang	KPMG Taiwan Accountants: Cheng Hsueh, Chen and Tzu-Hsin, Chang
Repayment method		Except for the conversion of the convertible bonds into common shares of the Company pursuant to Article 10 of the Issuance Method or the exercise of the right of sale pursuant to Article 19 of the Issuance Method, and the early redemption of the bonds by the Company pursuant to Article 18 of the Issuance Method, the Company will repay the bonds held by the bondholders in cash within seven business days from the day following the maturity of the bonds at their denomination.	Except for the conversion of the convertible bonds into common shares of the Company pursuant to Article 10 of the Issuance Method or the exercise of the right of sale pursuant to Article 19 of the Issuance Method, and the early redemption of the bonds by the Company pursuant to Article 18 of the Issuance Method, the Company will repay the bonds held by the bondholders in cash within seven business days from the day following the maturity of the bonds at their denomination.
Outstanding principal		NT\$ 718,700,000	NT\$ 462,000,000
Terms of redemption or advance repayment		Please refer to the Company's Issuance and Conversion Method of Corporate Bonds	Please refer to the Company's Issuance and Conversion Method of Corporate Bonds
Restrictive clause		Please refer to the Company's Issuance and Conversion Method of Corporate Bonds	Please refer to the Company's Issuance and Conversion Method of Corporate Bonds
Name of credit rating agency, rating date, rating of corporate bonds		None	None
Other Rights Attached	As of the publication date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, global depositary receipts or other securities	From the issue date to April 1, 2024, creditors filed applications for conversion of 2,990,411 shares of the Company's ordinary shares.	From the issue date to April 1, 2024, creditors filed applications for conversion of 5,777,085 shares of the Company's ordinary shares.
	Issuance and conversion (exchange or subscription) method	Please refer to the Bond Issuance Information in the Bond & Credit Section of the Market Observation Post System.	Please refer to the Bond Issuance Information in the Bond & Credit Section of the Market Observation Post System.
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Based on the current conversion price of NT\$92.7, the maximum dilution effect to the original shareholders is 7.02%.	Based on the current conversion price of NT\$89.0, the maximum dilution effect to the original shareholders is 4.81%.
Name of the fiduciary custodian institution for the exchange of the subject		None	None

## 2. The information of convertible bonds

March 31, 2024

Corporate Bond Type		3rd Domestic Secured Convertible Bond		4th Domestic Unsecured Convertible Bond	
Projects	Year	2023	Ended in March 31, 2024	2023	Ended in March 31, 2024
Department of Official Price for the Convertible Bonds	Max.	121.00	141.00	120.9	149.75
	Min.	108.20	111.10	106.10	111.00
	Average	114.06	120.75	112.90	124.18
Conversion Price		92.70	92.70	89.00	89.00
Issuance (Processing) Date and Conversion Price at Issuance		Issuance Date: September, 27, 2021 Conversion Price 99.00		Issuance Date: September, 28, 2021 Conversion Price 95.0	
Means of performing conversion obligations		Issuance of new shares		Issuance of new shares	

III. Preferred shares: None.

IV. Participation in Global Depository Receipts: None.

V. Subscription of Warrants for Employees:

- (I) Status of issue and private placement of subscription of warrants for employees that are not yet mature: None.
- (II) Names and conditions of managerial officers and top 10 employees who have received subscription of warrants for employees as of the date of publication of this Annual Report: None.
- (III) Status of any private placement of subscription of warrants for employees in the most recent three years: None.

VI. New Restricted Employee Shares:

- (I) Status and Impact on Shareholders' Equity of Restricted Stock Awards

March 31, 2024

Type of Restricted Stock Awards	1st Issue (Period) New Restricted Employee Shares
Effective Date of Declaration and Total Number of Shares	Date : June 9, 2023 Total number of shares : 450,000 shares
Date of Issuance	August 8, 2023
Number of Restricted Stock Awards Issued	427,956 shares
Number of Restricted Stock Awards Available for Issuance	22,044 shares
Issue price	NT\$0 per share, i.e., shares granted to employees.
Percentage of Issued Restricted Stock Awards to Total Issued Shares	0.42%
Conditions for Acquiring Restricted Stock Awards	(1) If an employee is still in employment on each vesting date after being allotted (i.e., the capital increase recordation date) new restricted employee shares, and has not violated the Company's labor contract, work rules, prohibition of competition, prohibition of part-time employment, confidentiality agreement or contractual agreements with the Company during the period as approved by the Company, and has

	<p>achieved the employee's personal performance evaluation objectives set by the Company and the Company's operating goals for each year, the vesting percentage of new restricted employee shares on each year's vesting date shall be as follows:</p> <ul style="list-style-type: none"> <li>● Completion of 1 year of service after allotment: 40% of allotted shares.</li> <li>● Completion of 2 year of service after allotment: 60% of allotted shares.</li> </ul> <p>(2) Employee's personal performance evaluation objectives: according to the evaluation grade of the year before each vesting date, the employee's individual performance evaluation result shall be S (including S) or above.</p> <p>(3) The Company's operating goals:</p> <p>If the Company's net income for the period, after excluding "gain/loss on disposal of investments" and related taxes, attributable to the owners of the parent company in the consolidated financial statements for the year preceding each vesting date is a positive amount, the Company's target achievement rate shall be calculated based on the growth rate of consolidated operating revenues (excluding operating revenues from mergers and acquisitions during the vesting period) compared to 2022.</p> <ul style="list-style-type: none"> <li>● Growth in operating revenue in 2023 compared to 2022: threshold 10%, target 45%.</li> <li>● Growth in operating revenue in 2024 compared to 2022: threshold 25%, target 80%.</li> </ul> <p>Note 1. The Company's target achievement rate: less than the threshold: 0%, equal to the threshold: 50%, more or equal to the target: 100%, between the threshold and the target: calculated by interpolation.</p> <p>Note 2. The actual number of shares to be vested shall be calculated based on the vesting ratio set by the Company's achievement of operating goals and the employees' individual performance evaluations. If a calculation of the aforementioned ratio results in a fraction or decimal point, it shall be rounded off. The calculation of the vested shares shall be completed up to the number of shares, and any share that is less than one shall be unconditionally rounded off.</p>
Restricted Rights of Restricted Stock Awards	<p>(1) Employees shall not sell, mortgage, transfer, donate, pledge or dispose of the new restricted employee shares until the vesting conditions have been met after allotting the new shares, except for inheritance.</p>

	<p>(2) Attendance, proposals, speeches, voting rights and other matters related to shareholders' rights and interests at shareholders' meetings shall be carried out in accordance with the Trust Custody Agreement.</p> <p>(3) In addition to the aforementioned restrictions, employees who are allotted new restricted employee shares in accordance with this method shall not be entitled to the rights and benefits of share allotment, dividend allotment, cash capital increase, capital increase by capital reserve and capital reserve cash allotment until the vesting conditions are met. In the event that the employees who have met the vesting conditions during the period of fifteen business days before the cessation date of each of the Company's share allotment, dividend allotment and stock option to the base date of rights distribution are not entitled to the rights and benefits of share allotment, dividend allotment, stock option, capital increase by capital reserve and capital reserve cash allotment.</p> <p>(4) During the vesting period, the new restricted employee shares shall not participate in the cash capital increase.</p> <p>(5) If cash is refunded during the vesting period as a result of the Company's cash reduction, the refund of the capital reduction not vested as a result of such allotment shall be delivered to a trust and the employee, together with the vested shares, without interest upon satisfaction of the vesting conditions and period; provided that if the vesting conditions are not met upon expiration of the period, the Company shall recover such cash.</p>
Custody Status of Restricted Stock Awards	Trust Custody
Handling of Employees who Fail to Meet Acquisition Conditions for New Shares	For those who fail to meet the acquisition conditions, the Company will reclaim the shares granted free of charge and cancel them in accordance with the law.
Number of Restricted Stock Awards Reclaimed or Purchased	17,865 shares
Number of Restricted Stock Awards Released	0 shares
Number of Restricted Stock Awards Unreleased	410,091 shares
Percentage of Unreleased Restricted Stock Awards to Total Issued Shares (%)	0.40%
Impact on Shareholders' Equity	The percentage of unreleased Restricted Stock Awards to total issued shares is 0.40%, with no significant impact on the dilution of equity rights.

(II) Managers who acquired Restricted Stock Awards and the names of the top ten employees who acquired them before the acquisition:

Unit: Share / NT\$

	Title	Name	Number of Restricted Stock Awards Acquired	Percentage of Acquired Restricted Stock Awards to Total Issued Shares	Released Restricted Rights				Unreleased Restricted Rights			
					Number of Shares with Released Restrictions	Issue price	Issue amount	Percentage of Released Restricted Stock Awards to Total Issued Shares (%)	Number of Shares with Unreleased Restrictions	Issue price	Issue amount	Percentage of Unreleased Restricted Stock Awards to Total Issued Shares
Manager	Chairman	Tsai, Jau-Yang	96,290	0.09%	0	0	10	0%	96,290	0	10	0.09%
	Deputy General Manager	Chen, Chi-Shen										
	Associate Manager	Hung, Chia-Min										
	Associate Manager	Lai, Chi-Nan										
	Associate Manager	Hung, Li-Min										
Employee	General Manager	Kan, Shu-Hsien	111,784	0.11%	0	0	10	0%	111,784	0	10	0.11%
	Deputy General Manager	Kuo, Shih-Jung										
	Deputy General Manager	Hung, Mei-Ching										
	Associate Manager	Hsieh, Tsung-Ting										
	Associate Manager	Chen, Chun-An										
	Manager	Chen, Mei-Ling										
	Manager	Wang, Pai-Kuei										
	Manager	Tsai, Chung-Chou										
	Manager	Lin, Kuo-Chuan										
	Manager	Hsu, Cheng-Chia										

Note: As of April 2, 2024, the number of shares issued was 102,700,056 shares. Including the number of ordinary shares converted from the company's 2024Q1 convertible corporate bonds and the number of shares that have not yet undergone change registration operations.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Implementation of Fund Usage Plan:

(I). Third Domestic Secured Convertible Bonds and Fourth Unsecured Convertible Bonds in 2021

1. Contents of the Plan

- (1) Approval date and document No. of the industry competent authority: August 24, 2021, (JGZ) Financial-Supervisory-Securities Issuing No. 1100348768 is declared and effective.
- (2) Total Capital Investment required by this plan: NT\$2,118,369 thousand.
- (3) Capital Sources: The issuance of the 3rd Domestic Secured Convertible Bonds and 4th Unsecured Convertible Bonds shall be issued at a nominal value of NT\$100,000, and the issuance price shall be at 108.38% and 103.45%, the nominal value to raise the amount of NT\$1,083,834 thousand and NT \$1,034,535 thousand respectively, the total raised amount is NT \$2,118,369 thousand.



- (4) Content of changing plan: None  
(5) Projects and estimated application progress

Projects	Reserved Date of Completion	Required capital	Predetermined fund utilization plan						
			2021		2022				2023
			Q3	Q4	Q1	Q2	Q3	Q4	Q1
Construction of Group's R&D and Operation Headquarters	2023 Q1	1,200,000	160,000	105,000	105,000	175,000	205,000	200,000	250,000
Repayment of bank loans	2021 Q3	918,369	918,369	-	-	-	-	-	-
Total		2,118,369	1,078,369	105,000	105,000	175,000	205,000	200,000	250,000

The third domestic secured convertible corporate bonds and the fourth domestic unsecured convertible corporate bonds of the Company were completed on September 24, 2021 and September 27, 2021, respectively, raising funds of NT\$ 1,083,834 thousand and NT\$ 1,034,535 thousand, totaling NT\$ 2,118,369 thousand. In accordance with the plan, it will be used for the construction of the Group's R & D and operation headquarters and the repayment of bank loans from the third quarter of 2021. The repayment of bank loans of NT\$ 918,369 thousand has been completed according to the plan. In addition, in the construction of the Group's R & D and operation headquarters, it was originally planned to start investing funds from the third quarter of 2021 and complete the capital utilization plan in the first quarter of 2023; However, due to the impact of the epidemic situation and the shortage of labor domestically, the progress of the project was slightly delayed, and the project could not be completed according to the original planned time. The Board of Directors has been requested to approve the adjusted fund utilization plan on January 18, 2023 in which it is estimated that the total building area of about 6,005 square meters will remain unchanged, and the total planned amount will also remain NT\$ 1,200,000 thousand. The adjusted fund utilization schedule is as follows:

Projects	Reserved Date of Completion	Required capital	Predetermined Fund Utilization Plan							
			2021~2022 Actual expenditure	2023				2024		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Construction of Group's R&D and Operation Headquarters	2024 Q3	1,200,000	609,580	46,171	138,475	74,448	54,829	30,320	194,197	51,980

## 2. Implementation

Unit: NT\$ thousand

Projects	Status of implementation		2024 Single Quarter of Q1	Ended on March 31, 2024	Reasons for schedule exceeding or lagging and improvement plan
Construction of Group's R&D and Operation Headquarters	Payment Amount	Expected	30,320	953,823	Due to the impact of the epidemic situation and labor shortage domestically, the execution of the plan is ongoing.
		Actual	54,158	1,052,014	
	Performing Progress (%)	Expected	2.53%	79.49%	
		Actual	4.51%	87.67%	
Repayment of bank loans	Payment Amount	Expected	0	918,369	Has been used up as planned.
		Actual	0	918,369	
	Performing Progress (%)	Expected	0.00%	100.00%	
		Actual	0.00%	100.00%	
Total	Payment Amount	Expected	30,320	1,872,192	—
		Actual	54,158	1,970,383	
	Performing Progress (%)	Expected	1.43%	88.38%	
		Actual	2.56%	93.01%	

### 3. Expected Benefits and Actual Achievements

Total Capital Investment required by this plan is NT\$2,118,369 thousand, mainly used in construction of Group's R&D and Operation Headquarters and for repayment of bank loans. The expected benefits are as follows:

#### (1) Expected benefits from construction of Group's R&D and Operation Headquarters

The Company intends to use NT\$1,200,000 thousand of this financing plan to construction of Group's R&D and Operation Headquarters with the estimated total building area about 6,005 square meters. Based on the monthly rent of about NT \$850/square meters in Taiwan Innovation Park leased by the Company and its subsidiaries for the Business Department, it is estimated to save the rental expense of about NT\$ 61,251 thousand each year in the future, after deducting the estimated depreciation expense of NT\$36,790 thousand, thus generating annual rental saving benefit of NT\$24,461 thousand. In addition, the Company and its subsidiaries plan to expand the R&D team size of construction of Group's R&D and Operation Headquarters. Considering that the Company and its subsidiaries aim at taking the self-owned technologies to establish own brands since establishment, the Company and its subsidiaries have provided customized products, all-round technical services and comprehensive products, to meet the needs of customers in different occasions; therefore, the financing of the construction of Group's R&D and Operation Headquarters will prepare for the long-term development of R&D equipment and manpower, besides saving rental expense, so as to improve the overall management efficiency, and maintain the long-term competitiveness for the Company in the face of industrial technological upgrading and continuous expansion of various businesses, at the same time, improve the company's future business performance.

#### (2) Expected benefits from repayment of bank loans

The Company intends to use NT\$918,369 thousand of repayment of bank loans, which can not only effectively save interest expenditure and improve the financial structure, but also reduce the dependence on the bank, improve the flexibility of capital dispatching and reduce operation risks. Based on the estimated repayment of the bank loans rates, it is estimated to save interest expense by NT\$ 3,687 thousand in 2021 and NT\$14,748 thousand annually from 2022. At present, the interest rate is at a relatively low level. This issuance can reduce the risk of increasing the interest expense for the Company when the interest rate rises in the future, and alleviate the debt repayment pressure, increase the flexibility of capital dispatching, which is helpful to the Company's capacities of management resilience and long-term competitiveness; as far as viewing the current investment progress of the Company, there is still no significant difference between the forecast benefits and the actual achievements.

(II) Execution plans: Plans that are not yet completed for prior public issuance or private offerings of marketable securities by the end of the quarter before the publication date of the annual report, or that have been completed in recent three years but not yet brought obvious benefits: None.

(III) Implementation status: Analyze the implementation and compare the effectiveness of the plan on the basis of previous plans by the end of the quarter before the publication date of the annual report. If the implementation does not meet the schedule or the effectiveness is not as good as expected, reasons, impact on shareholders' equity and improvement plan shall be specifically stated: The implementation progress has not reached the target, mainly due to the time difference caused by the acceptance and payment schedule, and the expenditure will continue to be spent according to the original plan.

## Chapter 5. Business Operational Overviews

### I. Business Activities

#### (I) Business Activities

##### 1. The Company's main businesses:

- (A) Swancor Holdings: General Investment
- (B) Innovation Incubation Business: Forward-looking research and development in innovative materials and incubation of new businesses
- (C) Wanlai Business: Circular economy business
- (D) Advanced materials business: R&D, production and sales of eco-friendly and highly efficient anti-corrosion resin, wind blades resin, and new composite materials
- (E) Carbon fiber compound: Carbon fiber reinforced composite materials and its products, glass fiber reinforced composite materials and its products, mold design, R&D, manufacturing and sales

##### 2. The Company's current main products and sales proportion:

Unit: NT\$ thousands; %

Major products	2021		2022	
	Amount	%	Amount	%
Anti-corrosion resin	3,239,275	30.24	3,158,719	32.33
Wind blade resin	4,881,708	45.58	4,363,861	44.66
Others (Note)	2,589,317	24.18	2,248,874	23.01
Total	10,710,300	100.00	9,771,454	100.00

Note: Eco-friendly green-energy materials include resins for lightweight composite materials, energy-saving LED packaging, and energy-saving wind turbine blades, and others such as carbon fiber compound, dividend income and commodity trading.

##### 3. New products and services planned for development:

- A. Development and application of HYVER in ship and yacht industry
- B. Development of prepreg resin for leaf springs
- C. Development of recyclable prepreg resin
- D. Development of winding resin for type IV hydrogen storage cylinder
- E. Development of resin for bipolar plate of hydrogen fuel cell
- F. Development of recyclable resin for dry-type transformer
- G. Application of recyclable resin in wind turbine blade
- H. Development and application of HYVER resin for large wind power blade
- I. Development and application of adhesive for large wind power blade
- J. Market development after operation and maintenance of low temperature resin
- K. Project of Offshore Wind Power Adhesive
- L. Development of degradable infusion resins
- M. Development of infusion resins
- N. Development of degradable hand lay-up resins
- O. Development of the Impact of Ingredient Processing on the Curing Rate of Epoxy Resin for Extrusion
- P. Recovery mechanism of existing composite material
- Q. Recycling of Carbon Fiber Mats and Their Resin Composite Applications
- R. Rapid Prototyping Process for Thermoplastic Composites
- S. Composite Structural Design and CAE Mechanical Simulation

## (II) Industry Overviews

### 1. Current Status and Development of the Industry

#### A. Advanced materials business

The main products include the application series of vinyl ester resin, special unsaturated polyester resin, pouring resin for wind turbine blades, hand paste resin, mold resin, adhesive, pultrusion resin for wind turbine blade girder, wind turbine blade and ship injection HYVER resin, recyclable thermosetting resin, environment-friendly resin, safety materials for rail transit and etc.

The Company's products are in the advanced materials business, with the two main downstream applications including energy-saving & environmental protection, and renewable energy. Energy-saving & environmental protection mainly includes pollution prevention and control projects in the industries of safety materials for rail transit and new energy battery, electricity, petrochemical, electronic and electric works, metallurgy, semiconductor, and construction engineering; As for renewable energy, it mainly includes wind turbine blade materials and automotive lightweight materials.

#### (1) Environmentally friendly high performance anti-corrosion materials

As the main product of environmental protection and high-performance anti-corrosion materials, vinyl ester resin has irreplaceable advantages in the field of heavy anti-corrosion field, especially in strong acid and alkali, small molecule solvent, strong oxidizing medium, acid ultra-high temperature gas and other strong corrosion conditions, vinyl ester resin has become the only solution. With the development of the industry and the progress of technologies, vinyl ester resin has also developed to the direction of functionalization in recent years, breaking down the original technical performance barrier in vinyl ester resin, such as higher temperature-resistance, stronger oxidation-resistance, less or no volatilization of VOC, lower shrinkage, stronger toughness and with the property of thickening, which add new vitality to the industry of vinyl ester resin.

As an upgrading product of traditional unsaturated resin, vinyl ester resin combines excellent mechanical properties of epoxy resin and good construction property of unsaturated resin. It is not only widely used in anticorrosion industry, but also widely used in other industries such as automobiles, ships, aerospace, military industry, safety protection, sports equipment and etc. in recent years, and has shown new demand in wind power, electronic communication, petrochemical industry and etc., so the development potential of this resin product is huge.

After nearly 30 years of development, the Company has become a leading supplier in China sales volume and a well-known supplier in Asia. The achievements depend not only on stable product quality and reliable product performance, but also on grasping new application opportunities, continuously break through and make reservation in the technologies, and make more innovations in product application.

- a. With the tightening of the environmental protection policy in China, the requirement for anti-corrosion and temperature resistance for the equipment involving high-temperature acid gas emission are more than 220 °C. At this time, with the maximum temperature-resistance of 180°C, traditional phenolic vinyl ester resin cannot meet the requirements of industrial materials. In combination with actual demands, the company has launched ultra-high temperature -resistant 977-S phenolic vinyl ester resin. The hot deformation temperature of pure resin reaches 210°C, and the composite products can be used at 250°C for a long time. At present, which is widely used in environmental-protection equipment for high-temperature flue gas treatment.

- b. Wet chlorine, hypochlorite and other highly corrosive media are used in chlor alkali, paper making and other industries in China. As chlorine is a toxic gas, it is difficult for domestic vinyl ester resin to meet the requirements for anti-corrosion materials in this industry. Based on this current situation, after a long period of research, the Company develops 907-S type phenolic vinyl ester resin whose anti-corrosion ability can compete with the product performance of foreign leading enterprises, thus breaking the foreign monopoly.
- c. In recent years, the semiconductor panel industry has been continuously upgraded and the technology has been improved. At present, it has moved towards the 4-nanometer process. In response to the needs of the new process, a large number of highly corrosive media, such as phosphoric acid, nitric acid and hydrofluoric acid, are used. The requirements for anti-corrosion materials are increasingly stringent, including wastewater tank, acid tank and alkali tank. The Company's environmental protection high-performance anti-corrosion materials can meet most of the environmental needs. With the rise of safety awareness, electronic factories require materials with fire protection characteristics. The Company has developed materials with high fire protection grade, high corrosion resistance and high mechanical features without losing the original vinyl ester resin property, and has passed the world-class fire protection grade certification. At present, the products are mostly used in the stringent environment where semiconductor factories must have fire protection and anti-corrosion at the same time. The products conform to the development needs of the semiconductor industry, and there is great potential for development in the future.
- d. The emission of SO<sub>2</sub> from international shipping industry and ocean-going vessels also attracted the attention of international maritime organizations. The 71st IMO (International Maritime Organization) Marine Environmental Protection Committee proposed to achieve the global 0.5% fuel sulfur standard for ships on January 1, 2020. The standard puts forward higher requirements for desulfurization equipment manufacturers and suppliers for environmental protection anti-corrosion materials.  
  
The Company's vinyl ester resin flake mortar was used on desulfurization equipment of thermal power plant in 2002. Relying on the existing technology, the Company grasps new application opportunities of products. The Company actively seeks equipment manufacturers that can cooperate with each other to provide products and supporting technical services. At present, standard bisphenol A 901 resin and special high temperature resistant 900 resin have been successfully applied on desulfurization and anti-corrosion equipment of large ocean-going ships.
- e. VOC emission is becoming more and more severe, which is an environmental protection policy that production-oriented enterprises must pay attention to and abide by. The traditional vinyl ester resin contains styrene, which is a chemical product with high VOC volatilization, and the anti-corrosion equipment and engineering production are mostly open construction, so there is a huge demand for green vinyl ester resin products with low VOC volatilization or no VOC volatilization. Relying on its own years of profound technical reserves, the Company rapidly launched low styrene type 901-LSE vinyl ester resin products, as well as styrene free SF901 vinyl ester resin and flame-retardant styrene free SF905 vinyl ester resin.
- f. The Company is committed to providing customers with a full range of anti-corrosion solutions. For special resin materials under special construction environment, such as resin for repair of confined space, it requires simple

construction, fast curing, high efficiency, strong safety, etc., and introduces resins with thickening light curing resin system.

- g The Company is committed to the protection of the people's livelihood, the application of food grade resin has been constantly expanding, in addition to the existing resin system, we are also doing targeted development for the demands of direct drinking water projects and so on, and we have launched relevant products and obtained customer's approval.
- h Affected by China's national policy support and continuous investment in the industry, the new energy automobile industry is developing rapidly, and the upstream and downstream demand for composite materials is increasing day by day. The company's products are applied and expanded in plant construction and product parts manufacturing, etc.

## (2) Wind turbine blade materials

As an integral component of green new energy, wind power is highly esteemed by nations worldwide. Wood Mackenzie forecasts that from 2023 to 2032, China's newly added and grid-connected wind power capacity will reach 771GW, with onshore wind power accounting for over 77% of the new capacity. During the forecast period, the average annual newly installed capacity of the onshore wind power market is expected to exceed 59GW.

With mainland China entering the 14th Five-Year Plan, the wind power industry is transitioning into a subsidy-free era. Under the goals of carbon peaking and carbon neutrality, the implementation of major policies in 2022, such as the "14th Five-Year Plan for Modern Energy System" and the "14th Five-Year Plan for Renewable Energy Development," serves as a driving force for the development of China's onshore wind power market in the medium and short term. The central and provincial governments have jointly released over 530GW of reserve projects to support the continued growth of the market. Data published by Bloomberg New Energy Finance & Economics shows that in 2023, China's newly installed wind power capacity reached 77.1GW, marking a historic high and a 58% increase compared to 2022. Among them, onshore wind power saw an increase of 69.4GW, a year-on-year growth of 59%; offshore wind power saw an increase of 7.6GW, a year-on-year growth of 48%. 2023 marks the first year of simultaneous growth in both onshore and offshore wind power in China after the cessation of subsidy-supported new wind power projects, heading into the 14th Five-Year Plan period.

## B. Carbon fiber composite materials

Equipped with professional prepreg, pultrusion, and thermoplastic sheet production lines, our products mainly include recyclable EzCiclo prepreg, fast-curing prepreg, medium-temperature heavyweight wind power prepreg and LCD support frame prepreg, high-TG high-temperature resistant prepreg, flame-retardant carbon/glass fiber prepreg, carbon fiber pultruded sheet materials, various types of pultruded sheets, and profiles.

### (1) Fast curing prepreg

Our fast-curing flame-retardant prepreg is primarily used in molding processes. It not only meets the UL94V0 flame retardancy requirements for consumer electronics but also enhances molding efficiency, significantly reducing production costs. Some customers have already applied it to cellphone back covers.

### (2) Medium temperature heavyweight curing prepreg

The medium-temperature heavyweight prepreg boasts excellent impregnation properties, making it suitable for larger industrial components, such as TFT-LCD CASSETTE, which is used for loading, transportation, and storage of LCD panels during the production process. Utilizing carbon fiber composite materials has the following advantages: 1. light and easy to move; 2. high rigidity to prevent glass crushing; 3. anti-corrosion.

(3) High TG and highly heat resistant prepreg

Our 2559 high TG carbon fiber prepreg is a specially modified highly heat resistant epoxy resin with TG up to 230°C and can be applied to high heat resistant composite materials. Currently, it is mainly used by customers in the vehicle wheeling industry and Industrial machinery and equipment. In the future, we plan to expand its applications in the market based on the product's excellent performance.

(4) Thermoplastic sheet

The Company's continuous fiber reinforced sheets have the advantage of continuous production, highly reusable, rapid forming and simple production process. Currently, the Company is actively tapping into automotive, 3C electronics, sports equipment, footwear, protective gear and medical devices. The material has been successfully applied to sneakers of renowned brands from China and it is mainly used in basketball shoes and badminton shoes to enhance athletes' comfortability and safety during exercise.

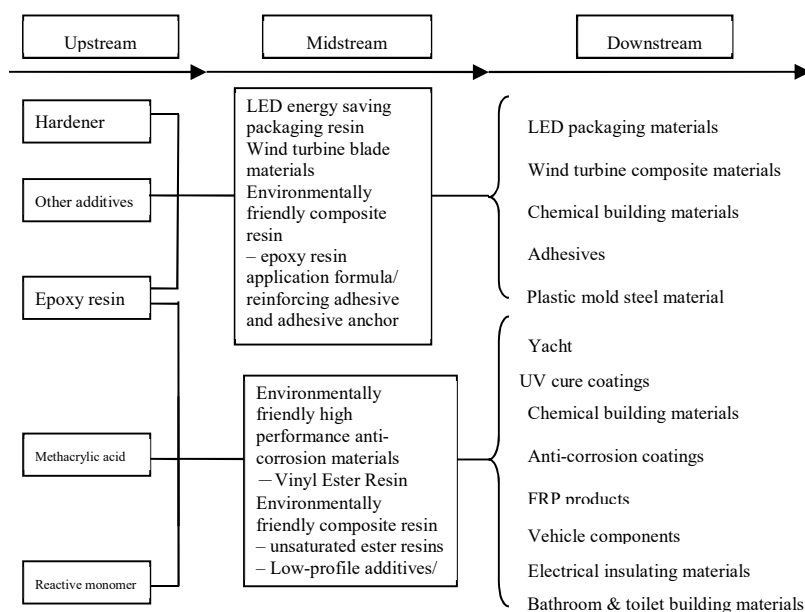
In addition to the shoe material application, this year our thermoplastic has been successfully applied in a large number of mobile phone shell, wear protective gear and other products, providing lightweight, high-strength solutions for consumer electronics, the characteristics of rapid thermoplastic, high efficiency, recyclable meet the demand of mass applications of consumer electronics.

(5) Carbon fiber pultruded sheet

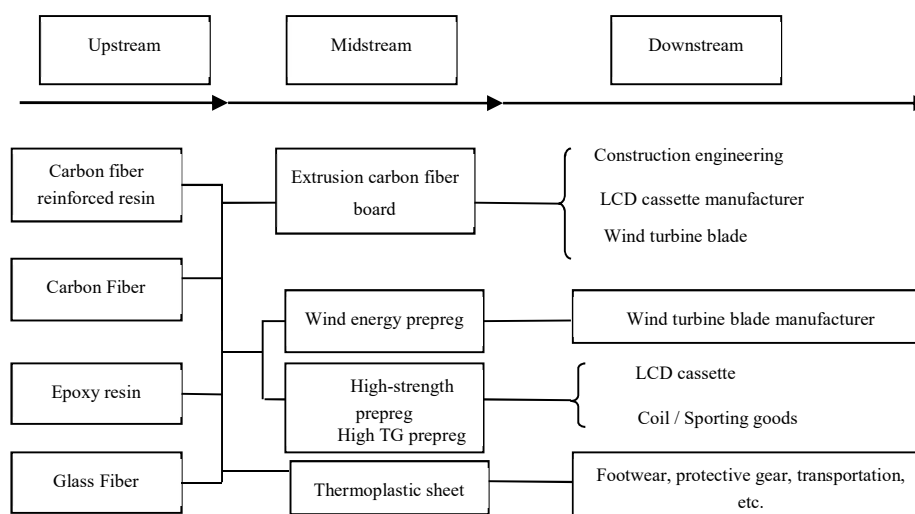
At present, the carbon fiber composite material is mainly used in the girder of wind turbine blades, while there are mainly three kinds of carbon fiber beam forming processes: prepreg, carbon fiber filler and extrusion carbon fiber board. For composite material processes, CFRP process is the most efficient and produces the lowest cost, and has high fiber content, stable quality, and continuous forming process that is automation-ready, which is suitable for mass production. The main girder can be constructed together with the blades by using CFRP sheets for easy lamination, which shortens the process to 50% that of the filling process, but with higher requirements for blade design, and it is necessary to purchase some machines and tools for laying. Vestas' core business is to make blade beams by use of the extrusion carbon fiber board process. After successful development, it is promoted on a large scale, with MW wind turbine blades made from carbon fiber composite materials, which greatly promotes the application of carbon fiber in the wind power market. In recent years, customers of various international complete machine manufacturers such as Vestas and mainland complete machine manufacturers have started to actively introduce carbon fiber pultrusion sheet materials into the latest long-bladed large wind turbines. In 2022, the global total consumption of carbon fiber was 135,000 tons, with wind power accounting for nearly 30% (35,700 tons). Global carbon fiber consumption is projected to reach 150,000 tons in 2023.

## 2. Correlation among upstream, midstream, and downstream of the industry

### A. Advanced materials business



### B. Carbon fiber composite materials



## 3. Product development trends and competition status

### A. Advanced materials business

#### (1) Competitive Landscape of Vinyl Ester Resin Industry

The global vinyl ester resin industry originated in the 1960s, with established enterprises mainly concentrated in developed countries and regions such as Europe, the United States, and Japan. In the global market for vinyl ester resin products, our company has consistently ranked among the top in terms of output and sales for many years, holding a significant market position. Similarly, in the domestic market for vinyl ester resin products in mainland China, our company has maintained a leading position in production volume for many years, boasting a high market share and solidifying our position as a leader in the industry.

#### (2) Competitive Landscape in the Epoxy Resin Industry for Wind Turbine Blade



## Application

The company ranks prominently in the domestic market for epoxy resin used in wind turbine blades, with high brand recognition. Globally, although there exists a certain gap in production volume compared to international chemical giants like Hexion and Olin, we have surpassed some international enterprises in market share. Overall, our production scale places us among the top globally, with a notable reputation and market share in international markets. The company possesses strong competitive advantages in product variety, R&D, and technical service capabilities, stable supply abilities, and brand influence. Through independent research and development, we have acquired large-scale production capacities for infusion resin, hand paste resin, mold resin, adhesives, pultrusion resin for wind turbine blade girders, and recyclable thermosetting epoxy resin. It has the ability to supply resin materials for integral blades to high-quality downstream customers. Additionally, our strategic layout of modern production bases ensures that at least two factories can produce our main products simultaneously, enhancing stability in downstream customer supply.

### B. Carbon fiber composite materials

#### (1) Fast-Curing Flame Retardant Prepreg

The conventional molding process for carbon fiber products typically requires around 45 minutes per mold cycle. Our introduction of fast-curing flame retardant prepreg reduces this curing time to 15 minutes per cycle while maintaining unchanged mechanical properties. This significant reduction in mold turnover cycle enhances production efficiency. Additionally, our prepreg meets UL94V0 flame retardancy standards, satisfying requirements for consumer electronics and automotive components. The company's applications in these two industries were relatively late compared to competitors, and our advantages have not been fully highlighted. However, if future costs align with customer performance requirements through collaborative development, significant competitive advantages will undoubtedly emerge.

#### (2) Medium temperature heavyweight curing prepreg

Over the past decade, the panel display industry has achieved a breakthrough, and its industry size was ranked 3rd in the world. China has been accelerating expansion in panel capacity, and has established various advanced generation product lines. China is poised to become the world's largest LCD panel manufacturing base. In the next 10 years, there will still be a rising demand for LCD heavyweight prepreg but will gradually reach market saturation.

In terms of prepreg competition, there are currently over dozens of prepreg manufacturers in China, about 10 of which are competing in the heavyweight LCD cassette prepreg. Despite rising competition, the stable product quality and professional technical services will be indispensable in the future, as all manufacturers have similar raw materials and production costs. At the same time, when the supply of raw materials is short of demand, Swancor has the advantages of carbon fiber and resin raw materials group to ensure the stable supply of customers. Furthermore, the company is gradually transitioning to the application of EzCiclo to meet green and recyclable performance requirements.

#### (3) Carbon fiber thermoplastic sheet

In recent years, with the increase of ultra-thin design and lightweight demand of consumer electronic products, carbon fiber is more and more widely used. Carbon fiber has unique advantages such as light weight, high strength and rigidity. However, the traditional thermosetting carbon fiber composite can not meet the demands of low cost and large quantity of 3C electronic products due to its complex molding process, low molding efficiency and defect rate, etc. Compared with the thermosetting carbon fiber composite, our thermoplastic is favored by the market with rapid prototyping, low cost, environmental protection, product size stability and other advantages. Currently, the company has achieved batch applications in cellphone protective cases and wearable protective gear, with ongoing development for cellphone back covers and computer tablet products, presenting immense market potential.

#### (4) Carbon fiber pultruded sheet

Given the current industry status and development trends, carbon fiber pultruded sheet materials are experiencing rapid growth in the wind power sector. Leveraging our advantage in carbon fiber and resin raw materials supply, we ensure stable customer supply. Our products' quality and technical services are recognized by international customers such as Vestas and TPI. Consequently, we continue to attract new customers such as SGRE and other international and mainland machine manufacturers, with many nearing certification completions, poised to generate new revenue in 2024. The supply of competitive diversified carbon yarns and production facilities will be crucial determinants affecting sales.

### (III) Overview of technology and R&D:

#### 1. R&D expenses invested in the most recent fiscal year

Unit: NT\$ thousands		
Item Year	2022	2023
R&D expenses	214,300	249,309
Net operating revenue	9,771,454	7,294,813
Proportion (%)	2.19%	3.42%

#### 2. Research and Development Achievements in 2023

##### ● Recyclable Thermoset Resin Technology

In the industry, two common methods for resin degradation are thermal cracking and traditional chemical degradation. Thermal cracking generates air pollutants during combustion, posing environmental hazards, while traditional chemical degradation leads to solvent waste, causing secondary pollution and hindering complete recycling. The company has introduced degradable groups into the epoxy resin structure, endowing the cured thermosetting resin with degradability. After curing, the resin material can be degraded in a degradation solution called CleaVER, developed by Swancor, achieving the goal of recycling without generating waste solvents or gases.

##### ● Manufacturing technology of new modified epoxy resin (HYVER)

Generally, the infusion resin is used to infuse products with unmodified epoxy resin system or unsaturated resin system in the industry. With the development of the industry, the series of resins cannot take into account the performance of cost reduction and excellent fatigue resistance. The company modifies epoxy resin and introduces free radical reaction groups into epoxy resin to form a denser spatial network structure in the process of product reaction, which can enhance the mechanical performance and fatigue resistance properties of the product itself, and maintain excellent mechanical properties when used in high temperature.

- Infiltration technology of resin and fiber
  1. The effect of simply adding coupling agent to enhance infiltration will be different for different fiber types and limited by glass fiber manufacturers.
  2. Most of epoxy resin plants are simple formula plants with weak modified technology. Silane functional groups were introduced into the formulation, and relevant instruments were used to track the reaction, then obtain the optimized modification conditions.
- Modified technology of resin air-dry graft reaction
 

The combination of oxygen in the air with phenolic inhibitors in the resin will produce a free radical catching agent, which inhibits resin curing. For the traditional vinyl ester resin, the monomer is styrene with high activity. When the resin coating is thick and the curing heat release is sufficient, the surface is no sticky basically and the surface dryness time is 2-4 hours. When using new dilution monomer, large molecular weight acrylate is chosen generally, its activity is much lower than styrene. Therefore, the surface dryness of the resin manufactured by only replacing styrene will be very poor, and even sticky. The company's products use air - dry group grafting reaction to improve resin air - drying in the main chain.
- Technology of thermoplastic epoxy synthesis
 

Thermoplastic materials are mostly PP, PA, PC, PEI, PPS, PEEK and other thermal plasticity systems, and it does not match well with current market infiltration agent, then affect the resin and fiber's immersion effect; In addition, a large amount of cost is required to import special equipment to produce thermoplastic prepreg cloth. The thermoplastic epoxy synthesis technology studied by the company can make the thermoplastic material retain the epoxy properties. Compared with the thermosetting resin, the effect of the infiltration agent can be played and the fiber infiltration is good. It can also extend the original thermosetting prepreg cloth immersion equipment production.
- Carbon fiber pultruded sheet
 

Swancor's strong resin development capability and resource integration capability has successfully developed extrusion carbon fiber board materials for the main beam of wind turbine blade girder, which has high production efficiency, stable product quality, and high price-performance ratio. Meanwhile, extrusion carbon fiber board can also be applied to sectors such as construction reinforcement. This year, the company further incorporated EzCiclo into the production of pultruded carbon fiber sheets. This not only meets the mechanical standards for wind turbine blades but also facilitates environmental recycling.
- Carbon fiber prepreg
 

Leveraging our rapid and efficient resin development, product development, and performance testing capabilities, we have successfully developed high-weight carbon fiber prepreg for wind turbine blade girders, industrial-grade prepreg for industrial applications, and high-temperature-resistant prepreg for the bicycle industry. We have also developed prepreg for shock-resistant equipment in the electronics industry and flame-retardant prepreg for the new energy vehicle industry.
- TP sheet
 

In comparison with traditional thermoplastic sheets, the Company has independent R&D of epoxy resins and sheets with complete intellectual property rights. The resin has the advantages of excellent mechanical properties, easy processing and high cost-effectiveness in combination with the fiber. The first

generation of products has already been developed, and the Company is working towards product optimization and market applications. We have stably delivered carbon fiber sheet to make basketball shoes and jogging shoes soles for many brands. In 2023, it has been widely used in 3C electronic products, such as, aramid mobile phone shell, carbon fiber watchband, carbon fiber wear protective accessories, etc.

- Recycled prepreg

The self-dependent team cooperated with the resin parent plant in research and development and improved the disadvantages of environmental pollution caused by thermosetting resin creatively, with good mechanical performance and similar cost to general prepreg, and successfully entered the sports market, and obtained the qualified rims from the project and test certification of the Bicycle Research Center of the Foundation. This year, the company has successfully penetrated the markets for bicycles, golf, fishing gear, and other products, passing industry product certifications and ensuring stable delivery of recyclable prepreg.

- Recycling of Regenerated Carbon Fiber Mats

Through the company independently developed EzCiclo epoxy resin and CleaVER recycling technology, we have successfully degraded and recycled high-efficiency, high-quality regenerated carbon fibers. Additionally, using low-weight non-woven fabric manufacturing processes, we have turned recycled carbon fibers into mats. This year, the company is further promoting and reintroducing the use of finished products in customer processes. Currently, we are steadily supplying these products and gradually increasing demand.

#### (IV) Long-term and short-term business development plans

##### (1) Short term operational development plan

###### ① Production

Strategic alliance with upstream suppliers to ensure the bulk acquisition of key raw materials, evaluate and establish the domestic and overseas recycled thermosetting resin production lines and degraded resin production lines. In addition to production site, continue to carry out the supply distribution in America and Europe to achieve the optimal capacity allocation.

###### ② Product development capability

The company continues to invest in R&D funds, reserve chief experts in R&D, deepen cooperation between industry, academia, and research, establish demonstrative cases for the recycling and reuse of recyclable composite materials, fully support their commercialization, and protect intellectual property rights.

###### ③ Marketing strategy

In existing markets, we adopt diversified sales strategies tailored to different market segments. The company continuously expands the network of distributors globally to broaden the sales channels. In addition to making strides in emerging industries such as new energy vehicles, energy storage, and photovoltaics, the expansion of sales of recyclable resin EzCiclo, combined with customer collaboration in exploring new areas of recycling and reuse, opens up new opportunities for the company.

###### ④ Business management

1. Recyclable thermosetting epoxy resin EzCiclo is widely used as a raw material in the composite materials industry, enabling the recycling and reuse of composite materials it is combined with, embodying the essence of the circular economy.

Upstream and downstream strategic alliances: Swancor collaborates with Siemens Gamesa to recycle wind turbine blades, helping them achieve their vision of complete wind turbine unit recycling; collaboration with renowned companies like Zhuzhou Times New Material Technology for wind turbine blade recycling; simultaneously initiating the path to LCA certification; engaging in industry-academia-research collaboration to accelerate the commercialization process of recyclable circular economy products; investing in Shandong Longneng Renewable Resources Utilization Co., Ltd., to carry out recycling, processing, and sales of renewable resources, strengthening the company's service capabilities in the field of composite recycling, and implementing the transformation and development strategy.

2. Establishing a talent management system aligned with the company's operational strategies fosters a culture of continuity and incentivizes employees through comprehensive reward systems, creating better career prospects and fostering mutual development between employees and the company.

## (2) Long-term operational development plan

### ① Production

We will also ensure stable manufacturing processes, further improve product quality, and plan to expand the international base to serve foreign customers nearby. For example, we will set up a plant in Europe to serve the European blade customers nearby.

### ② Product development capability

For the advanced materials business, the research and development focus on product and technology innovation, and continue to develop innovative products or improve products to meet the demands of customers in the downstream industry, and transfer the specific technical challenges faced by customers into products and feasible process solutions, provide customers with all-round integrated services from product sales, problem solving and after-sales technical support. The Company has formed a core technology with self-dependent intellectual property rights, and applied in industrial production.

For the carbon fiber business, the application of thermoplastic materials is undergoing unified services such as product design and development, marketing of materials, and after-sales services. We dedicate efforts to gradually develop recyclable thermoplastic sheets in the composite materials industry. In terms of wind power CFRP sheets, the Company has continued to optimize the resin formula and process, in order to develop products with better production efficiency and cost competitiveness. We continue to negotiate with major international wind turbine manufacturers such as Vestas, SGRE and LM to obtain product certifications, and provide products that meet customer needs with competitive prices. We will promote China's blade customers to import and use fiber reinforced pultrusion sheet, continue to carry out certification and cooperation with VESTAS, SGRE, LM and other major international machine manufacturers, and provide products that meet customer requirements and have competitive prices.

Since 2015, the research on recycled thermosetting epoxy resin has been invested. In 2022, it has released the newly global revolutionary innovative products of green circulation economy -- recycled thermosetting epoxy resin "EzCiclo Recyclable Easily" and chemical degradation liquid "CleaVER Resolvable Easily", which have been provided to the global renewable energy leading brands for certification process. Through the global innovation technology developed by Swancor, we made the recycled fan blades After decommissioning, the glass fiber

and leaf resin can be recovered at the same time through a simple degradation procedure. The recycled materials can be reused in the production of the blades or other processes. The recycling process does not produce waste solvent, waste gas and other pollution, the recycling process has a low carbon footprint. It solves the environmental pollution problem during blade burial or incineration and the full recovery goal of fan blades can be achieved.

This technology also finds application in carbon fiber composite materials for producing recyclable carbon fiber components, such as sports equipment, carbon plates for wind turbine blades, and future composite material gas cylinders for hydrogen storage. A collaborative effort with allied factories resulted in the world's first recyclable carbon fiber composite bicycle, earning prestigious accolades at the 2023 JEC World in France. In addition to promoting the application of recyclable carbon fiber composites, active research into closed-loop applications of recycled and degraded materials contributes to assisting customers in energy conservation and carbon reduction efforts.

Swancor has a R&D team with innovative and execution abilities, and we are confident that we will be able to deliver products and technologies that meet customer needs, as well as to support corporate growth and profitability.

### ③Marketing strategy

Continue to provide immediate and effective services by adhering to customer satisfaction. Through the global agent system, we provide customers' demands in different countries, in order to further enhance the relationship with customers and establish a long-term partnership operation model.

Deepen the development strategy of industrial chain integration, integrate upstream resources, improve midstream synergistic effect, and expand downstream brand and pipelines, so as to finally promote the company's comprehensive extension in the whole industrial chain and improve business performance and overall competitiveness.

### ④Business management

Strengthen the comprehensive quality control, personnel education and training at all levels and perfect employee welfare measures, committed to creating a good environment suitable for talent development and enhance the company's competitiveness.

Carbon fiber composite material is also widely used in the fields of aerospace and automobile. This year, actively seek appropriate cooperation objects in the market, quickly obtain technical and certification barriers by means of merger and acquisition or making investment, accelerate the integration of upstream and downstream of industrial chain, so as to cope with the long-term development of carbon fiber composite industry in the future.

### ⑤Financial status

Integration of group financial resources primarily supports subsidiaries in raising operational funds, with group funding acting as auxiliary support, aiming to strengthen the financial autonomy of each business entity.

## II. Market and Production and Sales Overview

### (I) Market analysis

#### 1. Sales region (s) of main products

Unit: NT\$ thousands

Geographical Region \ Year	2022		2023	
	Amount	%	Amount	%
Taiwan	1,007,594	10.31	1,296,868	17.78
China	5,816,167	59.52	3,855,949	52.86
Other regions	2,947,693	30.17	2,141,996	29.36
Total	9,771,454	100.00	7,294,813	100.00

#### 2. Market Share

##### A. Advanced materials business

In 2023, amidst the overall downturn in the chemical industry, ethylene-based ester resin products achieved a historic high in both production and sales volume. Leveraging years of accumulated sales channel resources, and continuously optimizing its own supply chain system and management capabilities, the company pursues both internal and external excellence, continuously strengthening its leadership position in the industry, and providing customers with high-quality products and value-added services.

In the global vinyl ester resin product market, the output market share of the company ranks by the front and has quite a certain market shares; in the domestic market of vinyl ester resin products in China, the Company has been in a leading position in terms of production volume for many years, with a big market share. In 2022, the Company's product, vinyl ester resin, remains in a strong position under the influence of the national policy to support new infrastructure and the Company's strategy to increase its market share. We focus on the sales pipeline resources accumulated over the years and continue to optimize our own supply chain system and management ability, external and internal cultivation, continue to strengthen our leadership in the industry, and provide customers with high-quality products and value-added services.

The market share of the production of epoxy resin for wind turbine blades in China is among the highest and has a high reputation; globally, although there is a certain gap on the output from that of international chemical giants such as Hexion and Olin, but the market share has already caught and surpassed some international enterprises, the Company's production scale is among the highest in the world, and it has a certain reputation and market share in the international market. The company has strong competitive advantages in product categories, R&D and technical service ability, stable supply ability, brand influence, etc. Through self-dependent research and development, the company has possessed large-scale production capacity of infusion resin, hand paste resin, mold resin, adhesive, pultrusion resin for wind turbine blade girder and recyclable thermoset resin. We have the ability to supply resin materials for integrated blades to downstream high-quality customers. In addition, through the reasonable layout of modern production base, the company has achieved that the main products can be produced at least two plants at the same time, which increases the stability of supply to downstream customers.

##### B. Carbon fiber business

(1) In the application field of high weight preregs, after years of development, the company has established a certain market share, particularly excelling in the

applications for wind turbine blade prepregs and LCD brackets. However, due to reduced demand for mainland China's LCD and wind turbine blade prepregs and increased industry price competition, the sales orders in the mainland market have decreased.

- (2) In the field of wind power carbon fiber pultrusion sheet, Swancor has entered the supply chain of VESTAS after years of product development and marketing, and approved by many leaf plants in mainland of China. Meanwhile, it is expected to complete the certification of other international wind power customer in 2024. Supply carbon fiber pultrusion sheet material may become the main source of revenue for Sunwell's carbon fiber in the next two years.

### 3. Future supply and demand of the market and its growth

#### A. Advanced materials business

- (1) Vinyl ester resin, known for its exceptional corrosion resistance, mechanical properties, low viscosity for easy application, and customizable molecular structure, finds applications across various industries including chemical, metallurgy, food and pharmaceuticals, environmental protection, power energy, petroleum, construction, transportation, electronics, aerospace, medical equipment, and sports equipment. As a critical material for composite molding, its widespread applications and potential market expansion continue to grow. Moreover, stability in technological advancements will aid in the widespread application of products in relevant industries, especially in emerging application areas.
- (2) Benefiting from the global trend of transitioning towards renewable energy and low carbon, the market for materials used in wind turbine blades has seen rapid development in recent years, with continued demand expected in the future. Additionally, facing the trends of wind turbine blade upsizing and lightweighting, wind turbine blade materials are expected to evolve towards high performance, high strength, and lightweight characteristics. Currently, companies with a certain market share in the industry possess core formulation technologies. Compared to newcomers, continuous research and development entail higher costs, and obtaining certifications from wind turbine blade manufacturers and wind turbine blade assembly plants is a lengthy process. Consequently, considering factors such as comprehensive capital investment and technological accumulation, the concentration of the wind turbine blade material industry is expected to further increase. Furthermore, fluctuations in raw material prices will impact the operational performance and risk tolerance of companies within the industry, and the entry of alternative products into the market may alter the competitive landscape.

#### B. Carbon fiber business

##### (1) Heavyweight prepreg

Over the past decade, the panel display industry in Taiwan has achieved a breakthrough, and its industry size was ranked 3rd in the world. China has been accelerating expansion in panel capacity, and has established various advanced generation product lines. China is poised to become the largest LCD panel production base in the world. In the next 5 years, there will still be a rising demand for LCD heavyweight prepreg, but will gradually reach its full capacity.

##### (2) Rapidly curing flame-retardant Prepreg

These materials are primarily used in consumer electronics products and new energy accessories. With the trend towards lighter and thinner consumer



electronics products, the demand for composite materials is gradually increasing. Consequently, there will be a high market demand for rapidly curing flame-retardant prepreps in the future.

(3) Carbon fiber pultruded sheet

Although the demand of wind power plant for carbon fiber pultrusion sheet material is same, it is expected that the annual demand for carbon fiber will exceed 30,000 tons in 2024. But as the length of the blades continues to increase, the demand for carbon fiber sheets from various wind turbine manufacturers and blade plants is gradually being released. It is expected that there will be explosive growth in 2025. Sunwell has already laid out in advance with major international customers such as VESTAS, SGRE, etc., and the future performance is expected to see a skyrocketing growth. Meanwhile, the demand of wind power customers in mainland China for extrusion carbon fiber boards will also increase year by year.

(4) Carbon fiber thermoplastic sheet

Modified thermoplastic epoxy resin produced carbon fiber sheet is our self-dependent research and development products. Compared with the common carbon fiber sheet made of thermoplastic resin such as PC, TPU and PP etc. in the market, its performance has mechanical advantages. Compared with the thermosetting carbon fiber composite products, it has the properties of rapid molding. Currently, bulk applications have been achieved in mobile phone cases and wearable protective gear, and the future application in 3C electronics products is expected to grow year by year.

(5) Recyclable Carbon Fiber Prepreg

The company developed EzCiclo recyclable thermosetting prepreg can be used to produce recyclable thermosetting composites. Customers can use the original equipment and process conditions for production. The components can be degraded using Cleaver technology at the end of their life cycle. The degraded resin and fiber can be reused, and it can be widely used in high-performance carbon fiber composite applications such as bicycles and sporting goods.

(6) Circular Regenerated Carbon Fiber Composite

Based on the carbon fiber produced by EzCiclo and CleaVER technology, it has low carbon emissions advantages. It can be used to produce recycled carbon fiber felt, carbon fiber mats, and thermoplastic carbon fiber plastic pellets, which are then applied to the production of carbon fiber composite components. By introducing recycled components into carbon fiber components, the carbon emissions of carbon fiber composites are effectively reduced, in line with the ESG carbon reduction trend.

4. Competitive niches

A. The Company's self-owned brand and know-how:

Since its establishment, the company has aimed to establish its own brand with proprietary technology. The company's own brand (SWANCOR) products have always focused on the R&D, production, and sales of high-performance resins. With the accumulated technologies and experience over the years, brand construction, the company has formed comprehensive advantages in R&D, management, service, etc., and has obtained a certain market share and brand awareness in the industry, being one of the industry leaders.

- B. Productivity construction:  
Meanwhile, the company designed reasonable layout and has Taiwan, Shanghai, Tianjin, Jiangsu, Malaysia and other production bases, to achieve the integration of resources and rational economic allocation of production resources.
- C. Enhancing Technological Innovation and Emphasizing Technological Upgrades:  
In the trend of globalization, the company adheres to the development strategy of centering on the demand of emerging markets, and carries out comprehensive technological innovation. In terms of product technological innovation that meets customer needs, the company continuously strengthens its differentiated product competitiveness by increasing R&D investment, expands the competitive advantages of emerging market product technological innovation, and creates higher value for customers.  
As of December 31, 2023, the company has accumulated 247 authorized patents. Among them, 15 authorized patents were newly obtained in 2023. The company focuses on improving existing products and developing materials that cater to green energy, environmental protection, safety, and recycling. It provides products and services that contribute to the Earth's cycle and sustainability. Participation in external industry technical standard development: 11 standards.
- D. Implementing various effective management mechanisms to support the Company's business operations:  
Strengthening organizational design, establishing systems, implementing ISO9000, ISO14001, ISO45001 and OHSAS18001 systems, and internal auditing.
- E. Continue to set up IT systems, implement innovative culture, and establish learning organizations to enhance the Company's competitive niche.  
The Company will continue to focus on the integration and establishment of the IT system, with better internal and external information collection, knowledge building and sharing, in the aim to quickly and accurately provide the best decision-making support, facing the changing internal and external environment with confidence. Meanwhile, in order to face the future challenges ahead, the Company provides opportunities for continuous learning to attract outstanding talents and to develop employee skills.
5. Favorable and unfavorable factors and responding strategies for prospects of development
- A. Favorable factors
- (1) R&D and technological advantages: The Company has profound technologies, suitable R&D capabilities, mature and stable processing techniques, and its own intellectual property rights.
  - (2) Advantages on integration of industry ecosystems: The Company's management team has a better market insight in advanced composite materials, green energy, and environmental protection, and is able to seize business opportunities ahead of its peers. The Company could accurately grasp market trends, and lead the market in R&D of new products.
  - (3) Brand advantages: With similar standards as those of world-class companies, the products of the Company's self-owned brand (Swancor) are exported worldwide and have been recognized by customers at home and abroad due to its perfect mastery for product technology and quality, relatively low cost, and high price-performance ratio, making it a well-known brand in the composite materials industry.
  - (4) Product line advantages: The Company focuses on the R&D and production of high performance industrial anti-corrosion and high-strength lightweight

composite resins, and has a complete product line. For environment-friendly high performance anti-corrosion materials and new composite materials, the Company has expanded to lightweight, safe and environmentally friendly products based on past product and technological experiences, which have been successfully introduced to the market. For example, safe flame-retardant resin, styrene free resin, etc., to meet the changing demands of the market. The fan blade is mainly composed of resin and reinforcement. The fan resin adhesive above the megawatt level basically uses epoxy resin as the matrix, and a few manufacturers use vinyl ester resin or unsaturated polyester resin for the moment. The reinforcement material is mainly glass fiber or mixed with carbon fiber. Currently, the Company is one of the few manufacturers that can provide a full series of products including epoxy resin, vinyl ester resins, and unsaturated polyester resins, and is recognized in the industry as capable of providing standard trial production and verification, with wind turbine blade resins being used in large quantities. The main materials of wind power blades are resin and high-performance fiber materials. The optimal performance of composite materials is reflected in the good combination of resin and fiber. As one of the main blade material suppliers, we fully consider the use demands of customers in the blade molding process. The developed products mainly include leaf mold resin, leaf molding infusion resin, leaf repair hand paste resin, leaf maintenance and operation resin, leaf mold adhesive, lightweight, high mold and high strength material matching prepreg resin and pultrusion resin, as well as the recyclable thermosetting epoxy resin developed to solve the problem of blade recycling, providing a complete solution for blade production. It is also one of the few resin suppliers with a complete product line in the domestic and foreign wind power industry.

In addition, the Company cooperates with Formosa Plastics, the world's leading carbon fiber manufacturer, with timely and stable carbon yarn supply and technical support, and can provide high-value composite products with different carbon fibers according to customer demand.

- (5) Advantages on global expansion and services: The Company has set up plants in Taiwan, Shanghai, Tianjin, Jiangsu and Malaysia, with products exported to more than 30 countries and regions. The Company's global service network enables effective integration and services for multinational groups in order to enhance global customer satisfaction. In addition, the Company's production plants in China can provide localized services to international manufacturers and improve the customers' global logistics.
- (6) Product quality advantages: The Company's strong technological R&D skills, standard laboratories, stringent product quality control system, stable performance and excellent quality of products such as vinyl ester resins and wind turbine blade resins, are well recognized by domestic and international customers. The Company has established a quality control and quality assurance system to comply with international standards, comprehensive internal control and management systems to ensure product quality, with comprehensive monitoring and quality control of its products throughout the whole process, including procurement of raw materials, production, finished goods receipt, delivery, and after-sales services. Product quality control is implemented thoroughly in the Company's operating system, in order to ensure and strengthen product quality to meet the needs of customers and the market. In addition, the Company will accelerate the automation transformation of intelligent production line, reduce labor costs, strengthen production process control, cost control and

quality management, fully release investment capacity, focus on developing new products and accurately connect with the market.

## B. Unfavorable factors and countermeasures

### (1) Operating risk

a. Scale difference between the Company and its foreign competitors: There are differences between the Company and its foreign competitors in terms of capital, business scale, and experience in international market development. The Company's global brand awareness is limited, and there is still room to gain market share. In the high-end product market, its competitiveness remains relatively weak. Currently, international manufacturers account for 70% global market share for eco-friendly high-performance anti-corrosion materials. The Company is still a newcomer in the European and US market, despite a certain level of recognition, the Company's top development priority is to strengthen its market position. In the market of CFRP, major international companies have entered early and applied more. There are many prepreg manufacturers in China market in recent years. The Company is still a newcomer of carbon fiber composite materials, but has a certain reputation. With that, it continues to formulate sales strategies in the hope to expand its market share.

b. Drastic market competition: With the continuous expansion of the downstream market demand and the continuous technological progress of the industry itself, the composite resin is faced with a good opportunity for the development of the industry. The expansion of production capacity of existing market participants and the entry of new investors may intensify the market competition. If competitors develop more competitive products, provide better prices or services, and the company fails to seize the industry development opportunity, accurately grasp the industry development trend or correctly respond to the changes in market competition, the company's industry position, market shares and business performance will be adversely affected, and there is a risk of further decline in market shares.

The prospects of wind power blade resin industry development are good, the market size continues to expand, new competitors may follow, and the industry competition is increasingly drastic. Although the company continues to increase investment in research and development, has rich industry experience and stable product quality in production, sales, customer loyalty and stability is high, with the industry competition is increasingly drastic, the company is facing increasing market competition, and there is a risk that decline in product prices lead to a drop in profits.

c. The price of raw materials is affected by the market: The company's main raw materials are affected by changes in international crude oil price, market supply and demand, environmental protection and safety production policies, and will fluctuate in different degrees. The cost of raw materials accounts for a high proportion of the company's product cost. In the case of significant fluctuations in raw material prices, if the company cannot timely transfer the risk of raw material price fluctuations to downstream customers or cannot effectively formulate response measures and maintain a certain core competitiveness, it may affect the company's main business performance and profitability.

For the supply of carbon fibers, the supplier may cause price fluctuations. Hence, having good cooperative relationship with various carbon fiber suppliers and

suppliers in China is critical for ensuring a stable source of raw materials. In 2023, the carbon fiber industry is still in a state of oversupply. In addition to accelerating the certification of carbon fiber produced in mainland China, we should seize international customer orders with the advantage of circular regeneration and seize the international market.

(2) Financial risk

Under the layout of opening up international markets, promoting the layout of a series of circular economy products, and investing in new targets, the stability of operating funds, customer credit and accounts receivable management, and the impact of exchange rate fluctuations on profits have become the focus of financial management. The enhancement of self-raised operating funds through subsidiary companies will strengthen customer credit management, accounts receivable insurance, operation of derivative financial products, and effective utilization of idle assets, thereby reducing the overall financial exposure probability of the company.

(3) Environmental protection policy risk

In recent years, in response to climate variation, the government has proposed the goal of "Net Zero Emissions in 2050". Energy transformation has become an important subject for enterprises. Reducing the use of petrochemical fuels and electricity will increase the company's operating costs, potentially adversely affecting the company's production and operational performance. The company also makes great efforts to achieve this goal. In addition to using low-carbon energy to replace fossil fuels, energy conservation and emission reduction to offset its own greenhouse gas emissions and achieve zero carbon emission, it also develops new products with technologies of carbon reduction and circular economy, and invests resources in CCUS (carbon capture, utilization and storage) and low-carbon recycling technology of carbon fiber composites, and committed to achieve carbon neutrality.

(II) Major uses and production process of the primary products

1. Key Applications of Main Products

A. Advanced materials business:

Product Name	Important use
Anti-corrosion resin	The environmentally friendly high performance anti-corrosion materials mainly include vinyl ester resins and special unsaturated polyester resins, which are widely used in industries such as electrical, electronics, automotive, vessels, pipelines, sports equipment, and environmental protection due to their characteristics including excellent mechanical properties, chemical resistance, easy processing, high rigidity and fatigue strength.
Wind blade resin	The series of materials for wind turbine blade mainly include casting resins, hand lay-up resins, molding resins, adhesives, prepreg resins for the main beam of wind turbine blade, and extrusion carbon fiber board for the main beam of wind turbine blade, which have the characteristics of excellent mechanical properties, suitable adhesiveness, excellent fiber wettability, and curing functions. The Company's wind turbine blade materials are mainly used in making the casing, beams, webs and blade molds of wind power turbine blade, which can meet the current requirements for the molding technique of MW wind turbine blade.
New-type Composite Materials	New composite materials mainly include the series of vinyl ester resin for SMC/BMC, low shrinkage agent, environment-friendly resin series, safety material series for rail transit, special adhesive for petroleum industry, epoxy resin series for prepreg, epoxy resin series for pultrusion process, epoxy resin series for winding process, thermoplastic recyclable epoxy resin series and etc., each of which is relatively small in single business volume and relatively dispersed. Marine infusion HYVER resin, recyclable thermosetting resin, etc., are primarily used in rail transit, new energy vehicles, and other fields.

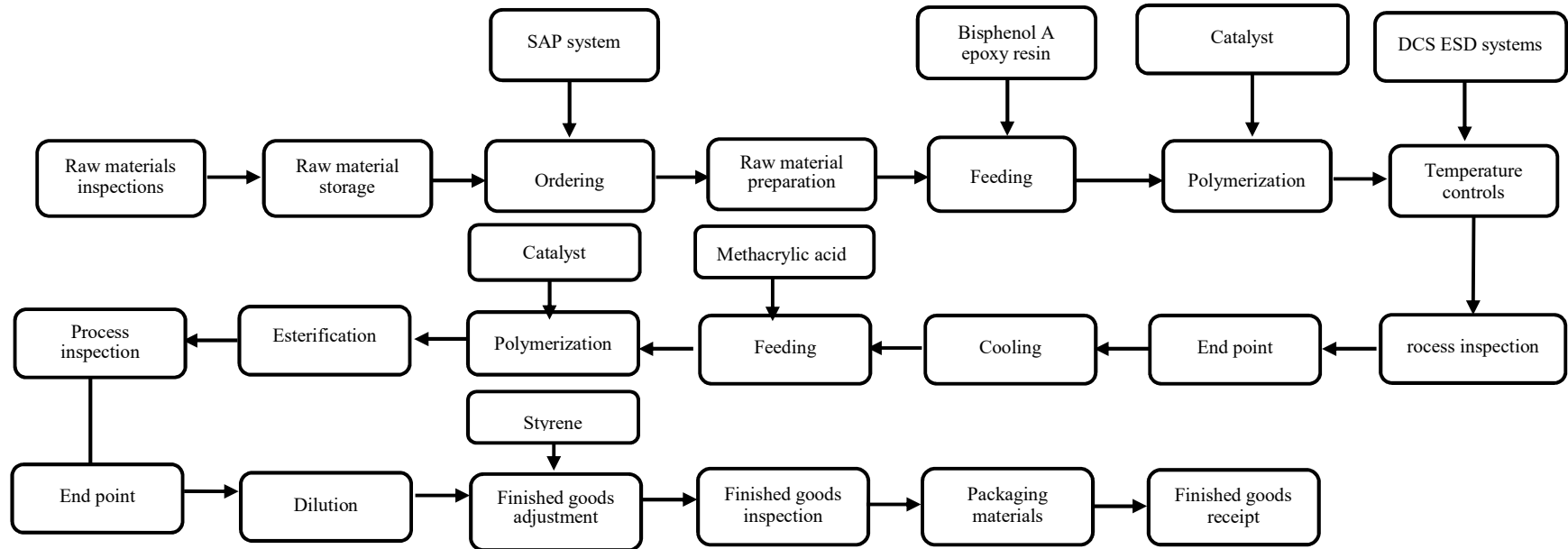
B. Carbon fiber business:

Product Category	Important uses of main products
Medium-temperature curing high-weight prepregs	For loading, transportation, and storage functions of LCD panels during the production process
High TG high temperature resistant prepreg	Wheeling, machinery and equipment accessories
Fast-curing Non-flammable prepreg	Sports equipment, Rail traffic, car battery casing, notebook casing
Carbon fiber pultruded sheet	Wind power blade girder
Carbon fiber thermoplastic sheet	Automotive industry, footwear, protective gears, 3C electronic products, etc.
Recycled prepreg cloth	Wheeling, machinery and equipment accessories, automotive industry, footwear, protective gears, 3C electronic products, etc.

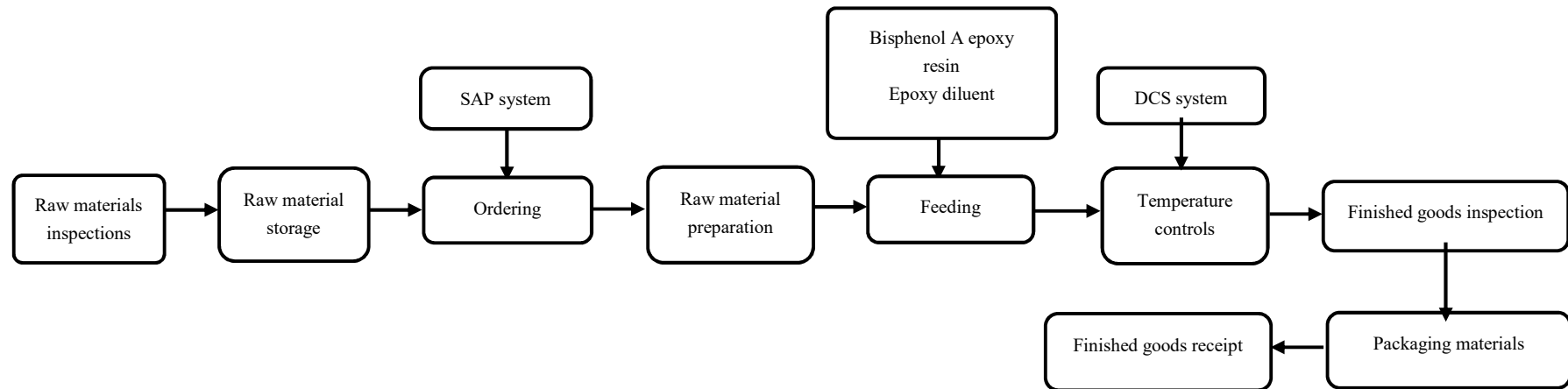
## 2. Production process of main products:

### A. Advanced materials business

#### (1) Process of environmentally friendly high-performance anti-corrosion materials

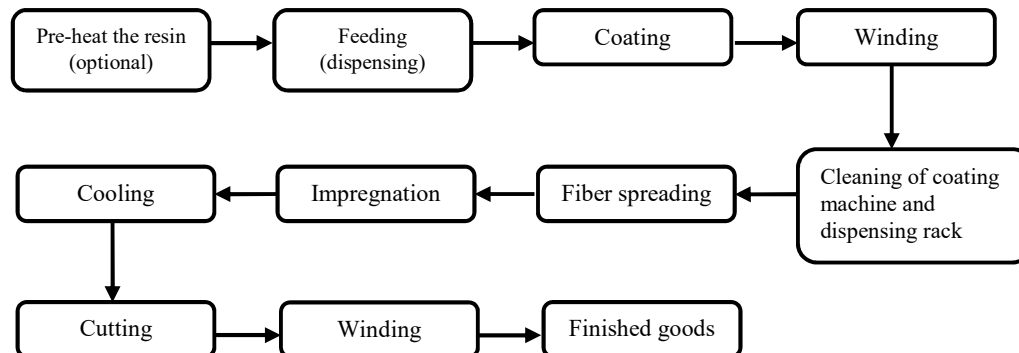


## (2) The process of wind turbine blade materials



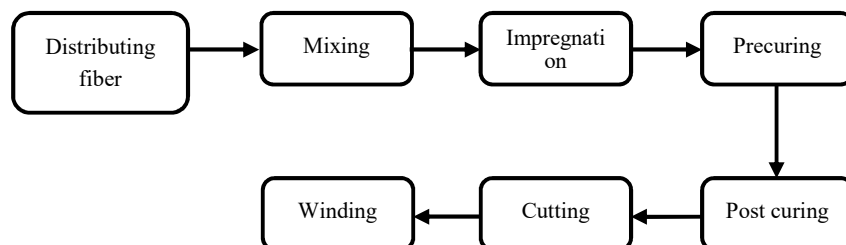
## B. Carbon fiber composite materials

### (1) Production process of prepreg

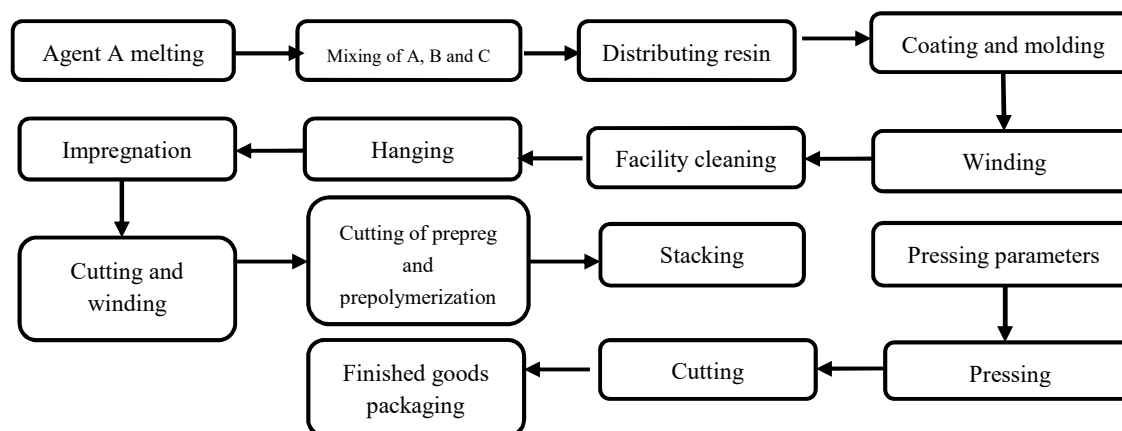




(2) Production process of extrusion carbon fiber board



(3) Production process of thermoplastic sheets



3. Supply Status of Main Materials

Name of raw materials	Main suppliers (Note)	Supply Status
Epoxy resin	Suppliers A, C, D, E, F, G and H	Excellent
Styrene	Suppliers B	Excellent
Hardener	Suppliers I and J	Excellent
Carbon Fiber	Supplier K, L, and M	Excellent

Note: The company name is not disclosed in compliance with the Non-disclosure Agreement (NDA).

4. List of customers accounting for 10 percent or more of the Company's total sales in either of the two most recent years:

(1) Information of major suppliers in the 2 most recent years

Unit: NT\$ thousands

2022					2023				2024 as of the previous quarter			
Item	Name	Amount	Proportion to net purchase for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchase for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchase for the entire year (%)	Relationship with the issuer
1	Supplier I	1,769,149	24.47	—	(Note 1)							
2	Supplier II	909,542	12.58	—								
3	Others	4,549,741	62.95									
	Net purchase	7,228,432	100.00									

Note 1: In fiscal year 2023, no suppliers accounted for more than ten percent of the total purchases.

Note 2: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.

Reasons for changes in purchase amount and ratio:

Affected by the downward trend in raw material prices and cost improvement strategies, the purchase of raw materials has shifted to competitive suppliers, resulting in a decrease in the proportion of supplier purchases and a decrease in the total purchase amount.

(2) Information of major sales customers in the most recent two years:

Unit: NT\$ thousands

2022					2023				2024 as of the previous quarter			
Item	Name	Amount	Proportion to net sales for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales for the entire year (%)	Relationship with the issuer
1	Customer I	1,314,210	13.45	—	(Note 1)							
2	Customer II	1,085,125	11.11	—								
3	Customer III	948,573	9.71	—								
4	Others	6,423,546	65.73									
	Net sales	9,771,454	100.00									

Note 1: In fiscal year 2023, no customers accounted for more than ten percent of the total sales.

Note 2: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.

Reasons for changes in sales amount and ratio:

Affected by intensified industry price competition and fluctuations in raw material market prices, the sales amount and proportion decreased.

5. Production in the Most Recent Two Years

Unit: tonne/ unit/ square meter/ meter/ NT\$ thousands

Production volume Primary Commodity (Or Sector)		2022			2023		
		Production capacity	Production	Production value	Production capacity	Production	Production value
Anti-corrosion resin		43,027	32,490	2,422,600	45,725	42,268	2,371,006
Wind blade resin		76,892	36,385	3,968,841	76,020	28,786	2,196,206
Others		-	-	-	-	-	-
Total				6,391,441			4,567,212

6. Sales Volume of the Most Recent Two Years:

Unit: tonne NT\$ thousands

Sales volume Primary commodity(Or Sector)	Year		2022				2023			
			Internal sales		External sales		Internal sales		External sales	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
Anti-corrosion resin			2,776	282,215	30,323	2,875,956	2,107	198,959	39,338	2,914,311
Wind blade resin			613	81,785	34,708	4,282,076	1,072	133,906	24,943	2,169,562
Other			-	643,594	-	1,605,828	-	964,003	-	914,072
Total			3,389	1,007,594	65,031	8,763,860	3,179	1,296,868	64,281	5,997,945

III. Number of employees in the Most Recent Two Years

Unit: Persons; %

Year		2022	2023	Ended on April 8, 2024
No. of employees	Managerial officer	17	15	14
	Indirect employees	446	459	462
	Direct employees	240	244	250
	Total	703	718	726
Average age		37.09	37.62	37.71
Average year of services		4.65	5.28	21.51
Academic distribution ratio	PhD	0.4	0.7	0.56
	Master	9.5	10.45	10.35
	University	57.8	58.22	50.77
	High school	24.3	23.6	30.91
	Below high school	8.0	6.9	7.41

#### IV. Environmental Protection Expenditures

Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

- (1) This year's environmental protection expenditure was 27.364 million, used to strengthen the maintenance, upkeep, renewal, and disposal of pollution-related equipment to reduce environmental impact.
- (2) Subsidiary Swancor Highpolymer was fined for exceeding the amount authorized by the competent authority due to increased production volume caused by revenue growth. The relevant content is as follows.

Disposition Dates	July 18, 2023	July 6, 2023
Disposition Reference Numbers	Environmental Air Letter No. 1120180904	Environmental Air Letter No. 1120170069
Articles of Law Violated	Article 24, Paragraph 2 of the Air Pollution Control Act	Article 24, Paragraph 2 of the Air Pollution Control Act
Violation Details	At Swancor Highpolymer Plant 1, the usage of "mixed xylene" raw material in 2022 was 164.45 metric tons, exceeding the annual limit of 130 metric tons specified in the fixed pollution source operation permit issued by the local government, resulting in penalties.	At Swancor Highpolymer Plant 2, the usage of "additive" raw material in 2022 was 7 metric tons, exceeding the annual limit of 3 metric tons specified in the fixed pollution source operation permit issued by the local government, resulting in penalties.
Content of the Dispositions	1. A fine of NT\$100,000. 2. Attend a 2-hour environmental seminar. 3. Complete improvements and submit a report on improvement by December 30, 2023.	1. A fine of NT\$100,000. 2. Attend a 2-hour environmental seminar. 3. Complete improvements and submit a report on improvement by August 30, 2023.
Measures Taken	The fine was paid on August 31, 2023, and the environmental seminar was attended on October 12, 2023. Immediate adjustments were made to the operation permits, adjusting the quantity of raw materials and product usage, followed by trial inspections.	The fine was paid on August 31, 2023, and the environmental seminar was attended on October 12, 2023. Immediate adjustments were made to the operation permits, adjusting the quantity of raw materials and product usage, followed by trial inspections.

#### V. Labor Relations

1. The Company's employee welfare measures, continuing education, training, retirement system and implementation thereof, along with agreements between employees and the employer, and the status of various employees' rights and interests:

The Company will commit to optimizing employee welfare in accordance with relevant provisions of the Labor Standards Act. Employee welfare policies, retirement systems implementation status, the agreement between employees and employer, and measures for maintenance of employees' rights and interests:

- (1) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation:

The Company has established the Employee Welfare Committee to be responsible for planning and handling employee welfare matters. The Employee Welfare Committee organizes programs such as domestic and foreign traveling and recreational activities, staff gatherings, climbing, hiking and etc. on an irregular basis, in order to enhance the physical and mental health of employees and the cohesiveness between employees. In addition, it also

provides subsidies including birthday gifts, Labor Day bonuses, festival bonuses, parental bonuses, relocation bonuses, wedding gifts and funeral condolences.

- (2) In order to improve the quality of talents, relevant education and training courses are arranged according to the work needs of each department every year:

Employees shall participate in on-the-job training outside the factory or internal education and training by professional lecturers of each department according to the plan.

In 2022, the education and training contents include management functions, professional training of various functions, R&D technology, financial audit, information security, environmental safety and health, new employee training, corporate culture advocacy, etc. the education and training expenditure is NT\$2.07 million, with an average of 23 hours of training per person per year.

- (3) For cultivation industrial talents and successors in key positions, promote individual development programs:

In the form of professional mentors and interior coaches, aiming at the key talents with potentials assist the staff to draw up a development plan for at least three years. Regular interviews quarterly, effectiveness management semiannually, track and understand staff development. Besides providing training and further training subsidies., dual instructors will provide substantive assistance and guidance at any time. From 2019 to 2023, 2 colleagues were promoted to general manager of the business group, 5 to Head of Department level, 11 to Head of Ministerial level, and 1 to Head of Class level.

- (4) To formulate the "Rules of Work" and the code of ethical conduct for employees:

The content clearly stipulates employee rights and obligations. In addition, the Safety and Health Work Rules was prepared to disclose the protective measures for the working environment and safety of employees. The aforementioned Work Rules and Safety and Health Work Rules were sent to employees and published on the Company's official website.

- (5) Employee pension system and implementation status:

Since July 1, 2005, the employee pension system is implemented in accordance with the Labor Pension Act. Employees choosing to be covered by the new pension system, or has been employed after the adoption of the new pension system with the defined contribution plan, the Company shall appropriate labor retirement reserve funds for each month at 6% of monthly salary, and deposited in the labor retirement reserve fund account of the Bureau of Labor Insurance.

- (6) Negotiation between labor and management and employee equity maintenance implementation status:

The Company formulates various provisions in accordance with the Labor Standards Act to protect the rights and interests of employees, and attaches importance to communication and coordination with employees, and promotes friendly workplace corporate culture. Employees and supervisors, employees and the Company have immediate and diversified care and communication channels. Therefore, the labor and employer relationship is harmonious and there is no serious labor dispute.

2. Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes (Including Any Violations of the Labor Standards Act Found In Labor Inspection, Specifying the Disposition Dates, Disposition Reference Numbers, the Articles of Law Violated, the Substance of the Legal Violations, and the Content of the Dispositions), and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided: None.
3. Has the Company stipulated the code of conduct or ethical guidelines for employees: The company has established a code of ethical conduct to regulate the acts and morality of all

subordinate staff and carries out regular training for all colleagues every year.

## VI. Safety Management on Information and Communication

- (I) State the safety risk management structure, safety policies on information and communication, specific management plans and resources invested in the safety management of information and communication:

Ensure the information security of the Company, maintain the confidentiality, integrity and availability of the Company's information, so as to meet the expectations of the Company's customers, manufacturers and investors, plan the information security risk management framework for management on circular processes, and formulate information security policies. The information personnel shall implement the corresponding objectives for controlling based on the measures of information security.

### I. Information Security Risk Management Framework

1. The information security authority and responsibility function of the Company is the Information Department, which set one information director and several professional information personnel, who are responsible for formulating the internal information security policies, planning and implementing the information security operation and the promotion and implementation of the information security policies.
2. The Audit Office of the Company is the supervision function for supervising information security. The Audit Office set an audit supervisor and a full-time audit agent, to supervise the implementation of internal information security. If any defect is found, the audit office shall require the inspected functions to put forward relevant improvement plans and specific actions, and regularly and continuously track the improvement results to reduce the internal information security risks.
3. The Information Department of the Company adopts the management mode on circular processes to ensure the achievement and continuous improvement of the reliability targets.
4. All relevant functions in the circular processes of information security risk management shall coordinate with the implementation requirements to hold meetings, review the implementation effect of the processes. The Audit Office shall assist the supervising the performing function to actively cooperate, to ensure the implementation of information security management work.
5. The Information Department shall regularly evaluate the annual information performance, and shall issue a report to the Audit Office to state the correction and reach a consensus make amendment, on the items found to be improved during the implementation of the information security policy.

### II. Information Security Policy

Our information security policy includes the following four aspects:

1. Specify the Rules: formulate the information security management rules of the Company and standardize the personnel operation behaviors.
2. Hardware Construction: establish and improve information security equipment, and implement information security management.
3. Personnel Education: inform and notify regularly or when major information security incidents occur, so as to promote the information security awareness of all colleagues.
4. Policy Reviewing: promote continuous improvement of information security, and ensure sustainable operation of the enterprises.

### III. Measures for Information Security Management

The Company regularly examines the internal information security specifications, analyzes the internal risk levels according to the asset value, vulnerability, threats and impacts, and formulates security enhancement programs based on the results of risk assessment, improves the overall information security environment, to ensure the continuous operation capability of the Company.

The information risk management procedures of the Company are as follows:

Before occurrence: conduct inspection independently and regularly, and proactively prevent information security accidents, from various aspects of the procedures and technologies

- a) Anti-intrusion: Actively defend against attacks from internal and external networks and damages caused by intrusion into information system.
- b) Prevention of Leakages: Actively prevent the company's confidential information and business secrets from being leaked out and affect the company's sustainable operation.
- c) Prevention of Accidents: proactively prevent production losses caused by environmental factors (faults/power trips/viruses/equipment losses).

When Accidents Occur: Control damages, and Emergency Response

- a) Improvement Mechanism: establish an effective disaster response mechanism, to quickly control the damages.
- b) Implement the Drills: use the drilling experience, to recover to normal in the shortest time and maintain the continuous operation of the enterprises.

After occurrence: trace and include into prevention

- a) Avoiding the occurrence of problems: refers to accessing the system records and tracking the causes of problems, and formulating countermeasures into new preventive measures.
- b) Re-strengthening of verification methods: introduce external consultant / weakness detection teams, check blind spots regularly to improve the reliability of internal control mechanism.

#### IV. Implementation and advocacy of information security in 2023

- Conduct quarterly social exercise tests and provide cybersecurity awareness training exams for non-compliant personnel to enhance employee vigilance and awareness of information security.
- Conduct biannual cybersecurity education training, with non-compliant personnel publicly announced and reinforced advocacy.
- Implement cybersecurity vulnerability scanning and penetration testing to identify and promptly repair internal information security vulnerabilities.
- Upgrade firewalls at all plants for real-time monitoring and alarm services, strengthening real-time defense capabilities against information security threats.
- Implement SOC+SIEM correlation analysis services for continuous cybersecurity protection monitoring and alarm notification.
- Enhance internal website security (SSL certificate) to improve system data transmission security.
- Implement system cloud-based off-site backup to enhance backup data disaster recovery availability.
- Implement authorized software control software to strictly prohibit the use of unauthorized software.
- Adopt ISO 27001 Information Security Management System.

- (II) During the latest year and as of the issuance date of the Annual Report, the losses, possible impacts and corresponding measures suffered from some major information and communication security incidents, if cannot be reasonably estimated, to which the following facts shall be stated:  
None

#### VII. Important Agreements: None

## Chapter 6. Financial Summary

### I. Condensed Financial Information in the Most Recent Five Years

#### (I) Condensed balance sheet and statement of comprehensive income of Swancor and its subsidiaries:

##### 1. Condensed balance sheet of Swancor and its subsidiaries – From 2019 to December 31, 2023

Unit: NT\$ thousands

Item	Year	Financial information for the most recent five years (Note 1)					Current year as of March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		7,226,554	9,159,213	9,131,102	8,630,699	8,641,496	(Note 3)
Property, plant and equipment		1,497,378	1,867,196	2,809,810	3,469,962	3,852,977	
Intangible assets		13,685	11,123	11,308	53,917	47,530	
Other assets		946,316	1,181,700	2,624,088	2,119,517	1,731,068	
Total asset value		9,683,933	12,219,232	14,576,308	14,274,095	14,273,071	
Current liabilities	Before distribution	3,000,484	5,244,238	5,735,480	4,185,128	5,051,932	
	After distribution	3,368,498	5,568,004	5,874,667	4,672,219	(Note 2)	
Non-current liabilities		1,111,180	559,397	2,280,502	2,141,500	555,738	
Total liabilities	Before distribution	4,111,664	5,803,635	8,015,982	6,326,628	5,607,670	
	After distribution	4,479,678	6,127,401	8,155,169	6,813,719	(Note 2)	
Equity attributable to shareholders of the parent		5,104,304	5,302,652	5,432,091	6,658,215	7,360,767	
Share capital		935,046	935,046	935,046	981,311	985,601	
Capital surplus		3,051,684	2,940,776	3,161,540	3,533,803	3,570,421	
Retained earnings	Before distribution	1,653,996	1,912,006	1,774,173	2,538,139	3,307,547	
	After distribution	1,285,982	1,588,240	1,634,986	2,051,048	(Note 2)	
Other equity interest		(422,477)	(418,835)	(391,367)	(347,737)	(455,501)	
Treasury stock		(113,945)	(66,341)	(47,301)	(47,301)	(47,301)	
Non-controlling interest		467,965	1,112,945	1,128,235	1,289,252	1,304,634	
Total equity	Before distribution	5,572,269	6,415,597	6,560,326	7,947,467	8,665,401	
	After distribution	5,204,255	6,091,831	6,421,139	7,460,376	(Note 2)	

Note 1: The financial statements above have been audited by CPAs.

Note 2: The distribution of earnings for the year 2023 was approved by the Board of Directors, but has not been resolved by the shareholders' meeting.

Note 3: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.



2. Condensed statement of comprehensive income of Swancor and its subsidiaries – From 2019 to 2023

Unit: NT\$ thousands except earnings per share in NT\$

Item \ Year	Financial information for the most recent five years (Note 1)					Current year as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	6,343,468	9,867,900	10,710,300	9,771,454	7,294,813	(Note 2)
Gross profit	1,285,603	1,743,329	1,339,529	1,528,434	1,334,505	
Operating profit (loss)	384,164	784,117	149,374	473,483	230,108	
Non-operating income and expenses	765,550	164,644	(26,911)	672,844	1,217,999	
Net income before tax	1,149,714	948,761	122,463	1,146,327	1,448,107	
Net Income for continuing operations	404,612	728,305	218,852	959,979	1,281,998	
Net profit for this period						
Loss from discontinued operations	449,165	0	0	0	0	
Net income (loss)	853,777	728,305	218,852	959,979	1,281,998	
Other comprehensive income (loss) in this period (net value after tax)	(101,912)	6,495	37,687	59,914	(93,951)	
Total comprehensive income	751,865	734,800	256,539	1,019,893	1,188,047	
Net income attributable to Owners of the parent company	824,850	626,024	185,933	903,153	1,256,499	
Net income attributable to non-controlling interests	28,927	102,281	32,919	56,826	25,499	
Total comprehensive income attributable to owners of the parent	739,777	629,666	213,401	946,783	1,186,181	
Total comprehensive income attributable to non-controlling interests	12,088	105,134	43,138	73,110	1,866	
Earnings per share	8.97	6.82	2.01	9.48	12.88	

Note 1: The financial statements above have been audited by CPAs.

Note 2: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.

Note 3: The 2019 financial information above includes the amounts for discontinued operations (disposed operations).

## (II) Swancor's condensed balance sheet and statement of comprehensive income

## 1. Swancor's condensed balance sheet – From 2019 to December 31, 2023

Unit: NT\$ thousands

Item \ Year		Financial information for the most recent five years (Note 1)					Current year as of March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		2,018,458	813,960	1,817,959	1,467,322	1,964,504	(Note 3)
Property, plant and equipment		1,616	680,548	1,067,285	1,476,779	1,882,221	
Intangible assets		0	6,053	3,772	1,955	1,174	
Other assets		3,907,878	4,766,564	5,323,726	5,640,211	5,521,530	
Total asset value		5,927,952	6,267,125	8,212,742	8,586,267	9,369,429	
Current liabilities	Before distribution	319,407	434,789	665,296	166,998	1,781,536	
	After distribution	687,421	758,555	804,483	654,089	(Note 2)	
Non-current liabilities		504,241	529,684	2,115,355	1,761,054	227,126	
Total liabilities	Before distribution	823,648	964,473	2,780,651	1,928,052	2,008,662	
	After distribution	1,191,662	1,288,239	2,919,838	2,415,143	(Note 2)	
Equity attributable to owners of parent		5,104,304	5,302,652	5,432,091	6,658,215	7,360,767	
Share capital		935,046	935,046	935,046	981,311	985,601	
Capital surplus		3,051,684	2,940,776	3,161,540	3,533,803	3,570,421	
Retained earnings	Before distribution	1,653,996	1,912,006	1,774,173	2,538,139	3,307,547	
	After distribution	1,285,982	1,588,240	1,634,986	2,051,048	(Note 2)	
Other equity interest		(422,477)	(418,835)	(391,367)	(347,737)	(455,501)	
Treasury stock		(113,945)	(66,341)	(47,301)	(47,301)	(47,301)	
Non-controlling interests		467,965	1,112,945	1,128,235	1,289,252	1,304,634	
Total shareholder equity	Before distribution	5,104,304	5,302,652	5,432,091	6,658,215	7,360,767	
	After distribution	4,736,290	4,978,886	5,292,904	6,171,124	(Note 2)	

Note 1: The financial statements above have been audited by CPAs.

Note 2: The distribution of earnings for the year 2023 was approved by the Board of Directors, but has not been resolved by the shareholders' meeting.

Note 3: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.

## 2. Swancor's Condensed Statement of Comprehensive Income – From 2019 to 2023

Unit: NT\$ thousands; earnings per share: NT\$

Item \ Year	Financial information for the most recent five years (Note 1)					Current year as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	559,692	559,978	134,898	362,933	171,646	(Note 2)
Gross profit	559,692	559,978	134,898	362,933	171,646	
Operating profit (loss)	394,742	473,003	58,988	251,807	90,919	
Non-operating income and expenses	517,405	208,147	25,949	747,917	1,241,220	
Net income before tax	912,147	681,150	84,937	999,724	1,332,139	
Net Income for continuing operations	375,685	626,024	185,933	903,153	1,256,499	
Net profit for this period						
Loss from discontinued operations	449,165	0	0	0	0	
Net income (loss)	824,850	626,024	185,933	903,153	1,256,499	
Other comprehensive income (loss) in this period (net value after tax)	(85,073)	3,642	27,468	43,630	(70,318)	
Total comprehensive income	739,777	629,666	213,401	946,783	1,186,181	
Profit attributable to owners of parent	824,850	626,024	185,933	903,153	1,256,499	
Profit attributable to Non-controlling interests	28,927	102,281	32,919	56,826	25,499	
Comprehensive income attributable to owners of parent	739,777	629,666	213,401	946,783	1,186,181	
Comprehensive income attributable to Non-controlling interests	12,088	105,134	43,138	73,110	1,866	
Earnings per share	8.97	6.82	2.01	9.48	12.88	

Note 1: The financial statements above have been audited by CPAs.

Note 2: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.

### (III) Names of independent auditors in the most recent year and audit opinions

Year	Independent auditor	Company name	Audit opinion
2019	Cheng-Hsueh Chen, Tsi-Hsin Chang	KPMG Taiwan	Unqualified opinion
2020	Cheng-Hsueh Chen, Tsi-Hsin Chang	KPMG Taiwan	Unqualified opinion
2021	Cheng-Hsueh Chen, Shih-Hua Kuo	KPMG Taiwan	Unqualified opinion
2022	Cheng-Hsueh Chen, Shih-Hua Kuo	KPMG Taiwan	Unqualified opinion
2023	Cheng-Hsueh Chen, Shih-Hua Kuo	KPMG Taiwan	Unqualified opinion

## II. Financial Analysis in the Most Recent Five Years

### (1) Financial analysis of Swancor and its subsidiaries – From 2019 to 2023

Item \ Year		Financial analysis for the most recent five years (Note 1)					Current year as of March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure %	Debt-to-Asset Ratio	42.46	47.5	54.99	44.32	39.29	(Note 3)
	Ratio of long-term capital to property, plant and equipment	446.34	373.55	314.64	290.75	239.33	
Debt service ratio %	Current ratio	240.85	174.65	159.20	206.22	171.05	
	Quick ratio	217.91	152.03	136.98	183.69	155.79	
	Times interest earned ratio	19.81	15.17	2.12	13.85	24.71	
Operating ability	Accounts receivable turnover rate (times)	1.85	2.07	1.94	1.96	1.82	
	Average days for cash receipts	197	176	188	186	200	
	Inventory turnover rate (times)	9.45	9.99	8.32	7.72	7.35	
	Payables turnover rate (times)	3.18	2.98	2.89	3.32	2.77	
	Average days for sale of goods	39	37	44	47	50	
	Turnover rate for property, plant and equipment (times)	4.14	5.87	4.58	3.11	1.99	
	Total asset turnover rate (times)	0.69	0.90	0.80	0.68	0.51	
Profitability	Return on Assets (%)	9.82	7.14	2.18	7.1	9.26	
	Return on Equity (%)	15.73	12.15	3.37	13.23	15.43	
	Ratio of income before tax to paid-in capital (%)	122.96	101.47	13.1	116.82	146.93	
	Net profit rate (%)	13.46	7.38	2.04	9.82	17.57	
	Earnings Per Share (NT\$)	8.97	6.82	2.01	9.48	12.88	
Cash flow	Cash flow ratio (%)	18.44	8.47	7.77	12.81	48.38	
	Cash flow adequacy ratio (%)	90.28	75.96	46.34	30.95	80.61	
	Cash reinvestment ratio (%)	1.42	1.01	1.28	3.58	18.88	
Leverage	Operating leverage	N/A	1.19	2.45	1.57	2.19	
	Financial leverage	1.19	1.09	2.56	1.21	1.27	

Specify the reasons that caused the changes in the financial ratios in the most recent three years. (Not required if the difference does not exceed 20%)

- (1) Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: The increase from the previous year is mainly due to the increase in accounts receivable and accounts receivable collection, resulting in a net cash inflow from operating activities.
- (2) Interest coverage ratio, return on assets, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share: Increased from the previous year, mainly due to reduced interest expenses and the disposal of 7.5% equity interest in Formosa I International generating disposal investment gains of NT\$689,252 thousand this year.
- (3) Inventory turnover and total asset turnover decreased from the previous year, mainly due to reduced customer demand resulting in decreased revenue.
- (4) Operating leverage and financial leverage: increased compared with those of the previous year, were mainly due to the decline of gross profit of the current year, resulting in the decrease of operating profit.

Note 1: The financial data in the most recent year has been audited and attested by CPAs.

Note 2: All ratios are annualized.

Note 3: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.

(2) Financial analysis of Swancor – From 2019 to 2023

Item \ Year		Financial analysis					Current year as of March 31, 2024	
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt-to-Asset Ratio	13.89	15.39	33.86	22.46	21.44	(Note 1)	
	Ratio of long-term capital to property, plant and equipment	347,063.43	857.01	707.16	570.11	403.14		
Debt service ability (%)	Current ratio	631.94	187.21	273.26	878.65	110.27		
	Quick ratio	631.87	186.09	271.23	858.96	107.29		
	Times interest earned ratio	64.43	35.98	7.47	43.6	73.26		
Operating ability	Accounts receivable turnover rate (times)	-	-	-	-	-		
	Average days for cash receipts	-	-	-	-	-		
	Inventory turnover rate (times)	-	-	-	-	-		
	Payables turnover rate (times)	-	-	-	-	-		
	Average days for sale of goods	-	-	-	-	-		
	Turnover rate for property, plant and equipment (times)	692.69	1.64	0.15	0.29	0.10		
	Total asset turnover rate (times)	0.10	0.09	0.02	0.04	0.02		
Profitability	Return on Assets (%)	14.84	10.52	2.71	10.90	14.06		
	Return on Equity (%)	16.62	12.03	3.46	14.94	17.93		
	Ratio of income before tax to paid-in capital (%)	97.55	72.85	9.08	101.88	135.16		
	Net profit margin (%)	147.38	111.79	137.83	248.81	732.03		
	Basic Earnings Per Share (NT\$)	8.97	6.82	2.01	9.48	12.88		
Cash flow	Cash flow ratio (%)	314.05	115.70	(31.93)	359.85	-		
	Cash flow adequacy ratio (%)	487.15	255.05	100.68	79.21	64.60		
	Cash reinvestment ratio (%)	9.69	2.27	(7.01)	5.41	(6.31)		
Leverage	Operating leverage	-	-	-	-	-		
	Financial leverage	1.04	1.04	1.29	1.07	1.09		
Explain changes in financial ratios in the most recent two years. (Not required if the difference does not exceed 20%)								
(1) Long-term funds to fixed assets ratio, current ratio, and quick ratio decreased from the previous year, due to an increase in current liabilities caused by the maturity of corporate bonds this year.								
(2) Return on assets, interest coverage ratio, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share: Increased from the previous year, mainly due to the disposal of 7.5% equity interest in Formosa I International generating disposal investment gains of NT\$689,252 thousand this year.								
(3) Turnover of property, plant and equipment, turnover of total assets, and cash flow adequacy ratio: Decreased from the previous year, mainly due to the construction of the headquarters building.								
(4) Cash flow ratio and cash reinvestment ratio: decreased compared with the those of previous year, were mainly due to the decrease of net cash flow in operating activities of current year compared with that of the previous year.								

Note 1: As of the publication date of the annual report, there is no financial data for the 1st quarter of 2024 that has been reviewed by a CPA.

### 1. Financial structure

- (1) Debt-to-Asset Ratio = Total liabilities/Total assets.
- (2) Long-term capital to fixed assets ratio = (net shareholders' equity + long-term liabilities)/net fixed assets.

### 2. Debt-paying capability

- (1) Current ratio = Current assets/Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
- (3) Interest protection multiples = Income before income tax and interest expenditure/ Interest expenditures for this period.

### 3. Business capability

- (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
- (2) Average collection days = 365/Receivables turnover rate.
- (3) Inventory turnover = Sales expense/Average inventory value.
- (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
- (5) Average sales days = 365/Inventory turnover ratio.
- (6) Property, plant and equipment turnover = Net sale / Net property, factory and equipment.
- (7) Total inventory turnover rate = Net sales/Total asset value.

### 4. Profitability

- (1) Return on assets (ROA) = (Net income after income tax + Interest expenses \* (1 - tax rate))/Average total assets.
- (2) Return on shareholders' Equity (ROE) = Gain (loss) after tax/Average total equity value.
- (3) Net profit rate = Net gain (loss) after tax/Net sales.
- (4) Earnings Per Share (EPS) = (Net income after taxes (NIAT) - Dividend of preferred shares)/Weighted average of outstanding shares.

### 5. Cash flow

- (1) Cash flow ratio = Net cash from business activities/Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow for business activities in the most recent five years/(Capital expenses + Additional inventory sum + Cash dividend) in the most recent five years.
- (3) Cash re-investment ratio = (Net cash flow for business activities - Cash dividends)/(Gross value of fixed assets + Long-term investments + Other assets + Business capital).

### 6. Degree of leverage:

- (1) Operating Leverage = (Net sales – variable operating cost and expense) / Operating income
- (2) Degree of Financial Leverage (DFL) = Operating profit / (Operating profit - Interest expenditures).

### III. Audit Committee's Review Report in the Most Recent Year

#### **Swancor Holding Co., Ltd.**

#### Audit Committee's Review Report

We have audited the Company's 2023 financial statements (including consolidated financial statements), business report and earnings distribution proposal submitted by the board of directors, of which the 2023 financial statements (including consolidated financial statements) have been audited by CPAs Cheng-Hsueh Chen and Shih-Hua Kuo of KPMG, and the audit report was presented. The 2023 Financial Statements (including Consolidated Financial Statements), Business Report, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely,  
Swancor Holding Co., Ltd. 2024 General Shareholders' Meeting

Swancor Holding Co., Ltd.

Chairman of the Audit Committee: Sheng-Chung, Lin

March 11, 2024

#### IV. Most Recent Financial Statements

##### **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, 2023 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 11, 2024



## **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 sheet as of December 31, 2023 and 2022, the consolidated statement 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 material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, sales revenue 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 trade receivable” and Note 6(d) “Notes and accounts receivable (including related parties)” 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 inventory aging; assessing the Group's inventories decline or rationality of debt ratio; examining accuracy of allowance amount of inventories 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, 2023 and 2022, 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.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 Chen, Cheng-Hsueh and Kuo, Shyh-Huar.

KPMG

Taipei, Taiwan (Republic of China)  
March 11, 2024

#### **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, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 3,065,552	22	2,527,070	18	2100	Short-term borrowings (note 6(p) and 8)	\$ 430,805	3	1,294,674	9
1110	Current financial assets at fair value through profit or loss (note 6(b) and 6(s))	2,634	-	2,051	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b) and (s))	436	-	3,761	-
1150	Notes receivable, net (note 6(d))	978,783	7	2,452,806	17	2130	Current contract liabilities (note 6(ab))	10,681	-	35,333	-
1170	Accounts receivable, net (note 6(d))	2,102,766	15	2,476,625	18	2150	Notes payable	163,025	1	426,615	3
1200	Other receivables (note 6(e))	10,073	-	4,064	-	2170	Accounts payable	1,911,343	13	1,707,700	12
1220	Current tax assets	37,871	-	9,311	-	2180	Accounts payable to related parties (note 7)	86,394	1	4,318	-
130X	Inventories (note 6(f))	722,625	5	899,451	6	2200	Other payables (note 6(q))	542,738	4	439,224	3
1410	Prepayments	48,385	-	43,792	-	2220	Other payables to related parties (note 7)	5,000	-	5,000	-
1479	Other current assets (note 6(o))	99,427	1	59,459	-	2230	Current tax liabilities	250,246	2	129,126	1
1476	Other current financial assets (note 6(o) and 8)	1,573,380	11	156,070	1	2399	Other current liabilities (note 6(q) and (v))	38,071	-	60,289	-
	<b>Total current assets</b>	<b>8,641,496</b>	<b>61</b>	<b>8,630,699</b>	<b>60</b>	2321	Bonds payable, current portion (note 6(s) and 8)	1,516,598	10	-	-
	<b>Non-current assets:</b>					2322	Long-term borrowings, current portion (note 6(r) and 8)	80,063	1	62,304	1
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	-	-	665,904	5	2280	Current lease liabilities (note 6(t))	16,532	-	16,784	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	252,363	2	109,662	1		<b>Total current liabilities</b>	<b>5,051,932</b>	<b>35</b>	<b>4,185,128</b>	<b>29</b>
1550	Investments accounted for using equity method (note 6(g))	881,689	6	920,162	6		<b>Non-Current liabilities:</b>				
1600	Property, plant and equipment (note 6(l) and 8)	3,852,977	27	3,469,962	24	2530	Bonds payable (note 6(s) and 8)	-	-	1,502,045	11
1755	Right-of-use assets (note 6(m) and 8)	239,184	2	251,517	2	2540	Long-term borrowings (note 6(r) and 8)	397,024	3	510,896	4
1780	Intangible assets (note 6(n))	47,530	-	53,917	-	2550	Non-current provisions (note 6(u))	7,900	-	7,900	-
1840	Deferred tax assets (note 6(x))	156,792	1	91,058	1	2570	Deferred income tax liabilities (note 6(x))	85,196	1	56,637	-
1990	Other non-current assets (note 6(o) and 8)	201,040	1	81,214	1	2670	Other non-current liabilities, others (note 6(q) and (v))	50,172	-	46,055	-
	<b>Total non-current assets</b>	<b>5,631,575</b>	<b>39</b>	<b>5,643,396</b>	<b>40</b>	2580	Non-current lease liabilities (note 6(t))	15,446	-	17,967	-
							<b>Total non-current liabilities</b>	<b>555,738</b>	<b>4</b>	<b>2,141,500</b>	<b>15</b>
							<b>Total liabilities</b>	<b>5,607,670</b>	<b>39</b>	<b>6,326,628</b>	<b>44</b>
							<b>Equity attributable to owners of parent (note 6(y)):</b>				
						3100	Ordinary shares	985,601	7	981,311	7
						3200	Capital surplus (note 6(z))	3,570,421	25	3,533,803	25
						3300	Retained earnings	3,307,547	23	2,538,139	18
						3400	Other equity	(455,501)	(3)	(347,737)	(3)
						3500	Treasury shares	(47,301)	-	(47,301)	-
							<b>Total equity attributable to owners of parent:</b>	<b>7,360,767</b>	<b>52</b>	<b>6,658,215</b>	<b>47</b>
						36xx	Non-controlling interests (note 6(j))	1,304,634	9	1,289,252	9
							<b>Total equity</b>	<b>8,665,401</b>	<b>61</b>	<b>7,947,467</b>	<b>56</b>
							<b>Total liabilities and equity</b>	<b>\$ 14,273,071</b>	<b>100</b>	<b>14,274,095</b>	<b>100</b>
	<b>Total assets</b>	<b>\$ 14,273,071</b>	<b>100</b>	<b>14,274,095</b>	<b>100</b>						

(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, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenues</b> (note 6(ab))	\$ 7,294,813	100	9,771,454	100
5000	<b>Operating costs</b> (note 6(f), (w) and 7)	5,960,308	82	8,243,020	84
	<b>Gross profit from operations</b>	1,334,505	18	1,528,434	16
	<b>Operating expenses</b> (note 6(w), (ac) and 7):				
6100	Selling expenses	466,504	6	418,344	4
6200	Administrative expenses	382,321	5	435,407	5
6300	Research and development expenses	249,309	4	214,300	2
6450	Impairment loss (gain) determined in accordance with IFRS 9 (note 6(d))	6,263	-	(13,100)	-
		1,104,397	15	1,054,951	11
	<b>Net operating income</b>	230,108	3	473,483	5
	<b>Non-operating income and expenses</b> (note 6(ad)):				
7100	Interest income	54,993	1	19,798	-
7010	Other income and expenses	35,159	-	40,847	1
7020	Other gains and losses (note 6 (i) and (k))	1,200,788	17	697,675	7
7050	Finance Costs (note 6(s) and (t))	(49,586)	(1)	(81,105)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method (note 6(g))	(23,355)	-	(4,371)	-
		1,217,999	17	672,844	7
	<b>Profit before income tax</b>	1,448,107	20	1,146,327	12
7950	<b>Income tax expenses</b> (note 6(x))	166,109	3	186,348	2
	<b>Profit</b>	1,281,998	17	959,979	10
8300	<b>Other comprehensive income</b> (note 6(y)):				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(94,400)	(1)	70,194	1
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	449	-	(10,280)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	<b>Other comprehensive income for the year, net of tax</b>	(93,951)	(1)	59,914	1
	<b>Total comprehensive income for the period, net of tax</b>	<b>\$ 1,188,047</b>	<b>16</b>	<b>1,019,893</b>	<b>11</b>
	<b>Profit attributable to:</b>				
8610	Owners of parent	1,256,499	17	903,153	9
8620	Non-controlling interests (note 6(j))	25,499	-	56,826	1
		<b>\$ 1,281,998</b>	<b>17</b>	<b>959,979</b>	<b>10</b>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	1,186,181	16	946,783	10
8720	Non-controlling interests (note 6(j))	1,866	-	73,110	1
		<b>\$ 1,188,047</b>	<b>16</b>	<b>1,019,893</b>	<b>11</b>
	<b>Earnings per share (NT Dollars)</b> (note 6(aa))				
9750	<b>Basic earnings per share</b>	<b>\$ 12.88</b>		<b>9.48</b>	
9850	<b>Diluted earnings per share</b>	<b>\$ 11.04</b>		<b>8.07</b>	

(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, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent													
	Retained earnings						Other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	Total	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2022</b>	<b>\$ 935,046</b>	<b>3,161,540</b>	<b>273,481</b>	<b>418,835</b>	<b>1,081,857</b>	<b>1,774,173</b>	<b>(387,002)</b>	<b>(4,365)</b>	<b>-</b>	<b>(391,367)</b>	<b>(47,301)</b>	<b>5,432,091</b>	<b>1,128,235</b>	<b>6,560,326</b>
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 payments transactions	-	2,699	-	-	-	-	-	-	-	-	-	2,699	656	3,355
Due to the acquisition of the subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	87,251	87,251
<b>Balance at December 31, 2022</b>	<b>\$ 981,311</b>	<b>3,533,803</b>	<b>292,074</b>	<b>391,367</b>	<b>1,854,698</b>	<b>2,538,139</b>	<b>(333,092)</b>	<b>(14,645)</b>	<b>-</b>	<b>(347,737)</b>	<b>(47,301)</b>	<b>6,658,215</b>	<b>1,289,252</b>	<b>7,947,467</b>
<b>Balance at January 1, 2023</b>	<b>\$ 981,311</b>	<b>3,533,803</b>	<b>292,074</b>	<b>391,367</b>	<b>1,854,698</b>	<b>2,538,139</b>	<b>(333,092)</b>	<b>(14,645)</b>	<b>-</b>	<b>(347,737)</b>	<b>(47,301)</b>	<b>6,658,215</b>	<b>1,289,252</b>	<b>7,947,467</b>
Profit for the year	-	-	-	-	1,256,499	1,256,499	-	-	-	-	-	1,256,499	25,499	1,281,998
Other comprehensive income for the year	-	-	-	-	-	-	(70,767)	449	-	(70,318)	-	(70,318)	(23,633)	(93,951)
Total comprehensive income for the year	-	-	-	-	1,256,499	1,256,499	(70,767)	449	-	(70,318)	-	1,186,181	1,866	1,188,047
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	90,315	-	(90,315)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(43,630)	43,630	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(487,091)	(487,091)	-	-	-	-	-	(487,091)	-	(487,091)
Conversion of convertible bonds	11	84	-	-	-	-	-	-	-	-	-	95	-	95
Issuance of restricted employee stock	4,279	33,167	-	-	-	-	-	-	(37,446)	(37,446)	-	-	-	-
Changes in ownership interests in subsidiaries	-	522	-	-	-	-	-	-	-	-	-	522	(522)	-
Share-based payments transactions	-	2,845	-	-	-	-	-	-	-	-	-	2,845	745	3,590
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	13,293	13,293
<b>Balance at December 31, 2023</b>	<b>\$ 985,601</b>	<b>3,570,421</b>	<b>382,389</b>	<b>347,737</b>	<b>2,577,421</b>	<b>3,307,547</b>	<b>(403,859)</b>	<b>(14,196)</b>	<b>(37,446)</b>	<b>(455,501)</b>	<b>(47,301)</b>	<b>7,360,767</b>	<b>1,304,634</b>	<b>8,665,401</b>

(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, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,448,107	1,146,327
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	254,607	251,362
Amortization expenses	11,954	10,956
Expected credit losses (gains)	6,263	(13,100)
Net gains on financial assets or liabilities at fair value through profit	(1,215,883)	(650,607)
Interest expense	49,586	81,105
Interest income	(54,993)	(19,798)
Dividend income	(2,049)	(65,225)
Share-based payment transactions	3,590	3,355
Share of loss of associates and joint ventures accounted for using equity method	23,355	4,371
(Gains) losses on disposal of property, plant and equipment	(141)	9,707
Increase in cash surrender value of life insurance	-	(11,683)
Amortization of deferred income	(5,267)	(4,374)
Gains on lease modification	(237)	(32)
Other adjustments to reconcile profit	-	(4,449)
<b>Total adjustments to reconcile profit</b>	<b>(929,215)</b>	<b>(408,412)</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Decrease (increase) in notes receivable	1,473,055	(318,633)
Decrease in accounts receivable	368,564	442,674
Decrease (increase) in other receivables	4,089	(3,014)
Decrease in inventories	176,826	343,537
Increase in prepayments	(4,593)	(4,945)
(Increase) decrease in other operating assets	(39,449)	51,970
<b>Total changes in operating assets</b>	<b>1,978,492</b>	<b>511,589</b>
Changes in operating liabilities:		
Decrease in notes payable	(263,590)	(137,487)
Increase (decrease) in accounts payable	203,643	(533,545)
Increase (decrease) in accounts payable to related parties	82,076	(25,205)
Increase in other payables	72,960	27,535
Decrease in other payable to related parties	-	(5,029)
Decrease in provisions	-	(18,530)
(Decrease) increase in other operating liabilities	(45,560)	51,148
<b>Total changes in operating liabilities</b>	<b>49,529</b>	<b>(641,113)</b>
<b>Total adjustments</b>	<b>1,098,806</b>	<b>(537,936)</b>
Cash inflow generated from operations	2,546,913	608,391
Dividends received	2,049	65,225
Interest received	55,242	20,232
Interest paid	(33,320)	(61,529)
Income taxes paid	(126,985)	(96,264)
<b>Net cash flows from operating activities</b>	<b>2,443,899</b>	<b>536,055</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,172	-
Acquisition of financial assets at fair value through other comprehensive income	(148,822)	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,870,118	748,506
Acquisition of financial assets at fair value through profit or loss	(1,238)	(137,017)
Acquisition of property, plant and equipment	(614,708)	(665,369)
Proceeds from disposal of property, plant and equipment	26,647	56,463
(Increase) decrease in refundable deposits	(1,825)	1,257
Acquisition of intangible assets	(3,625)	(32,167)
Net cash flow from acquisition of subsidiaries	-	54,212
(Increase) decrease in other financial assets	(1,416,260)	407,674
Increase in prepayments for business facilities	(147,902)	(34,261)
Proceeds from disposal of cash surrender value of life insurance	-	68,023
<b>Net cash flow (used in) from investing activities</b>	<b>(431,443)</b>	<b>467,321</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	959,501	2,638,918
Decrease in short-term borrowings	(1,823,370)	(3,636,511)
Proceeds from long-term borrowings	-	255,520
Repayments of long-term borrowings	(97,679)	(163,990)
Increase in guarantee deposits received	87	279
Decrease in other payable to related parties	-	(9,643)
Repayments of lease liabilities	(15,314)	(10,673)
Cash dividends paid	(487,091)	(139,187)
Increase in deferred income	8,670	20,434
Change in non-controlling interests	13,293	-
<b>Net cash flow used in financing activities</b>	<b>(1,441,903)</b>	<b>(1,044,853)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(32,071)</b>	<b>37,588</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>538,482</b>	<b>(3,889)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,527,070</b>	<b>2,530,959</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,065,552</b>	<b>2,527,070</b>



(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, 2023 and 2022**

**(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 issue by the Board of Directors on March 11, 2024.

**(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, 2023:

- 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”

The Group has initially adopted the new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform-Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(Continued)

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

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
  - Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following 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”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material accounting policies**

The material 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.
- 3) Cash-settled share-based payment liabilities 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.

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding	
			December 31, 2023	December 31, 2022
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%	100%
Swancor Holding	Swancor Carbon Fiber Composites Corporation., Ltd. (Sunwell Carbon Fiber Composites)	Producing and selling of carbon	86.42%	86.42%
Swancor Holding	Strategic Capital Holding Ltd. (Strategic)	Investing and holding of subsidiaries	100%	100%
Swancor Holding	Swancor Recycling Technology(Jiangsu) Ltd. (Swancor Recycling)	Producing and selling of recycled carbon fiber and glass fiber	100%	-%
Sunwell Carbon Fiber Composite	Sunwell (Jiangsu) Carbon Fiber Composite Co., Ltd. (Sunwell (Jiangsu) Carbon Fiber Composite)	Producing and selling of carbon	83.89%	83.89%
Sunwell Carbon Fiber Composite	COTECH, INC. (COTECH)	Producing and selling of carbon	80.82%	80.82%

(Continued)

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

Name of Investor	Name of Subsidiary	Principal activity	Shareholding	
			December 31, 2023	December 31, 2022
Strategic	Swancor Ind. Co., Ltd. (Samoa) (Swancor)	Investing and holding of subsidiaries	100%	100%
Strategic	Swancor Advanced Materials Co., Ltd. (Swancor Advanced Materials)	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	64.03%	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 Advanced Materials	Shandong Longneng Renewable Resources Utilization Co., Ltd. (Shandong Longneng)	Recycling of renewable resources	55%	-%
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%

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

(iii) Changes in ownership of subsidiaries from January 1, 2022 to December 31, 2023 were as follow :

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 here 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.

(Continued)

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

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.

The Group invested an additional amount of \$150,000 thousand in its subsidiary, S-Wanlai, on May 8, 2023; and the related registration procedures had been completed.

In October, 2023, Swancor Advanced Materials acquired 55% equity interest in Shandong Longneng.

The Group invested an additional amount of \$157,150 thousand in its subsidiary, Swancor Recycling, on November 7, 2023; 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.

(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.

(Continued)

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

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.

(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.

(Continued)

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

(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) – debt investment; FVOCI – equity investment; 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.

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.

(Continued)

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

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.

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) and debt investments measured at fair value through other comprehensive income.

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.

(Continued)



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

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.

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

(Continued)

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

- 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.

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).

(Continued)

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

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.

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.

(Continued)

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

(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.

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.

(Continued)

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

(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: 1~50 years
- 2) Machinery and equipment: 1~15 years
- 3) Other equipment: 1~50 years
- 4) The significant components and related useful lives of buildings and structures and machinery and equipment are as follow:

<b>Components</b>	<b>Useful Lives</b>	<b>Components</b>	<b>Useful Lives</b>
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.

(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.

(Continued)

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

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.

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.

(Continued)

**Swancor Holding Company Limited and subsidiaries**  
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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.

(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.

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The estimated useful lives for current and comparative periods are as follows:

- 1) Technique: 5 years
- 2) Computer software: 1~10 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.

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.

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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.

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.

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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.

(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.

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The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Group authorized the price and number of a 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 at the time of transitions (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary difference;
- (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
- (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; such reductions are reversed when the probability of future taxable profits improves.

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

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- (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.

**(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).

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(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).

**(6) Explanation of significant accounts:**

(a) Cash and Cash Equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Pretty cash and cash on hand	\$ 632	842
Demand deposits	1,847,998	769,273
Time deposits	1,216,922	1,756,955
Cash and cash equivalents in the consolidated statement of cash flow	<u><b>\$ 3,065,552</b></u>	<u><b>2,527,070</b></u>

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

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

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

	December 31, 2023	December 31, 2022
<b>Financial assets designated at fair value through profit or loss :</b>		
Derivative instruments not used for hedging-Forward exchange contracts	\$ 48	-
Stocks listed on domestic markets	2,586	2,051
Stocks unlisted on domestic markets		665,904
Total	<u><u>\$ 2,634</u></u>	<u><u>667,955</u></u>
<b>Financial liabilities mandatorily measured at fair value through profit or loss :</b>		
Convertible corporate bonds- put options	\$ 436	3,208
Derivative instruments not used for hedging-Forward exchange contracts	-	553
Total	<u><u>\$ 436</u></u>	<u><u>3,761</u></u>

During 2023 and 2022, the dividend of \$49 thousand and \$63,225 thousand, respectively, related to equity investment at fair value through profit or loss held on December 31, 2023 and 2022, were recognized as operating revenues.

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 Investment Co., Ltd and completed the transaction in April 2023. The disposition price is USD40,000 thousand and deducted the agreed amounts. The Group had recognized gains (accounting other gains and losses) due to the disposal transactions of \$689,252 thousand, please refer to note 6(ad).

A resolution was decided during the Board of Directors meeting held on August 8, 2023, determine to disposal of 5% of its share in Synera Renewable Energy Co., Ltd. and completed the transaction in October 2023. The disposition price is USD8,000 thousand and deducted the agreed amounts. The Group had recognized gains (accounting other gains and losses) due to the disposal transactions of \$43,900 thousand, please refer to note 6(ad).

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

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:

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<b>December 31, 2023</b>				
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>	
Forward exchange contracts	EUR 83	TWD to EUR	2023.12.31~2024.01.15	
Forward exchange contracts	EUR 79	TWD to EUR	2023.12.15~2024.01.12	
Forward exchange contracts	EUR 76	TWD to EUR	2024.01.23~2024.02.11	
<b>December 31, 2022</b>				
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>	
Forward exchange contracts	EUR 547	TWD to EUR	2022.12.21~2023.03.05	

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Debt investments at fair value through other comprehensive income :</b>		
Corporate bonds	\$ 101,682	36,881
<b>Equity investments at fair value through other comprehensive income :</b>		
Domestic on listed Company - WT Microelectronics Co., Ltd	\$ 45,650	47,750
Domestic unlisted Company - Gigantex Composite Technologies Co., Ltd.	25,031	25,031
Domestic unlisted Company - Promix Composites, Inc.	-	-
Domestic unlisted Company - Yang Bao Enterprise Co., Ltd.	80,000	-
Domestic unlisted Company - Ideal Star International Corp.	-	-
Subtotal	150,681	72,781
Total	<b>\$ 252,363</b>	<b>109,662</b>

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, 2023 and 2022.

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During 2023 and 2022, the dividend of \$2,000 thousand for each period, related to equity investments at fair value through other comprehensive income held on December 31, 2023 and 2022, were recognized as operating revenue.

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, 2023 and 2022.

3. The amounts of other comprehensive profit or loss which were recognized at fair value in 2023 and 2022, were \$449 thousand and \$(10,280) thousand, respectively.

(d) Notes and Accounts receivable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable from operating activities	\$ 322,493	1,819,131
Notes receivable-fair value through other comprehensive income	660,035	636,520
Less: Loss allowance	<u>(3,745)</u>	<u>(2,845)</u>
	<b><u>\$ 978,783</u></b>	<b><u>2,452,806</u></b>
Accounts receivable - measured as amortized cost	\$ 2,112,749	2,499,133
Less: Loss allowance	<u>(9,983)</u>	<u>(22,508)</u>
	<b><u>\$ 2,102,766</u></b>	<b><u>2,476,625</u></b>

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).

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, 2023 and 2022. 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, 2023 and 2022 were determined as follows:

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	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,854,563	0.06%	1,662
Overdue 1 to 90 days	162,002	1.48%	2,398
Overdue 91 to 180 days	68,658	1.86%	1,276
Overdue 181 to 270 days	6,155	73.00%	4,493
Overdue 271 to 360 days	-	- %	-
Overdue more than 361 days	3,899	100%	3,899
<b>Total</b>	<b>\$ 3,095,277</b>		<b>13,728</b>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
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	-	- %	-
<b>Total</b>	<b>\$ 4,937,051</b>		<b>7,620</b>

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

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
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
<b>Total</b>	<b>\$ 17,733</b>		<b>17,733</b>

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

	<b>2023</b>	<b>2022</b>
Balance on January 1	\$ 25,353	55,013
Impairment losses (gains) recognized	6,263	(13,100)
Amounts written off	(17,793)	(17,458)
Foreign exchange losses	(95)	898
Balance on December 31	<u><u>\$ 13,728</u></u>	<u><u>25,353</u></u>

The notes and accounts receivable of the Group had not been pledged as collateral as of December 31, 2023 and 2022.

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

<b>December 31, 2022</b>				
<b>Purchaser</b>	<b>Assignment Facility</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>	<b>Range of Interest Rate</b>
Bank of NINGBO	\$ 226,389	-	226,389	2.60%
China CITIC Bank	266,436	-	266,436	1.88%
Bank of NINGBO	99,908	-	99,908	2.00%
Bank of NINGBO	287,499	-	287,499	1.28%
Bank of NINGBO	44,094	-	44,094	1.30%
Bank of NINGBO	107,271	-	107,271	1.47%
	<u><u>\$ 1,031,597</u></u>	<u>-</u>	<u><u>1,031,597</u></u>	

The Group evaluate that part of the notes receivable that been endorsed and transferred to other parties the requirements for derecognized financial assets.

The Group transferred \$400,397 thousand and \$768,368 thousand of trade receivables to an unrelated third party as of December 31, 2023 and 2022. However, if the acceptor (accepting bank) refuses to pay when due, the Group is obliged to pay off to the endorser serve. The acceptor has relatively high credit rating. Under normal circumstances, the Group didn't expect the acceptor to refuse to pay. 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, 2023 and 2022, the notes receivable for the transfer of endorsements that have not yet expired were \$660,035 thousand and \$636,520 thousand, respectively, which did not meet the conditions for financial assets had not derecognized.

(e) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other accounts receivable	<u><u>\$ 10,073</u></u>	<u><u>4,064</u></u>

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).

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(f) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials	\$ 339,110	466,799
Finished goods	365,122	418,243
Goods	17,736	14,323
Inventory in transit	657	86
	<b><u>\$ 722,625</u></b>	<b><u>899,451</u></b>

The cost of goods sold were as follows :

	<b>2023</b>	<b>2022</b>
Inventory that has been sold	\$ 5,910,175	8,221,958
Write-down and slow moving of inventories	31,603	6,270
Loss on physical inventory	676	2,979
Loss on inventory retired	17,854	11,813
	<b><u>\$ 5,960,308</u></b>	<b><u>8,243,020</u></b>

As of December 31, 2023 and 2022, 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Associates	<b><u>\$ 881,689</u></b>	<b><u>920,162</u></b>

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(i) Associates

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, 2023	December 31, 2022
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%
			<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amounts of individually insignificant associate's equity			<b>\$ 881,689</b>	<b>920,162</b>
			<b>2023</b>	<b>2022</b>
Attributable to the Group:				
Net loss			<b>\$ (23,355)</b>	<b>(4,371)</b>

(ii) Collaterals

The investment accounted for using equity method of the Group had not been pledged as collaterals as of December 31, 2023 and 2022.

(h) Acquisition of subsidiary and non-controlling interests

(i) Acquisition of subsidiary— COTECH

On December 23, 2021 and February 8, 2022, the Group each prepaid the amount of \$65,000 thousand for both periods totaling \$130,000 thousand, respectively. 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 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 carbon fiber, as well as designing, analyzing and manufacturing 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.

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

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**Notes to the Consolidated Financial Statements**

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 (note 7)	(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 Group lost its control over Synera Renewable Energy due to the disposal of its 95% shares in it on October 24, 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 had received in 2021.

The Group had recognized financial assets profit of \$471,062 thousand and \$646,591 thousand with the condition matched and had received all in 2023 and 2022, respectively.

The amount of \$1,835,374 thousand and \$1,599,707 thousand had been collected and recognized, respectively, due to disposal transactions mentioned above as of December 31, 2023.

(j) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiary was as follows:

<b>Subsidiaries</b>	<b>Main operation place</b>	<b>Percentage of non- controlling interests</b>	
		<b>December 31, 2023</b>	<b>December 31, 2022</b>
Swancor Advanced Materials	China	20.77%	20.76%

The following information on the aforementioned subsidiary has 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current assets	\$ 5,582,229	5,908,319
Non-current assets	2,211,659	2,143,075
Current liabilities	(2,467,358)	(2,985,767)
Non- current liabilities	(55,888)	(13,986)
Net assets	<u><u>\$ 5,270,642</u></u>	<u><u>5,051,641</u></u>
Non-controlling interests	<u><u>\$ 1,094,712</u></u>	<u><u>1,048,721</u></u>

(Continued)

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

	<u>2023</u>	<u>2022</u>
Operating revenue	\$ 6,190,179	8,250,372
Net Operating income	315,044	407,741
Other comprehensive income	14,895	(2,848)
Comprehensive income	<u>\$ 329,939</u>	<u>404,893</u>
Profit, attributable to non-controlling interests	<u>\$ 65,435</u>	<u>84,647</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 68,528</u>	<u>83,056</u>
Net cash flows from operating activities	\$ 1,422,851	506,149
Net cash flows from investing activities	(594,058)	(138,770)
Net cash flows from financing activities	(54,298)	(254,703)
Net increase in cash and cash equivalents	<u>\$ 774,495</u>	<u>112,676</u>
Dividend paid to non-controlling interest	<u>\$ (7,857)</u>	<u>-</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:

	<u>2022</u>
Balance at January 1	\$ 56,340
Increase in cash value	11,683
Decrease in surrender value of life insurance	(68,023)
Balance at December 31	<u>\$ -</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:

		<b>Land</b>	<b>Buildings and Structures</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Construction in progress and Prepayments for land</b>	<b>Total</b>
<b>Cost:</b>							
Balance at January 1, 2023	\$	780,227	1,629,445	1,085,980	718,118	661,767	4,875,537
Additions		-	15,189	27,450	56,090	546,627	645,356
Disposals		-	(64)	(48,983)	(12,484)	-	(61,531)
Reclassification		-	(11,308)	64,292	24,794	(50,158)	27,620
Effect of movements in exchange rates		-	(22,765)	(15,927)	(7,782)	(2,911)	(49,385)
Balance at December 31, 2023	\$	<b>780,227</b>	<b>1,610,497</b>	<b>1,112,812</b>	<b>778,736</b>	<b>1,155,325</b>	<b>5,437,597</b>
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
Addition		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	\$	<b>780,227</b>	<b>1,629,445</b>	<b>1,085,980</b>	<b>718,118</b>	<b>661,767</b>	<b>4,875,537</b>
<b>Depreciation:</b>							
Balance at January 1, 2023	\$	-	521,041	434,697	449,837	-	1,405,575
Depreciation		-	72,500	86,148	74,759	-	233,407
Disposals		-	(51)	(24,825)	(10,149)	-	(35,025)
Reclassification		-	-	5,083	(5,083)	-	-
Effect of movements in exchange rates		-	(7,232)	(6,662)	(5,443)	-	(19,337)
Balance at December 31, 2023	\$	-	<b>586,258</b>	<b>494,441</b>	<b>503,921</b>	-	<b>1,584,620</b>
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	\$	-	<b>521,041</b>	<b>434,697</b>	<b>449,837</b>	-	<b>1,405,575</b>
<b>Carrying amounts:</b>							
Balance at December 31, 2023	\$	<b>780,227</b>	<b>1,024,239</b>	<b>618,371</b>	<b>274,815</b>	<b>1,155,325</b>	<b>3,852,977</b>
Balance at January 1, 2022	\$	<b>776,587</b>	<b>874,761</b>	<b>654,283</b>	<b>259,964</b>	<b>244,215</b>	<b>2,809,810</b>
Balance at December 31, 2022	\$	<b>780,227</b>	<b>1,108,404</b>	<b>651,283</b>	<b>268,281</b>	<b>661,767</b>	<b>3,469,962</b>

(Continued)



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

For the year ended December 31, 2023, and 2022, the amount of interest capitalization was \$11,026 thousand and \$7,522 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, 2023 and 2022, 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, buildings and transportation equipment. 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>
<b>Costs:</b>				
Balance at January 1, 2023	\$ 254,278	39,523	3,898	297,699
Additions	-	12,151	818	12,969
Effects of movements in exchange rates	(4,394)	(304)	-	(4,698)
Balance at December 31, 2023	<u>\$ 249,884</u>	<u>51,370</u>	<u>4,716</u>	<u>305,970</u>
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)
Effect 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>
<b>Depreciation:</b>				
Balance at January 1, 2023	\$ 25,599	17,638	2,945	46,182
Depreciation	6,410	13,766	1,024	21,200
Effects of movements in exchange rates	(476)	(120)	-	(596)
Balance at December 31, 2023	<u>\$ 31,533</u>	<u>31,284</u>	<u>3,969</u>	<u>66,786</u>
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)
Effect 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>
<b>Carrying amount:</b>				
Balance at December 31, 2023	<u>\$ 218,351</u>	<u>20,086</u>	<u>747</u>	<u>239,184</u>
Balance at January 1, 2022	<u>\$ 219,017</u>	<u>10,047</u>	<u>1,164</u>	<u>230,228</u>
Balance at December 31, 2022	<u>\$ 228,679</u>	<u>21,885</u>	<u>953</u>	<u>251,517</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, 2023 and 2022, right-of-use assets pledged as collateral for bank loans are described in note 8.

(Continued)

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

(n) Intangible Assets

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

	<u>Technique</u>	<u>Computer software</u>	<u>Total</u>
<b>Costs:</b>			
Balance at January 1, 2023	\$ 93,565	53,167	146,732
Additions	181	3,444	3,625
Reclassification	-	712	712
Effect of movement in exchange rates	446	(43)	403
Balance at December 31, 2023	<b><u>\$ 94,192</u></b>	<b><u>57,280</u></b>	<b><u>151,472</u></b>
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	<b><u>\$ 93,565</u></b>	<b><u>53,167</u></b>	<b><u>146,732</u></b>
<b>Amortization:</b>			
Balance at January 1, 2023	\$ 49,436	43,379	92,815
Amortization	8,496	3,458	11,954
Effect of movement in exchange rates	(791)	(36)	(827)
Balance at December 31, 2023	<b><u>\$ 57,141</u></b>	<b><u>46,801</u></b>	<b><u>103,942</u></b>
Balance at January 1, December 31, 2023	\$ 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	<b><u>\$ 49,436</u></b>	<b><u>43,379</u></b>	<b><u>92,815</u></b>
<b>Carrying value:</b>			
Balance at December 31, 2023	<b><u>\$ 37,051</u></b>	<b><u>10,479</u></b>	<b><u>47,530</u></b>
Balance at January 1, 2022	<b><u>\$ 3,030</u></b>	<b><u>8,278</u></b>	<b><u>11,308</u></b>
Balance at December 31, 2022	<b><u>\$ 44,129</u></b>	<b><u>9,788</u></b>	<b><u>53,917</u></b>

(Continued)

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

(i) Amortization

For the years ended December 31, 2023 and 2022, the amortizations of intangible assets were included in the statement of comprehensive income:

	<b>2023</b>	<b>2022</b>
Operating cost	\$ -	31
Operating expenses	11,954	10,925
	<b><u>\$ 11,954</u></b>	<b><u>10,956</u></b>

(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, 2023 and 2022, the intangible assets of the Group had not been pledged as collateral.

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other current assets :		
Temporary payments and payment on behalf of others	\$ 25,866	6,381
Guarantee deposit paid	1,675	1,788
Other-current	71,886	51,290
	<b><u>\$ 99,427</u></b>	<b><u>59,459</u></b>

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other current financial assets :		
Time deposits with maturities of more than three months	\$ 1,522,022	-
Restricted bank deposits	51,358	156,070
	<b><u>\$ 1,573,380</u></b>	<b><u>156,070</u></b>

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.

(Continued)

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other non-current assets :		
Refundable deposits	\$ 12,018	10,080
Prepayments for equipment	180,359	60,789
Restricted bank deposits	3,150	4,200
Others-non-current	5,513	6,145
	<b><u>\$ 201,040</u></b>	<b><u>81,214</u></b>

The Group obtained other current assets, other current financial 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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured bank loans	\$ 430,805	1,280,064
Secured bank loans	-	14,610
	<b><u>\$ 430,805</u></b>	<b><u>1,294,674</u></b>
Unused short-term credit lines	<b><u>\$ 3,468,746</u></b>	<b><u>3,062,425</u></b>
Range of interest rates	<b><u>1.94%~4.34%</u></b>	<b><u>1.30%~6.40%</u></b>

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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other payables :		
Other payables-salary	\$ 133,008	175,193
Other payables-employee compensation	1,242	2,769
Other payables-director's remuneration	25,824	14,523
Payables on equipment	87,729	57,081
Other	294,935	189,658
	<b><u>\$ 542,738</u></b>	<b><u>439,224</u></b>

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

(Continued)

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other current liabilities:		
Temporary receipts	\$ 3,535	475
Receipts under custody	3,632	3,559
Current deferred revenue	5,221	4,931
Other	25,683	51,324
	<b><u>\$ 38,071</u></b>	<b><u>60,289</u></b>
Non-current liabilities:		
Non-current deferred revenue	\$ 47,623	45,193
Guarantee deposit received	949	862
Liability for cash-settled arrangements	1,600	-
	<b><u>\$ 50,172</u></b>	<b><u>46,055</u></b>

The Group obtained other payables, other 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:

<b>December 31, 2023</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Secured bank loans	NTD	1.98%~2.35%	2026/3/25~2032/6/22	\$ 291,220
Unsecured bank loans	NTD	2.2%~2.55%	2024/12/21~2028/6/15	146,572
Other loans (note)	NTD	2.43%~3.92%	2025/1/22	39,295
				477,087
Less: current portion				(80,063)
				<b><u>\$ 397,024</u></b>
Unused long-term credit line				<b><u>\$ 2,193,980</u></b>
<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Secured bank loans	NTD	1.33%~4.65%	2022/4/7~2032/6/22	\$ 303,514
Unsecured bank loans	NTD	1.33%~4.65%	2024/8/23~2028/6/15	231,035
Other loans (note)	NTD	2.43%~3.92%	2025/1/22	38,651
				573,200
Less: current portion				(62,304)
				<b><u>\$ 510,896</u></b>
Unused long-term credit line				<b><u>\$ 291,000</u></b>

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

(Continued)

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

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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
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	(41,202)	(55,855)
Cumulative converted amount	(442,200)	(442,100)
Less: current portion	(1,516,598)	-
Corporate bonds issued balance at year end	<u>\$ -</u>	<u>1,502,045</u>
Embedded derivative – call and put options, including financial liabilities at fair value through profit or loss	<u>\$ 436</u>	<u>3,208</u>
Equity component – conversion options, included in capital surplus– stock options	<u>\$ 167,600</u>	<u>167,610</u>
	<u>2023</u>	<u>2022</u>
Embedded derivative instruments – call and put rights, including net gain of evaluation in financial asset and liabilities	<u>\$ (2,772)</u>	<u>(244)</u>
Interest expense	<u>\$ 14,648</u>	<u>17,220</u>

(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)

(Continued)

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

- 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. In 2023, the cash dividend was declared, resulting in an adjustment of the conversion price to \$92.7 per share from July 4, 2023.
- 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:

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

- 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.
  - 10) For the collateral for bonds payable, please refer to note 8.
- (ii) Swancor Holding issued its fourth 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)

(Continued)

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

- 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. In 2023, the cash dividend was declared, resulting in an adjustment of the conversion price to \$89.0 per share from July 4, 2023.
- 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:

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

(t) Lease liabilities

The amounts of lease liabilities of the Group were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u><u>\$ 16,532</u></u>	<u><u>16,784</u></u>
Non-current	<u><u>\$ 15,446</u></u>	<u><u>17,967</u></u>

(Continued)



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

The amounts recognized in profit or loss were as follows:

	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u>\$ 667</u>	<u>580</u>
Expenses relating to short-term leases	<u>\$ 6,187</u>	<u>5,785</u>

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

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 22,168</u>	<u>17,038</u>

(i) Real estate leases

As of December 31, 2023 and 2022, 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 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) Provisions

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
January 1	\$ 7,900	-
Acquisition of subsidiaries	-	26,430
Current liabilities provisions	-	(18,530)
December 31	<u>\$ 7,900</u>	<u>7,900</u>

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

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 nine months ended December 31, 2023.

(Continued)

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

(v) Deferred income

	December 31, 2023	December 31, 2022
Deferred income	\$ <b>52,844</b>	<b>50,124</b>
Current	\$ 5,221	4,931
Non-current	47,623	45,193
	<b>\$ 52,844</b>	<b>50,124</b>

The Group received building construction grants from the government where the subsidiary is located in May 2023 and June 2022. The building has been used since December 2021, and the grant, was recognized as deferred income, has been amortized over the useful life of the building.

The Group 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 since June 2022, and the grant, was recognized as deferred income, has been 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 contribution 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 \$40,059 thousand and \$40,099 thousand for the years ended December 31, 2023 and 2022, respectively.

(ii) Short-term compensated absence

The short-term compensated absence for the years ended December 31, 2023 and 2022 were included in other payable with balance of \$9,980 thousand and \$8,639 thousand, respectively.

(Continued)

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

(x) Income taxes

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

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 172,919	121,344
Adjustment for prior periods	205	681
Undistributed earnings additional tax	<u>30,160</u>	<u>2,781</u>
	<u>203,284</u>	<u>124,806</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(37,175)</u>	<u>61,542</u>
Income tax expense	<u><b>\$ 166,109</b></u>	<u><b>186,348</b></u>

For the year ended December 31, 2023 and 2022, there were no income taxes recognized directly in equity and other comprehensive income.

Reconciliation of income tax and profit before tax 2023 and 2022 were as follows :

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	<u><b>\$ 1,448,107</b></u>	<u><b>1,146,327</b></u>
Income tax using each company's domestic tax rate	\$ 321,706	366,670
Income tax impact of foreign operating entity surplus not expected to be repatriated	(14,122)	(92,177)
Share of profit of subsidiaries accounted for using equity method-domestic	11,485	4,555
Adjustment in tax rate	(207,361)	(116,265)
Recognition of previously unrecognized tax losses	10,464	15,555
Changes in provision in prior periods	205	681
Recognition of previously under-estimated deferred tax assets or liabilities	(47,062)	(18,818)
Undistributed earnings additional tax	30,160	2,781
Income basic tax	60,634	28,465
Changes in unrecognized temporary differences	<u>-</u>	<u>(5,099)</u>
Income tax expense	<u><b>\$ 166,109</b></u>	<u><b>186,348</b></u>

(Continued)

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Tax effect of deductible Temporary Differences	\$ 1,920	1,920
The carry forward unused tax losses	29,881	19,417
	<b><u>\$ 31,801</u></b>	<b><u>21,337</u></b>

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.

As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<b>Company</b>	<b>Year of loss</b>	<b>Unused tax loss</b>	<b>Expiry date</b>
COTECH	2022	22,687	2032
COTECH	2023	18,405	2033
Swancor Innovation & Incubation	2021	16,862	2031
Swancor Innovation & Incubation	2022	57,654	2032
Swancor Innovation & Incubation	2023	33,970	2033
		<b><u>\$ 149,578</u></b>	

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 2023 and 2022. 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<b><u>\$ 2,643,114</u></b>	<b><u>2,571,952</u></b>
Unrecognized deferred tax liabilities	<b><u>\$ 528,623</u></b>	<b><u>514,390</u></b>

(Continued)

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

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred Tax Assets:

	<b>Impairment and obsolescence of inventory</b>	<b>Unrealized profit from subsidiaries</b>	<b>Unrealized foreign exchange loss</b>	<b>Impairment loss of bad debts</b>	<b>The carry forward of unused tax losses</b>	<b>Refund liability</b>	<b>Other</b>	<b>Total</b>
Balance at 1 January 2023	\$ 17,969	13,150	9,013	5,293	22,788	-	22,845	91,058
Recognized profit or loss	7,776	(1,641)	45,398	(3,304)	24,557	-	(7,052)	65,734
Balance at 31 December 2023	<b>\$ 25,745</b>	<b>11,509</b>	<b>54,411</b>	<b>1,989</b>	<b>47,345</b>	<b>-</b>	<b>15,793</b>	<b>156,792</b>
Balance at 1 January 2022	\$ 7,085	14,795	2,778	11,199	39,337	1,871	10,909	87,974
Recognized profit or loss	10,884	(1,645)	6,235	(5,906)	(16,549)	(1,871)	11,936	3,084
Balance at 31 December 2022	<b>\$ 17,969</b>	<b>13,150</b>	<b>63,424</b>	<b>5,293</b>	<b>22,788</b>	<b>-</b>	<b>22,845</b>	<b>91,058</b>

Deferred Tax Liabilities:

	<b>Unrealized foreign exchange gain</b>	<b>Recognized foreign investment income in equity method</b>	<b>Other</b>	<b>Total</b>
Balance at 1 January 2023	\$ 9,743	46,220	674	56,637
Recognized profit or loss	40,035	(11,611)	135	28,559
Balance at 31 December 2023	<b>\$ 49,778</b>	<b>34,609</b>	<b>809</b>	<b>85,196</b>
Balance at 1 January 2022	\$ 272	-	567	839
Recognized profit or loss	9,471	46,220	107	55,798
Balance at 31 December 2022	<b>\$ 9,743</b>	<b>46,220</b>	<b>674</b>	<b>56,637</b>

(iii) Assessment of tax

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

	<b>Assessed Year</b>
The Company	2021
Sunwell Carbon Fiber Composite	2021
Swancor Highpolymer	2020
COTECH	2021

(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, 2023 and 2022, 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.

(Continued)

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

Its outstanding capital consisted of 98,560 thousand common shares and 98,131 thousand common shares for years ended December 31, 2023 and 2022, respectively.

Reconciliation of shares outstanding for 2023 and 2022 were as follows:

(in thousands of shares)	<b>Ordinary Shares</b>	
	<b>2023</b>	<b>2022</b>
Balance on January 1	98,131	93,505
Conversion to convertible corporate bonds	1	4,626
Issuance of restricted employee stock	428	-
Balance on December 31	<b>98,560</b>	<b>98,131</b>

(i) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Share capital	\$ 405,127	405,127
Premium on bonds conversion	956,906	956,812
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	1,070,506	1,067,139
Stock transfer (from retained earnings of Swancor)	780,337	780,337
Restricted employee stock	33,167	-
Equity component of convertible bonds recognized in stock option	167,600	167,610
	<b>\$ 3,570,421</b>	<b>3,533,803</b>

- 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) 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**  
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(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 2022 and 2021 were decided during the Company's board meeting and the general meeting of the shareholders held on May 29, 2023 and May 31, 2022, respectively, as follows:

	<u>2022</u>	<u>2021</u>
Dividends distributed to ordinary shareholders		
Cash	<u>\$ 487,091</u>	<u>139,187</u>

(Continued)

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

Earnings distribution for 2023 were decided by the general meeting of the shareholders held on March 11, 2024, as follows:

	<u>2023</u>
Dividends distributed to ordinary shareholders :	
Cash	<u><u>\$ 487,527</u></u>

(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 2023 was as follows:

(in thousands of shares)

<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 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>

- 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.

(Continued)



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

(iv) Other equity(net after tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned compensation	Total
Balance at January 1, 2023	\$ (333,092)	(14,645)	-	(347,737)
Exchange differences on foreign operations	(70,767)	-	-	(70,767)
Net change in fair value of investments in financial assets at FVTOCI	-	449	-	449
Issuance of restricted employee stock	-	-	(37,446)	(37,446)
Balance at December 31, 2023	<u>\$ (403,859)</u>	<u>(14,196)</u>	<u>(37,446)</u>	<u>(455,501)</u>
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned compensation	Total
Balance at January 1, 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 December 31, 2022	<u>\$ (333,092)</u>	<u>(14,645)</u>	<u>-</u>	<u>(347,737)</u>

(z) Share-based Payments

(i) Equity-settled share-based payment-reserviced stock plan for employees

- 1) Details of the equity-settled share-based payment agreement of the Company and Swancor Advanced Materials were as follows:

Type of agreement	Grant date	Granted share (in thousand shares)	Contract Period	Conditions
Restricted employee stock option plan (Notes)	2022.05.25	673	4 years	Employees' performance has reached performance standard
Restricted employee stock option plan	2023.08.08	428	3 years	Employees' performance has reached 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.

- 2) 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 employees who meet the Company's requirements.

(Continued)

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

- 3) A resolution was decided during the board meeting of the Company held on May 26, 2023 to award 450 thousand new shares of restricted stock to employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C.. On August 8, 2023, the board of directors resolved to issue 428 thousand shares, with the fair value on the grant date of \$87.5 per share.

Details of the restricted employee stock option was as follows:

	<b>2023</b>	<b>2022</b>
	<b>Number of shares(thousand)</b>	<b>Number of shares(thousand)</b>
Outstanding at 1 January	673	-
Vested	428	-
Gain	(70)	673
Loss	(109)	-
Outstanding at 31 December	<b>922</b>	<b>673</b>

- (ii) Cash-settled share-based payment plan-stock appreciation right plan

In November 2023, the Group executed a compensation plan to grant 462 thousand units of cash-settled stock appreciation right to qualified employees of the Group without consideration. One unit of stock appreciation right to employees represents a right to the intrinsic value of 0.5 common share of Company. Those employees who fulfill both service period and performance conditions set by the Company are gradually eligible to the vested stock appreciation right at certain percentage and time frame. For those employees who fail to fulfill the vesting conditions, the Group will withdraw their rights without consideration. During the vesting period, the holders of the stock appreciation right are not entitled the same rights as those of common stock holders of Group

- 1) Details of the cash-settled share-based payment agreement of the Group was as follows:

<b>Type of agreement</b>	<b>Grant date</b>	<b>Granted share (in thousand shares)</b>	<b>Contract Period</b>	<b>Conditions</b>
Stock appreciation right plan	2023.11.01	462	4 year	Employees' performance has reached performance standard

(Continued)

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

- 2) The compensation cost for the cash-settled share-based payment was measured at fair value initially by using Binomial Option Pricing Model and will be remeasured at the end of each reporting period until settlement. As of December 31, 2023, the assumptions used are as follows:

	<b>2023</b>
	<b><u>Stock appreciation rights plan</u></b>
Strike price (NT\$)	\$ -
Share price of measurement date (NT\$)	\$ 98.3
Expected life (years)	2.32~5.82
Expected share price rate(%)	39.86~47.60
Risk-free interest rate(%)	1.11~1.16
Expected dividend rate(%)	5.09
Partition	200

Expected volatility is based on the expected volatility of historical volatility. The expected life with the Group's issuance regulations. The Group determined the risk-free rate during the life of the option. This rate is determined based on rate of time deposits, and it is in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(iii) Employee expense and liability

The Group incurred expense and liabilities of shared-based arrangement in 2023 and 2022 as follows:

	<b>2023</b>	<b>2022</b>
Equity-settled share-based payment	\$ 3,590	3,355
Cash-settled share-based payment	1,600	-
Total	<b><u>\$ 5,190</u></b>	<b><u>3,355</u></b>
Total carrying amount of liability for cash-settled arrangements (other non-current liability on account)	<b><u>\$ 1,600</u></b>	<b><u>-</u></b>

(aa) Earnings per Share

(i) Basic earnings per share

- 1) Profit attributable to ordinary shareholders of the Company

	<b>2023</b>	<b>2022</b>
Profit attributable to ordinary shareholders of the Company	<b><u>\$ 1,256,499</u></b>	<b><u>903,153</u></b>

(Continued)

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

2) Weighted average number of ordinary shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares at 31 December	<u>97,590</u>	<u>95,270</u>

3) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 12.88</u>	<u>9.48</u>

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Group (diluted)

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company(basic)	\$ 1,256,499	903,153
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	9,501	13,580
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 1,266,000</u>	<u>916,733</u>

2) Weighted average number of ordinary shares (diluted)

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares (basic)	97,590	95,270
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	17,084	18,361
Effect of restricted employee shares unvested (Notes)	18	31
Weighted average number of ordinary shares (diluted)	<u>114,692</u>	<u>113,662</u>

3) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Diluted earnings per share	<u>\$ 11.04</u>	<u>8.07</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.

(Continued)

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

(ab) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
Taiwan	\$ 1,296,868	1,007,594
China	3,855,949	5,816,167
Other	2,141,996	2,947,693
	<u><b>\$ 7,294,813</b></u>	<u><b>9,771,454</b></u>
<u>Major products/services lines</u>		
Anti-corrosion material	\$ 3,113,269	3,158,719
Wind blade material	2,303,468	4,363,861
Recycling material	56,697	-
Other	1,821,379	2,248,874
	<u><b>\$ 7,294,813</b></u>	<u><b>9,771,454</b></u>

(ii) Contract balances

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>January 1,</u> <u>2022</u>
Contract liability-advance payment	<u><b>\$ 10,681</b></u>	<u><b>35,333</b></u>	<u><b>14,144</b></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, 2023 and 2022, that were included in the contract liability balance at the beginning of the period were \$34,766 thousand and \$14,532 thousand, respectively.

(ac) Employee and directors' 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, where 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.

(Continued)

**Swancor Holding Company Limited and subsidiaries**  
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For the years ended December 31, 2023 and 2022, the Company estimated and reversed its employee remuneration amounting to \$1,242 thousand and \$2,769 thousand, and directors' remuneration amounting to \$25,824 thousand and \$14,523 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors 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 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

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 51,237	18,246
Interest income from bonds investment	3,621	1,552
Other interest income	135	-
	<u><b>\$ 54,993</b></u>	<u><b>19,798</b></u>

(ii) Other income

	<u>2023</u>	<u>2022</u>
Government subsidy	\$ 21,746	14,316
Other	13,413	26,531
	<u><b>\$ 35,159</b></u>	<u><b>40,847</b></u>

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains (losses) on disposal of property, plant and equipment	\$ 141	(9,707)
Foreign exchange gains (losses)	(15,236)	56,775
Gains on disposal of financial assets (liabilities) measured at fair value through profit or loss	1,215,883	650,607
	<u><b>\$ 1,200,788</b></u>	<u><b>697,675</b></u>

For financial assets measured at fair value through profit or loss, please refer to note 6(i).

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**Swancor Holding Company Limited and subsidiaries**  
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(iv) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense-bank loans	\$ 42,532	68,103
Interest expense-lease liabilities	667	580
Interest expense-bonds	14,648	17,220
Interest expense-government loans	2,765	2,724
Less: capitalization of interest	<u>(11,026)</u>	<u>(7,522)</u>
	<u><b>\$ 49,586</b></u>	<u><b>81,105</b></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, 2023 and 2022, the percentage of 9% and 8%, respectively, of accounts receivable were derived from major customers. Thus, the credit risk is significantly centralized.

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, 2023 and 2022.

(Continued)

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	1-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Secured loans	\$ 291,220	313,864	13,078	18,833	236,361	45,592
Unsecured loans	577,377	588,810	513,245	33,660	41,905	-
Other loans	39,295	40,751	-	40,751	-	-
Accounts payable (including related parties)	2,708,500	2,708,500	2,708,500	-	-	-
Bonds payable	1,516,598	1,557,800	1,557,800	-	-	-
Lease liability	31,978	33,531	17,038	4,707	7,766	4,020
	<b>\$ 5,164,968</b>	<b>5,243,256</b>	<b>4,809,661</b>	<b>97,951</b>	<b>286,032</b>	<b>49,612</b>
<b>December 31, 2022</b>						
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
	<b>\$ 5,987,527</b>	<b>6,094,678</b>	<b>3,980,815</b>	<b>130,696</b>	<b>1,917,435</b>	<b>65,732</b>

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

(iii) Exchange rate risk

1) Currency risk

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

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 47,792	30.705	1,467,453	45,430	30.71	1,395,155
EUR	1,529	33.98	51,955	1,268	32.72	41,489
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	4,809	30.705	147,660	11,947	30.71	366,982
EUR	213	33.98	7,238	88	32.72	2,879

(Continued)



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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 or 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 at December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$5,458 thousand and \$4,267 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, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(15,236) thousand and \$56,775 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 is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 0.5%, with all other variable factor remaining constant, the Group's net income would have increased/decreased by \$3,632 thousand and \$7,471 thousand for the years ended December 31, 2023 and 2022, respectively. This is mainly due to the Group's borrowing in variable rates.

5) Other market price risk

For the nine months ended December 31, 2023 and 2022, 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:

	2023		2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 0.5%	\$ 228	13	239	10
Decreasing 0.5%	(228)	(13)	(239)	(10)

(Continued)

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(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, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets at fair value through profit or loss</b>					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 2,634	2,586	48	-	2,634
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks unlisted on domestic markets	105,031	-	-	105,031	105,031
Stocks listed on domestic markets	45,650	45,650	-	-	45,650
Original bonds	101,682	101,682	-	-	101,682
Subtotal	252,363	147,332	-	105,031	252,363
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	3,065,552	-	-	-	-
Notes, accounts and other receivables	3,091,622	-	-	-	-
Other financial assets-current	1,573,380	-	-	-	-
Refundable deposit	13,693	-	-	-	-
Subtotal	7,744,247	-	-	-	-
<b>Total</b>	<b>\$ 7,999,244</b>	<b>149,918</b>	<b>48</b>	<b>105,031</b>	<b>254,997</b>
<b>Financial liabilities</b>					
<b>Financial liabilities at fair value through profit or loss</b>					
Non derivative financial liabilities mandatorily measured at fair value through profit or loss	\$ 436	-	436	-	436
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	430,805	-	-	-	-
Notes, accounts and other payables (including related parties)	2,708,500	-	-	-	-
Long-term borrowings, current portion	80,063	-	-	-	-
Long-term borrowings (including other loans)	397,024	-	-	-	-
Bonds payable	1,516,598	-	1,800,809	-	1,800,809
Current and non-current lease liabilities	31,978	-	-	-	-
Subtotal	5,164,968	-	1,800,809	-	1,800,809
<b>Total</b>	<b>\$ 5,165,404</b>	<b>-</b>	<b>1,801,245</b>	<b>-</b>	<b>1,801,245</b>

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	December 31, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets at fair value through profit or loss</b>					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 667,955	2,051		665,904	667,955
<b>Financial assets at fair value through other comprehensive income</b>					
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
<b>Subtotal</b>	109,662	84,631	-	25,031	109,662
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,527,070	-	-	-	-
Notes, accounts and other receivables	4,933,495	-	-	-	-
Other financial assets-current	156,070	-	-	-	-
Other financial assets-non-current	4,200	-	-	-	-
Refundable deposits	11,868	-	-	-	-
<b>Subtotal</b>	7,632,703	-	-	-	-
<b>Total</b>	<b>\$ 8,410,320</b>	<b>86,682</b>	<b>-</b>	<b>690,935</b>	<b>777,617</b>
<b>Financial liabilities</b>					
Non derivative financial liabilities mandatorily measured at fair value through profit or loss	\$ 3,761	-	3,761	-	3,761
<b>Financial liabilities measured at amortized cost</b>					
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	-	-	-	-
<b>Subtotal</b>	5,987,527	-	1,737,686	-	1,737,686
<b>Total</b>	<b>\$ 5,991,288</b>	<b>-</b>	<b>1,741,447</b>	<b>-</b>	<b>1,741,447</b>

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.

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**Swancor Holding Company Limited and subsidiaries**  
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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 in 2023 and 2022.

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)
Balance at January 1, 2023	\$ 665,904	25,031
Recognized in profit or loss	733,152	-
Disposal	(1,399,056)	-
Purchased	-	80,000
Balance at December 31, 2023	<u>\$ -</u>	<u>105,031</u>
Balance at January 1, 2022	\$ 664,094	25,031
Recognized in profit or loss	1,810	-
Balance at December 31, 2022	<u>\$ 665,904</u>	<u>25,031</u>

The Group disposed financial assets mandatorily measured at fair value through profit or loss in 2023, please refer to note 6(b).

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- 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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss - equity investments without an active market- Synera Renewable Energy	Discounted Cash Flow Method	<ul style="list-style-type: none"> <li>Cost of equity Ratio (As of December 31, 2022 were 9.12% )</li> <li>Lack of marketability (As of December 31, 2022 were 19% )</li> </ul>	<ul style="list-style-type: none"> <li>the higher the Cost of equity Ratio, the higher the fair value</li> <li>the higher the lack of marketability discount, the lower the fair value</li> </ul>
Financial assets measured at fair value through profit or loss- equity investments without an active market-F I Internationall	Discounted Cash Flow Method	<ul style="list-style-type: none"> <li>Cost of equity Ratio (As of December 31, 2022 were 9.12% )</li> <li>Lack of marketability (As of December 31, 2022 were 19%)</li> </ul>	<ul style="list-style-type: none"> <li>the higher the Cost of equity Ratio, the higher the fair value</li> <li>the higher the lack of marketability discount, the lower the fair value</li> </ul>
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"> <li>Price-Book Ratio (As of December 31, 2023 and 2022 were 1.59~2.06 and 2.02~2.42, respectively)</li> <li>Price-to-Sales Ratio (As of December 31, 2023 and 2022 were 0.59~1.48 and 0.63~1.58, respectively)</li> <li>Lack of marketability discount (As of December 31, 2023 and 2022 were all 35%, respectively)</li> </ul>	<ul style="list-style-type: none"> <li>the higher the Price-Book Ratio, the higher the fair value</li> <li>the higher the Price-to-Sales Ratio, the higher the fair value</li> <li>the higher the lack of marketability discount, the lower the fair value</li> </ul>

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<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market-Yang Bao Enterprise Co., Ltd.	Public company comparable	<ul style="list-style-type: none"> <li>• Price-Book Ratio (As of December 31, 2023 was 3.19)</li> <li>• Price-to-Sales Ratio (As of December 31, 2023 was 4.14)</li> <li>• Lack of marketability discount (As of December 31, 2023 was 35%)</li> </ul>	<ul style="list-style-type: none"> <li>• the higher the Price-Book Ratio, the higher the fair value</li> <li>• the higher the Price-to-Sales Ratio, the higher the fair value</li> <li>• the higher the lack of marketability discount, the lower the fair value</li> </ul>

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>Profit or loss</u>		<u>Other comprehensive income</u>	
	<u>Input value</u>	<u>Change up or down</u>	<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2023</b>						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	105,031	0.5%	-	-	525	(525)
			<u>Profit or loss</u>		<u>Other comprehensive income</u>	
	<u>Input value</u>	<u>Change up or down</u>	<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2022</b>						
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)

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.

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(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.

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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.

3) 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, 2023, and 2022, the Group's unused short term and long-term bank facilities amounted to \$5,662,726 thousand and \$3,353,425 thousand, respectively.

(iv) 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.

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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, 2023, 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, 2023, and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 5,607,670	6,326,628
Less: cash and cash equivalents	<u>3,065,552</u>	<u>2,527,070</u>
Net debt	2,542,118	3,799,558
Total equity	<u>8,665,401</u>	<u>7,947,467</u>
Adjusted equity	<u><b>\$ 11,207,519</b></u>	<u><b>11,747,025</b></u>
Debt-to-equity ratio	<u><b>23%</b></u>	<u><b>32%</b></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, 2023 and 2022, 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:

	January 1, 2023	Cash flows	Increase (Decrease)	Foreign exchange movement	Amortization	Transferred shares and Capital surplus	December 31, 2023
Short-term borrowings	\$ 1,294,674	(863,869)	-	-	-	-	430,805
Long-term borrowings (including current portion)	534,549	(97,679)	-	(521)	1,443	-	437,792
Other loans (including deferred income)	88,775	8,670	-	(1,361)	(3,945)	-	92,139
Lease liabilities (including current portion)	34,751	(15,314)	12,732	(191)	-	-	31,978
Bonds payable	<u>1,502,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,648</u>	<u>(95)</u>	<u>1,516,598</u>
Total liabilities from financing activities	<u><b>\$ 3,454,794</b></u>	<u><b>(968,192)</b></u>	<u><b>12,732</b></u>	<u><b>(2,073)</b></u>	<u><b>12,146</b></u>	<u><b>(95)</b></u>	<u><b>2,509,312</b></u>

(Continued)

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

	January 1, 2022	Cash flows	Non-cash changes				December 31, 2022
			Increase (Decrease)	Foreign exchange movement	Amortization	Acquired in acquisition of the subsidiary	
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	1,900,906	-	(416,081)	-	17,220	-	1,502,045
Total liabilities from financing activities	<u>\$ 4,600,583</u>	<u>(896,302)</u>	<u>(396,501)</u>	<u>1,700</u>	<u>15,571</u>	<u>129,743</u>	<u>3,454,794</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 Company
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, Wong	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 were as follows:

	<u>2023</u>	<u>2022</u>
Associates-Meijia New Materials	<u>\$ 262,429</u>	<u>218,107</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:

<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Director of the subsidiary— Wan-Cong, Wong	\$ 1,421	1,421
Relative within second degree of relationship of director of the subsidiary— Qian-Xiu, Wong	2,459	2,459
Relative within second degree of relationship of director of the subsidiary— Yun-Zhe, Wong	717	717
Relative within first degree of relationship of director of the subsidiary— Qian-Long, Wong	403	403
	<b><u>\$ 5,000</u></b>	<b><u>5,000</u></b>

The Group obtained other payables to related parties due to the acquisition of the subsidiary in 2022, please refer to note 6(h). The Group's borrowings from related parties were interest-free and unsecured.

(iii) Other transaction

The Group's labor expense due to related party provide legal advisory services (accounting operating expense) were as follows:

	<b>2023</b>	<b>2022</b>
Director of the company— Pan-Jiang, Yang	<b><u>\$ -</u></b>	<b><u>90</u></b>

(iv) Payable from Related Parties

The payable from associate were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts payable	Associate - Meijia New Materials	<b><u>\$ 86,394</u></b>	<b><u>4,318</u></b>

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised the following details:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 29,881	47,262
Post-employment benefits	1,026	738
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>\$ 30,907</b>	<b>48,000</b>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land	Bank loans	\$ 540,921	540,921
Buildings	Bank loans	621,095	151,263
Right-of-use asset	Bank loans	153,968	160,608
Restricted bank deposit (other financial assets-current)	Bank's acceptance bill, forward exchange contract and L/C and bank guarantee	53,508	156,070
Restricted bank deposit (other non-current assets)	Guarantee letter of convertible bond and bank loans	1,000	4,200
		<b>\$ 1,370,492</b>	<b>1,013,062</b>

**(9) Significant commitments and contingencies:**

(a) Unrecognized contractual commitments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Acquisition of property, plant and equipment	<b>\$ 257,498</b>	<b>493,913</b>

(b) Outstanding standby letter of credit

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Outstanding standby letter of credit	<b>\$ 115,997</b>	<b>87,704</b>

(c) Contingencies: None.

(d) Other: None.

(Continued)

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

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

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

<b>By function</b>	<b>2023</b>			<b>2022</b>		
	<b>Cost of sales</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Cost of sales</b>	<b>Operating expenses</b>	<b>Total</b>
<b>By item</b>						
Employee benefits						
Salary	154,018	324,642	478,660	162,036	358,328	520,364
Labor and health insurance	15,481	28,023	43,504	14,898	25,088	39,986
Pension	13,371	26,688	40,059	14,892	25,207	40,099
Others	7,541	6,152	13,693	8,492	5,700	14,192
Depreciation	169,194	85,413	254,607	162,507	88,855	251,362
Amortization	-	11,954	11,954	31	10,925	10,956

(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	Other receivables	Yes	RMB16,000 USD2,000 130,970	RMB16,000 69,363	RMB14,400 62,427	4%	2	-	Operating purpose	-	-	-	2,944,307 (Note 1)	2,944,307 (Note 2)
0	Swancor Holding	Sunwell Carbon Fiber Composite	Other receivables	Yes	120,000	-	-	-	2	-	Operating purpose	-	-	-	1,104,115 (Note 1)	2,944,307 (Note 2)
1	Sunwell Carbon Fiber Composite	Sunwell (Jiangsu) Carbon Fiber Composites	Other receivables	Yes	RMB15,630 67,760	RMB15,000 65,028	RMB15,000 65,028	3.9	2	-	Operating purpose	-	-	-	99,608 (Note 3)	265,622 (Note 3)
2	Swancor Highpolymer	Swancor Ind(M)	Other receivables	Yes	USD4,072 125,020	USD2,500 76,763	USD2,000 61,410	5.30%	2	-	Operating purpose	-	-	-	173,756 (Note 4)	463,349 (Note 4)

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 Sunwell Carbon Fiber Composite, the amount of endorsements and/or guarantees shall not exceed 15% of Sunwell Carbon Fiber Composites' net worth. The total amount of endorsements and/or guarantees shall not exceed 40% of Sunwell Carbon Fiber Composites' net worth.

Note4 : According to the “Procedure for Loaning of Funds and Endorsements and Guarantees” issued by Swancor Highpolymer, the amount of endorsements and/or guarantees shall not exceed 15% of Swancor Highpolymer's net worth. The total amount of endorsements and/or guarantees shall not exceed 40% of Swancor Highpolymer's net worth.

Note5 : For the purpose of lending, the numbering is classified as follows:

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

(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	3,680,384	180,000	180,000	28,000	-	2.45%	7,360,767	Y	N	N
0	Swancor Holding	Sunwell (Jiangsu) Carbon Fiber Composites	2	3,680,384	854,931	375,278	214,159	-	5.10%	7,360,767	Y	N	Y
0	Swancor Holding	Yang-Bao	1	736,077	80,000	80,000	80,000	80,000	1.09%	7,360,767	N	N	N
1	Swancor Highpolymer	Swancor Ind(M)	1	579,187	258,160	122,820	-	-	10.60%	1,158,373	N	N	N
2	Swancor Advanced Materials	Swancor (Jiangsu)	2	1,576,543	888,716	888,716	-	-	16.91%	2,627,572	N	N	Y
2	Swancor Advanced Materials	Swancor (Tianjin)	2	1,576,543	1,110,700	992,978	51,844	-	18.90%	2,627,572	N	N	Y
2	Swancor Advanced Materials	Swancor Ind(M)	2	1,576,543	81,866	78,134	325	-	1.49%	2,627,572	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 : The amount of endorsements and/or guarantees to other parties shall not exceed 10% of the Company's net worth. The total amount of endorsements and/or guarantees to other parties shall not exceed 100% of the Company's net worth.

Note3 : According to the "Procedure for Loaning of Funds and Endorsements and Guarantees" issued by Swancor Advanced Materials, the amount of endorsements and/or guarantees shall not exceed 30% of Swancor Advanced Materials' net worth. The total amount of endorsements and/or guarantees shall not exceed 50% of Swancor Advanced Materials' net worth.

Note4 : According to the "Procedure for Loaning of Funds and Endorsements and Guarantees" issued by Swancor Highpolymer, the amount of endorsements and/or guarantees shall not exceed 50% of Swancor Highpolymer's net worth. The total amount of endorsements and/or guarantees shall not exceed 100% of Swancor Highpolymer's net worth.

Note5 : 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 were not included):

(In Thousands of New Taiwan Dollars)

Name of holder	Name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Swancor Holding	Stock – China Communications Media Group Co., Ltd.		Financial assets at fair value through profit or loss-current	10	46	0.04%	46	
Swancor Holding	Stock- Tsang Yow Industrial Co., Ltd.		Financial assets at fair value through profit or loss-current	26	855	0.03%	855	
Swancor Holding	Stock – Aero Win Technology Corporation		Financial assets at fair value through profit or loss-current	12	566	0.02%	566	
Swancor Holding	Stock – Koan Hau Technology Co., Ltd.		Financial assets at fair value through profit or loss-current	68	1,119	0.09%	1,119	
Swancor Holding	Stock - Yang Bao		Financial assets at fair value through other comprehensive income - non-current	2,000	80,000	2.92%	80,000	
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	
Swancor Holding	Special Stock – WT Microelectronics Co., Ltd.		Financial assets at fair value through other comprehensive income-non-current	1,000	45,650	0.10%	45,650	
Swancor Holding	Stock – Promix Composites, Inc.		Financial assets at fair value through other comprehensive income-non-current	1,500	-	10.00%	-	
Swancor Holding	Stock- Ideal Star International Corp.		Financial assets at fair value through other comprehensive income-non-current	500,000	-	10.00%	-	
Swancor Holding	Stock- Dell International LLC		Financial assets at fair value through other comprehensive income-non-current	-	6,311	- %	6,311	
Swancor Holding	Bonds-Citigroup Inc.		Financial assets at fair value through other comprehensive income-non-current	-	8,569	- %	8,569	
Swancor Holding	Bonds-AT & T Corporation		Financial assets at fair value through other comprehensive income-non-current	-	6,643	- %	6,643	
Swancor Holding	Stock- British Petroleum		Financial assets at fair value through other comprehensive income-non-current	-	5,338	- %	5,338	
Swancor Holding	Bonds-Hewlett Packard Company		Financial assets at fair value through other comprehensive income-non-current	-	5,243	- %	5,243	
Swancor Holding	Bonds-Saudi Aramco		Financial assets at fair value through other comprehensive income-non-current	-	15,432	- %	15,432	
Swancor Holding	Bonds-Standard & Poor's		Financial assets at fair value through other comprehensive income-non-current	-	9,174	- %	9,174	
Swancor Holding	Bonds-POSCO		Financial assets at fair value through other comprehensive income-non-current	-	14,168	- %	14,168	
Swancor Holding	Bonds-Macquarie Group Limited		Financial assets at fair value through other comprehensive income-non-current	-	5,894	- %	5,894	
Swancor Holding	Bonds-GLE		Financial assets at fair value through other comprehensive income-non-current	-	12,213	- %	12,213	
Swancor Holding	Bonds-Goldmon		Financial assets at fair value through other comprehensive income-non-current	-	6,250	- %	6,250	
Swancor Holding	Bonds-Ford		Financial assets at fair value through other comprehensive income-non-current	-	6,447	- %	6,447	

(Continued)



# SWANCOR HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Swancor Holding	Formosa I International Investment Co., Ltd.	Financial assets at fair value	STONEPEAK VETTEL HOLDINGS COMPANY LIMITED	none	45,246	453,000	-	-	45,246	1,142,252	453,000	689,252	-	-
Swancor Holding	Swancor Holding	Financial assets at fair value	Stonpeak Oceanview Taiwan Co., Ltd.	none	25,127	212,904	-	-	25,127	256,804	212,904	43,900	-	-

- (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	2020.11.20~2023.12.31	1,003,831	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.

- (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 (Jiangsu)	Swancor Advanced Materials	Direct of indirect subsidiaries of the Company	(Sales)	(1,684,958)	(23.10) %	90 day	Note 1	No difference	569,078	18.47 %	
Swancor Advanced Materials	Swancor (Jiangsu)	Direct of indirect subsidiaries of the Company	Purchases	1,684,958	32.52 %	90 day	Note 1	No difference	(569,078)	(25.32) %	
Swancor (Jiangsu)	Swancor (Tianjin)	Direct of indirect subsidiaries of the Company	(Sales)	(229,837)	(3.15) %	90 day	Note 1	No difference	92,385	3.00 %	
Swancor (Tianjin)	Swancor (Jiangsu)	Direct of indirect subsidiaries of the Company	Purchases	229,837	4.44 %	90 day	Note 1	No difference	(92,385)	(4.11) %	
Swancor (Jiangsu)	Meisia New Materials	Direct of indirect subsidiaries of the Company	Purchases	262,429	5.06 %	30~120 day	-	No difference	(86,394)	(3.84) %	
Meijia New Materials	Swancor (Jiangsu)	Associate of the subsidiary	(Sales)	(262,429)	(3.60) %	30~120 day	-	No difference	86,394	2.80 %	

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	569,078	4.53	-	-	-	-

- (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 nine months ended December 31, 2023:

(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 (Jiangsu)	Swancor Advanced Materials	3	Sales	1,684,958	The sales prices and payment terms were same as those of sales to third parties.	23.10%
2	Swancor Advanced Materials	Swancor (Jiangsu)	3	Purchases	1,684,958	The sales prices and payment terms were same as those of sales to third parties.	23.10%
3	Swancor(Jiangsu)	Swancor(Tianjin)	3	Sales	229,837	The sales prices and payment terms were same as those of sales to third parties.	3.15%
4	Swancor(Tianjin)	Swancor(Jiangsu)	3	Purchases	229,837	The sales prices and payment terms were same as those of sales to third parties.	3.15%

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 form the parent 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) :

(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, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	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%	573,358	(26,389)	(22,805)	
Swancor Holding	Strategic	Samoa	Investing and holding	USD 9,601,317,780	USD 9,601,317,780	9,601	100.00%	4,048,248	USD7,833,244,204	244,204	
Swancor Holding	Swancor Innovation & Incubation	R.O.C.	Management consulting	210,000	210,000	21,000	100.00%	102,058	(33,969)	(33,969)	
Swancor Holding	S-Wanlai	R.O.C.	Chemical products manufacturing and processing	200,000	200,000	20,000	100.00%	336,894	(17,284)	(17,284)	
Strategic	Swancor	Samoa	Investing and holding	USD 7,100,233,692	USD 7,100,233,692	7,100	100.00%	USD 107,670,3,306,003	USD 6,319,196,996	USD 6,319,196,996	
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 320,866,1,391,022	RMB 53,992,238,883	RMB 53,992,238,883	
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 59,036,231,928	HKD 7,383,29,406	HKD 7,383,29,406	
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%	HKD294,856,1,158,373	HKD59,405,236,593	HKD59,405,236,593	
Sunwell Carbon Fiber Composite	COTECH	R.O.C.	Producing and selling carbon composites	130,000	130,000	130,000	80.82%	130,000	(18,576)	-	

(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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	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 10,105 315,044	79.23%	79.23%	USD 8,006 249,609	USD 136,002 4,175,930	RMB 137,866 615,142
Wuxi Rongmai Engineering Plastic Co., Ltd.	Producing Engineering plastic used in electronic, electrical engineering and automotive industry	USD 2,100 64,806	Indirectly owned by the company(Note1)	USD 250 8,098	-	-	USD 250 8,098	-	10.00%	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 (13,852) (61,286)	79.23%	79.23%	RMB (10,975) (48,557)	RMB 182,333 790,450	-
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 15,604 69,039	79.23%	79.23%	RMB 12,363 54,700	RMB 147,149 637,923	-
Meijia New Materials	Producing and selling of powder coating and epoxy resin	RMB 210,000 913,290	Indirectly owned by the company	-	-	-	-	RMB (22,175) (98,112)	18.86%	18.86%	RMB (4,182) (18,504)	RMB 161,137 698,562	-
Sunwell (Jiangsu) Carbon Fiber Composites	Producing and selling carbon composites	USD 19,000 611,313	Indirectly owned by the company	USD 15,940 512,237	-	-	USD 15,940 512,237	RMB (16,965) (75,059)	72.50%	72.50%	RMB (12,300) (54,419)	343,186	-
Shandong Longneng	Recycling of renewable resources	RMB 10,239 45,301	Indirectly owned by the company	-	-	-	-	RMB (62) (273)	43.58%	43.58%	RMB(34) (150)	RMB3,631 15,743	-
Swancor Recycling	Producing and selling recycled carbon fiber and glass fiber	USD5,000 157,150	Directly owned by the company	-	USD 5,000 157,150	-	USD5,000 157,150	RMB(124) (549)	100.00%	100.00%	RMB(124) (549)	153,635	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD7,282	USD 94,531 2,858,077	5,199,241

Note1 : Invested by Ideal Star

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

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

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

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

(iii) Significant transactions:

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

(d) Major shareholders

Shareholding		
Shareholder's name	Shares	Percentage
Tsai's Family Holding Co., Ltd.	19,313,658	19.59%

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

**(14) Segment information:**

Information about reportable segments was the same as that of the consolidated financial report. Please refer to the consolidated balance sheets and statement of comprehensive income.

**(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:

<b>Product and services</b>	<b>2023</b>	<b>2022</b>
Anti-corrosion material	\$ 3,113,269	3,158,719
Green energy material	2,303,468	4,363,861
Recycling material	56,697	-
Others	1,821,379	2,248,874
<b>Total</b>	<b>\$ 7,294,813</b>	<b>9,771,454</b>

(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.

<b>Geographical information</b>	<b>2023</b>	<b>2022</b>
Revenue from external customers:		
Taiwan	\$ 1,296,868	1,007,594
China	3,855,949	5,816,167
Other countries	2,141,996	2,947,693
	<b><u>\$ 7,294,813</u></b>	<b><u>9,771,454</u></b>
	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>2023</u></b>	<b><u>2022</u></b>
Non-current assets :		
Taiwan	\$ 2,596,837	2,130,756
China	1,553,571	1,520,931
Other countries	175,155	190,643
	<b><u>\$ 4,325,563</u></b>	<b><u>3,842,330</u></b>

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 and deferred tax assets.

(e) Major Customers

Sales to individual customers representing greater than 10% of the revenue were as follows:

	<b>2023</b>	<b>2022</b>
customer (A) of composite material division	\$ (Note)	1,311,449
customer (B) of composite material division	790,383	(Note)
	<b><u>\$ 790,383</u></b>	<b><u>1,311,449</u></b>

Note: The amount of sales does not exceed 10% will not be disclosure.

(Continued)

V. The Company's individual financial statement Audited and Certified by CPAs in the Most Recent Year

## **Independent Auditors' Report**

To the Board of Directors of Swancor Holding Company Limited:

### **Opinion**

We have audited the financial statements of Swancor Holding Company Limited ("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Evaluation of investments accounted for using the equity method

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

Description of key audit matter:

The investments in its subsidiaries accounted for using the equity method constitute 56% of the total assets of the Company and the amount is material. As a result, the evaluation of investments accounted for using the equity method is our key audit matters.

How the matter was addressed in our audit:

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 parent company only financial statements.

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

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

4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method in order to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 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 11, 2024

#### **Notes to Readers**

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

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



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

**Swancor Holding Company Limited**

**Balance Sheets**

**December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

		<u>December 31, 2023</u>		<u>December 31, 2022</u>				<u>December 31, 2023</u>		<u>December 31, 2022</u>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 941,881	10	1,359,458	16	2120	Current financial liabilities at fair value through profit or loss (note 6(b) and (n))	\$ 436	-	3,208	-
1110	Current financial assets at fair value through profit or loss (note 6(b) )	2,586	-	2,051	-	2200	Other payables (note 6(l) and (p))	132,146	2	104,117	1
1200	Other receivables (note 6(d))	3,452	-	2,051	-	2230	Current tax liabilities	129,920	1	58,799	1
1210	Other receivables from related parties (note 6(d) and 7)	65,624	1	68,221	1	2399	Other current liabilities, others (note 6(l))	320	-	523	-
1410	Prepayments	53,016	-	32,876	-	2321	Bonds payable, current portion (note 6(n) and 8)	1,516,598	16	-	-
1479	Other current assets (note 6(k) and 8)	1,945	-	1,665	-	2280	Current lease liabilities (note 6(o))	2,116	-	351	-
1476	Other current financial assets (note 6(k) and 8)	896,000	10	1,000	-		<b>Total current liabilities</b>	1,781,536	19	166,998	2
	<b>Total current assets</b>	1,964,504	21	1,467,322	17		<b>Non-Current liabilities:</b>				
<b>Non-current assets:</b>						2530	Bonds payable (note 6(n) and 8)	-	-	1,502,045	17
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	-	-	665,904	8	2540	Long-term borrowings (note 6(m) and 8)	191,220	2	203,515	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	252,363	3	109,662	2	2570	Deferred income tax liabilities (note 6(q))	34,996	-	54,903	1
1550	Investments accounted for using equity method (note 6(e))	5,214,823	56	4,826,532	56	2670	Other non-current liabilities, others (note 6(l))	738	-	591	-
1600	Property, plant and equipment (note 6(h) and 8)	1,882,221	20	1,476,779	17	2580	Non-current lease liabilities (note 6(o))	172	-	-	-
1755	Right-of-use assets (note 6(i) and 8)	2,312	-	343	-		<b>Total non-current liabilities</b>	227,126	2	1,761,054	20
1780	Intangible assets (note 6(j))	1,174	-	1,955	-		<b>Total liabilities</b>	2,008,662	21	1,928,052	22
1840	Deferred tax assets (note 6(q))	15,561	-	21,663	-		<b>Equity (note 6(r)):</b>				
1990	Other non-current assets, others (note 6(k))	36,471	-	16,107	-	3100	Ordinary shares	985,601	11	981,311	12
	<b>Total non-current assets</b>	7,404,925	79	7,118,945	83	3200	Capital surplus (note 6(n))	3,570,421	38	3,533,803	41
						3300	Retained earnings	3,307,547	36	2,538,139	30
						3400	Other equity	(455,501)	(5)	(347,737)	(4)
						3500	Treasury shares	(47,301)	(1)	(47,301)	(1)
							<b>Total equity</b>	7,360,767	79	6,658,215	78
<b>Total assets</b>		<b>\$ 9,369,429</b>	<b>100</b>	<b>8,586,267</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 9,369,429</b>	<b>100</b>	<b>8,586,267</b>	<b>100</b>

See accompanying notes to parent company only financial statements.

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

**Swancor Holding Company Limited**

**Statements of Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenues</b> (note 6(b), (c) and (u))	\$ 171,646	100	362,993	100
5000	<b>Operating costs</b>	-	-	-	-
	<b>Gross profit from operations</b>	171,646	100	362,993	100
	<b>Operating expenses</b> (note 6(j), (q), (v) and 7):				
6200	Administrative expenses	80,323	47	109,205	30
6300	Research and development expenses	404	-	1,981	-
		80,727	47	111,186	30
	<b>Net operating income</b>	90,919	53	251,807	70
	<b>Non-operating income and expenses</b> (note 6(w)):				
7100	Interest income (note 7)	36,898	21	19,380	5
7010	Other income and expenses (note 7)	23,491	14	38,694	11
7020	Other gains and losses (note 6(n))	1,188,087	692	705,675	194
7050	Finance Costs (note 6(n) and (o))	(7,256)	(4)	(15,832)	(4)
		1,241,220	723	747,917	206
	<b>Profit before income tax</b>	1,332,139	776	999,724	276
7950	Income tax expenses (note 6(q))	75,640	44	96,571	27
	<b>Profit</b>	1,256,499	732	903,153	249
8300	<b>Other comprehensive income</b> (note 6(r)):				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(70,767)	(41)	53,910	15
8367	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income	449	-	(10,280)	(3)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(70,318)	(41)	43,630	12
8300	<b>Other comprehensive income for the year, net of tax</b>	(70,318)	(41)	43,630	12
	<b>Total comprehensive income for the year, net of tax</b>	<b>\$ 1,186,181</b>	<b>691</b>	<b>946,783</b>	<b>261</b>
	<b>Earnings per share (NT Dollars)</b> (note 6(u))				
9750	<b>Basic earnings per share</b>	<b>\$ 12.88</b>		<b>9.48</b>	
9850	<b>Diluted earnings per share</b>	<b>\$ 11.04</b>		<b>8.07</b>	

See accompanying notes to parent company only financial statements.

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

**Swancor Holding Company Limited**

**Statements of Changes in Equity**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	Total	Treasury shares	Total equity
<b>Balance at January 1, 2022</b>	\$ 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
Profit for the year	-	-	-	-	903,153	903,153	-	-	-	-	-	903,153
Other comprehensive income for the year	-	-	-	-	-	-	53,910	(10,280)	-	43,630	-	43,630
Total comprehensive income for the year	-	-	-	-	903,153	903,153	53,910	(10,280)	-	43,630	-	946,783
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)
Conversion of convertible bonds	46,265	369,564	-	-	-	-	-	-	-	-	-	415,829
Share-based payments	-	2,699	-	-	-	-	-	-	-	-	-	2,699
<b>Balance at December 31, 2022</b>	<b>\$ 981,311</b>	<b>3,533,803</b>	<b>292,074</b>	<b>391,367</b>	<b>1,854,698</b>	<b>2,538,139</b>	<b>(333,092)</b>	<b>(14,645)</b>	<b>-</b>	<b>(347,737)</b>	<b>(47,301)</b>	<b>6,658,215</b>
<b>Balance at January 1, 2023</b>	\$ 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
Profit for the year	-	-	-	-	1,256,499	1,256,499	-	-	-	-	-	1,256,499
Other comprehensive income for the year	-	-	-	-	-	-	(70,767)	449	-	(70,318)	-	(70,318)
Total comprehensive income for the year	-	-	-	-	1,256,499	1,256,499	(70,767)	449	-	(70,318)	-	1,186,181
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	90,315	-	(90,315)	-	-	-	-	-	-	-
Special reserve	-	-	-	(43,630)	43,630	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(487,091)	(487,091)	-	-	-	-	-	(487,091)
Conversion of convertible bonds	11	84	-	-	-	-	-	-	-	-	-	95
Issuance of restricted employee stock	4,279	33,167	-	-	-	-	-	-	(37,446)	(37,446)	-	-
Changes in ownership interests in subsidiaries	-	522	-	-	-	-	-	-	-	-	-	522
Share-based payments	-	2,845	-	-	-	-	-	-	-	-	-	2,845
<b>Balance at December 31, 2023</b>	<b>\$ 985,601</b>	<b>3,570,421</b>	<b>382,389</b>	<b>347,737</b>	<b>2,577,421</b>	<b>3,307,547</b>	<b>(403,859)</b>	<b>(14,196)</b>	<b>(37,446)</b>	<b>(455,501)</b>	<b>(47,301)</b>	<b>7,360,767</b>

See accompanying notes to parent company only financial statements.

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

**Swancor Holding Company Limited**

**Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 1,332,139	999,724
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expenses	12,171	12,723
Amortization expenses	781	2,238
Interest expense	7,256	15,832
Interest income	(36,898)	(19,380)
Dividend income	(2,049)	(65,224)
Net gains on financial assets or liabilities at fair value through profit or loss	(1,207,475)	(648,691)
Share of profit of associates and joint ventures accounted for using equity method	(169,597)	(297,769)
Gain on disposal of property, plant and equipment	(7,296)	(7,311)
Gain on disposal of intangible assets	(912)	(912)
Decrease in cash surrender value of life insurance	-	(11,683)
Other adjustments to reconcile profit	-	(4,449)
<b>Total adjustments to reconcile loss</b>	<u>(1,404,019)</u>	<u>(1,024,626)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in other receivables	(790)	(84)
Decrease in other receivables due from related parties	2,597	162,957
Increase in prepayments	(20,140)	(19,415)
(Increase) decrease in other financial assets	(895,000)	400,029
Increase in other operating assets	(1,736)	(230)
<b>Total changes in operating assets</b>	<u>(915,069)</u>	<u>543,257</u>
<b>Changes in operating liabilities:</b>		
Increase in other payables	43,313	78,534
Decrease (increase) in other operating liabilities	(203)	387
<b>Total changes in operating liabilities</b>	<u>43,110</u>	<u>78,921</u>
<b>Total adjustments</b>	<u>(2,275,978)</u>	<u>(402,448)</u>
Cash (outflow) inflow generated from operations	(943,839)	597,276
Dividends received	31,313	65,224
Interest received	36,536	18,360
Interest paid	(7,892)	(16,155)
Income taxes paid	(18,324)	(63,770)
<b>Net cash flows (used in) from operating activities</b>	<u>(902,206)</u>	<u>600,935</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	1,870,118	609,020
Acquisition of financial assets at fair value through other comprehensive income	(148,719)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,172	-
Acquisition of investments accounted for using the equity method	(307,150)	(400,000)
Acquisition of property, plant and equipment	(415,368)	(419,739)
Increase in refundable deposits	(1,123)	-
Acquisition of intangible assets	-	(397)
Increase in prepayments for business facilities	(17,785)	(13,469)
Proceeds from disposal of cash surrender value of life insurance	-	68,023
<b>Net cash flow from (used in) investing activities</b>	<u>986,145</u>	<u>(156,562)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	-	330,000
Decrease in short-term borrowings	-	(830,000)
Repayments of long-term borrowings	(12,295)	(10,000)
Increase in guarantee deposits received	147	8
Repayments of lease liabilities	(2,277)	(2,528)
Cash dividends paid	(487,091)	(139,187)
<b>Net cash flow used in financing activities</b>	<u>(501,516)</u>	<u>(651,707)</u>
<b>Net decrease in cash and cash equivalents</b>	(417,577)	(207,334)
<b>Cash and cash equivalents at beginning of period</b>	1,359,458	1,566,792
<b>Cash and cash equivalents at end of period</b>	<u>\$ 941,881</u>	<u>1,359,458</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**Swancor Holding Company Limited**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

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

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

The accompanying parent company only financial statements were authorized for issuance by the Board of Directors on March 11, 2024

**(3) New standards, amendments and interpretations adopted:**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- 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”

The Company has initially adopted the following new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

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

The Company 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 financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material policies**

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value.
- 3) Cash-settled share-based payment liabilities are measured at fair value.

- (ii) Functional and presentation currency

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

- (c) Foreign currency

- (i) Foreign currency transaction

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

(Continued)

## **Swancor Holding Company Limited**

### **Notes to the Financial Statements**

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.

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

(Continued)



**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

The Company 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 trade receivable and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

(Continued)

## **Swancor Holding Company Limited**

### **Notes to the Financial Statements**

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 Company is exposed to credit risk.

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

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

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

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

5) Derecognition of financial assets

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

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

ii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Compound financial instruments

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

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

(Continued)

## Swancor Holding Company Limited

### Notes to the Financial Statements

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.

#### 6) Derecognition of financial liabilities

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

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

#### 7) Offsetting of financial assets and liabilities

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

#### (g) Investment in associates

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

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

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(h) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(i) Lease

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

(i) As a lease

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

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

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

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

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

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

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

(Continued)

## **Swancor Holding Company Limited**

### **Notes to the 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 Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss.

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

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

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

(ii) As a lessor

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

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

(j) Intangible assets

(i) Recognition and measurement

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 Company 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 Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)



**Swancor Holding Company Limited**  
**Notes to the 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.

(k) Impairment of non-financial assets

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

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

(l) Employee benefits

(i) Defined contribution plans

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

(Continued)

## **Swancor Holding Company Limited**

### **Notes to the 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 Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Share-based payment

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

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Company authorized the price and number of a new award.

(n) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;

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**Swancor Holding Company Limited**  
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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(o) Earnings per share

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

(p) Operating segments

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

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**Notes to the Financial Statements**

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

The preparation of the parent company only 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 recognized 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 parent company only financial statements is 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).

**(6) Explanation of significant accounts:**

- (a) Cash and Cash Equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Pretty cash and cash on hand	\$ 138	148
Demand deposits	116,968	222,502
Time deposits	824,775	1,136,808
Cash and cash equivalents in the statement of cash flow	<u><b>\$ 941,881</b></u>	<u><b>1,359,458</b></u>

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Financial assets mandatorily measured at fair value through profit or loss :</b>		
Non-derivative financial assets -		
Stocks listed on domestic markets	\$ 2,586	2,051
Stocks unlisted on domestic markets	-	665,904
Total	<u><b>\$ 2,586</b></u>	<u><b>667,955</b></u>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

	December 31, 2023	December 31, 2022
<b>Financial liabilities mandatorily measured at fair value through profit or loss :</b>		
Convertible corporate bonds - put options	\$ 436	3,208

During 2023 and 2022, the dividends of \$49 thousand and \$63,225 thousand, respectively, related to equity investments at fair value through profit or loss held on the years then ended, were recognized as operating revenues.

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 Investment Co., Ltd and completed the transaction in April 2023. The disposition price is USD40,000 thousand and deducted the agreed amounts. The Company had recognized gains (accounting other gains and losses) due to the disposal transactions of \$689,252 thousand, please refer to note 6(w).

A resolution was decided during the Board of Directors meeting held on August 8, 2023, determine to disposal of 5% of its share in Synera Renewable Energy Co., Ltd. and completed the transaction in October 2023. The disposition price is USD8,000 thousand and deducted the agreed amounts. The Company had recognized gains (accounting other gains and losses) due to the disposal transactions of \$43,900 thousand, please refer to note 6(w).

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

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

	December 31, 2023	December 31, 2022
<b>Debt investments at fair value through other comprehensive income :</b>		
Corporate bonds	\$ 101,682	36,881
<b>Equity investments at fair value through other comprehensive income :</b>		
Domestic on listed Company - WT Microelectronics Co., Ltd,	45,650	47,750
Domestic unlisted Company -Gigantex Composite Technologies Co., Ltd.	25,031	25,031
Domestic unlisted Company-Yang Bao Enterprise Co., Ltd.	80,000	-
Domestic unlisted Company - Promix Composites, Inc.	-	-
Domestic unlisted Company - Ideal Star International Corp.	-	-
Subtotal	150,681	72,781
Total	\$ 252,363	109,662

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(i) Debt investments at fair value through other comprehensive income

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

(ii) Equity investments at fair value through other comprehensive income

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2023 and 2022.

During 2023 and 2022, the dividends of \$ 2,000 thousand for each period, related to equity investments at fair value through other comprehensive income held on December 31, 2023 and 2022, were recognized as operating revenues.

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

The financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral as of December 31, 2023 and 2022.

(iii) The amounts of other comprehensive profit or loss which were recognized at fair value in 2023 and 2022 were \$449 thousand and \$(10,280) thousand, respectively.

(d) Other receivables (Including Related Parties)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other accounts receivable	\$ 3,452	2,051
Other accounts receivable—Related Parties	65,624	68,221
	<b><u>\$ 69,076</u></b>	<b><u>70,272</u></b>

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

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

(e) Investments accounted for using the equity method

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	<b><u>\$ 5,214,823</u></b>	<b><u>4,826,532</u></b>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(i) Subsidiaries

Please refer to the consolidated financial statements of the year 2023. In addition, please refer to note 6(u) for recognizing subsidiaries, share of loss of associates and joint ventures accounted for using the equity method of the year 2023 and 2022.

(ii) Collaterals

The investment accounted for using equity method of the Company had not been pledged as collaterals as of December 31, 2023 and 2022.

(f) Loss control of subsidiaries

The Company lost its control over Synera Renewable Energy due to the disposal of its 95% shares in it on October 24, 2019. Since the share price had fluctuated from \$717,721 thousand to \$2,959,604 thousand (USD23,019 thousand to USD94,920 thousand), the Company recognized a gain of \$482,054 thousand based on the most likely price of \$717,721 thousand and had received all in 2021.

The Company had recognized financial assets profit of \$471,062 thousand and \$646,591 thousand with the condition matched and had received all in 2023 and 2022, respectively.

The amount of \$1,835,374 thousand and \$1,599,707 thousand had been collected and recognized, respectively, due to the disposal transactions mentioned above as of December 31, 2023.

(g) 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:

	<b>2022</b>
Balance at January 1	\$ 56,340
Increase in cash value	11,683
Decrease in surrender value of life insurance	(68,023)
Balance at December 31	<u>\$ -</u>

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**Swancor Holding Company Limited**  
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(h) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Other Equipment</u>	<u>Construction in progress and prepayments for land</u>	<u>Total</u>
<b>Cost:</b>					
Balance at January 1, 2023	\$ 780,227	204,028	12,821	613,057	1,610,133
Additions	-	-	9,990	405,378	415,368
Reclassification	-	-	14,603	(14,603)	-
Balance at December 31, 2023	<u>\$ 780,227</u>	<u>204,028</u>	<u>37,414</u>	<u>1,003,832</u>	<u>2,025,501</u>
Balance at January 1, 2022	\$ 776,587	204,028	12,821	196,958	1,190,394
Additions	3,640	-	-	416,099	419,739
Balance at December 31, 2022	<u>\$ 780,227</u>	<u>204,028</u>	<u>12,821</u>	<u>613,057</u>	<u>1,610,133</u>
<b>Depreciation:</b>					
Balance at January 1, 2023	\$ -	122,775	10,579	-	133,354
Depreciation	-	9,063	863	-	9,926
Balance at December 31, 2023	<u>\$ -</u>	<u>131,838</u>	<u>11,442</u>	<u>-</u>	<u>143,280</u>
Balance at January 1, 2022	\$ -	113,576	9,533	-	123,109
Depreciation	-	9,199	1,046	-	10,245
Balance at December 31, 2022	<u>\$ -</u>	<u>122,775</u>	<u>10,579</u>	<u>-</u>	<u>133,354</u>
<b>Carrying amounts:</b>					
Balance at December 31, 2023	<u>\$ 780,227</u>	<u>72,190</u>	<u>25,972</u>	<u>1,003,832</u>	<u>1,882,221</u>
Balance at January 1, 2022	<u>\$ 776,587</u>	<u>90,452</u>	<u>3,288</u>	<u>196,958</u>	<u>1,067,285</u>
Balance at December 31, 2022	<u>\$ 780,227</u>	<u>81,253</u>	<u>2,242</u>	<u>613,057</u>	<u>1,476,779</u>

For the years ended December 31, 2023 and 2022, the amount of interest capitalization were \$11,026 thousand and \$7,458 thousand, respectively.

As of December 31, 2023 and 2022, property, plant and equipment pledged as collateral for bank loans are described in note 8.

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(i) Right-of-use assets

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

	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
<b>Costs:</b>			
Balance at January 1, 2023	\$ 5,457	2,466	7,923
Additions	3,396	818	4,214
Balance at December 31, 2023	<u>\$ 8,853</u>	<u>3,284</u>	<u>12,137</u>
Balance at December 31, 2022 (Balance at January 1, 2022)	<u>\$ 5,457</u>	<u>2,466</u>	<u>7,923</u>
<b>Depreciation:</b>			
Balance at January 1, 2023	\$ 5,457	2,123	7,580
Depreciation	1,698	547	2,245
Balance at December 31, 2023	<u>\$ 7,155</u>	<u>2,670</u>	<u>9,825</u>
Balance at January 1, 2022	\$ 3,801	1,301	5,102
Depreciation	1,656	822	2,478
Balance at December 31, 2022	<u>\$ 5,457</u>	<u>2,123</u>	<u>7,580</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2023	<u>\$ 1,698</u>	<u>614</u>	<u>2,312</u>
Balance at January 1, 2022	<u>\$ 1,656</u>	<u>1,165</u>	<u>2,821</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>343</u>	<u>343</u>

(j) Intangible Assets

The costs and amortization of intangible assets of the Company were as follows:

	<u>Technique</u>	<u>Computer software</u>	<u>Total</u>
<b>Costs:</b>			
Balance at December 31, 2023 (Balance at January 1, 2023)	<u>\$ 43,767</u>	<u>15,563</u>	<u>59,330</u>
Balance at January 1, 2022	\$ 43,767	15,142	58,909
Additions	-	397	397
Reclassification	-	24	24
Balance at December 31, 2022	<u>\$ 43,767</u>	<u>15,563</u>	<u>59,330</u>

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	<b>Technique</b>	<b>Computer software</b>	<b>Total</b>
<b>Amortization:</b>			
Balance at January 1, 2023	\$ 43,767	13,608	57,375
Amortization	-	781	781
Balance at December 31, 2023	<b>\$ 43,767</b>	<b>14,389</b>	<b>58,156</b>
Balance at January 1, 2022	\$ 42,267	12,870	55,137
Amortization	1,500	738	2,238
Balance at , 2022	<b>\$ 43,767</b>	<b>13,608</b>	<b>57,375</b>
<b>Carrying amounts:</b>			
Balance at December 31, 2023	<b>\$ -</b>	<b>1,174</b>	<b>1,174</b>
Balance at January 1, 2022	<b>\$ 1,500</b>	<b>2,272</b>	<b>3,772</b>
Balance at December 31, 2022	<b>\$ -</b>	<b>1,955</b>	<b>1,955</b>

- (i) For the years ended December 31, 2023 and 2022, the amortizations of intangible assets were included in the statement of comprehensive income:

	<b>2023</b>	<b>2022</b>
Operating expenses	<b>\$ 781</b>	<b>2,238</b>

- (ii) Disclosures on pledges

As of December 31, 2023 and 2022, the intangible assets of the Company had not been pledged as collateral.

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other current assets :		
Refundable deposits	\$ 1,448	1,448
Others-current	497	217
	<b>\$ 1,945</b>	<b>1,665</b>
Other non-current financial assets :		
Time deposits with maturities of more than three months	895,000	-
Restricted bank deposits	1,000	1,000
	<b>\$ 896,000</b>	<b>1,000</b>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other non-current assets :		
Refundable deposits	\$ 2,408	1,285
Prepayments for equipment	32,532	14,747
Others-non-current	1,531	75
	<b><u>\$ 36,471</u></b>	<b><u>16,107</u></b>

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

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

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other payables :		
Other payables-salary	\$ 56,439	65,720
Other payables-employee compensation	1,242	2,769
Other payables-director's remuneration	25,824	14,523
Payables on equipment	43,231	16,166
Other	5,410	4,939
	<b><u>\$ 132,146</u></b>	<b><u>104,117</u></b>
Other current liabilities :		
Receipts under custody	<b><u>\$ 320</u></b>	<b><u>523</u></b>
Other non-current liabilities :		
Receivable deposits	\$ 678	591
Liability for cash-settled arrangements	60	-
	<b><u>\$ 738</u></b>	<b><u>591</u></b>

(m) Long-term borrowings

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

<b>December 31, 2023</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	NTD	1.98%~2.225%	2026/3/25	<b><u>\$ 191,220</u></b>
Unused long-term credit line				<b><u>\$ 2,193,980</u></b>
<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	NTD	1.85%	2026/3/25	<b><u>\$ 203,515</u></b>
Unused long-term credit line				<b><u>\$ 291,000</u></b>

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

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(n) Bonds payable

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
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	(41,202)	(55,855)
Cumulative converted amount	(442,200)	(442,100)
Less : current portion	(1,516,598)	-
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>1,502,045</u>
Embedded derivative –put options, including financial liabilities at fair value through profit or loss	<u>\$ 436</u>	<u>3,208</u>
Equity component – conversion options, included in capital surplus – stock options	<u>\$ 167,600</u>	<u>167,610</u>
	<u>2023</u>	<u>2022</u>
Embedded derivative instruments – call and put rights, including net gain of evaluation in financial asset and liabilities	<u>\$ (2,772)</u>	<u>(244)</u>
Interest expense	<u>\$ 14,648</u>	<u>17,220</u>

(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. In 2023, the cash dividend was declared, resulting in an adjustment of the conversion price to \$92.7 per share from July 4, 2023.

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- 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:

<u>Items</u>	<u>Amount</u>
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.
  - 10) For the collateral for bonds payable, please refer to note 8.
- (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. In 2023, the cash dividend was declared, resulting in an adjustment of the conversion price to \$89.0 per share from July 4, 2023.

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- 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:

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

(o) Lease liabilities

The amounts of lease liabilities of the Company were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u><u>\$ 2,116</u></u>	<u><u>351</u></u>
Non-current	<u><u>\$ 172</u></u>	<u><u>-</u></u>

The amounts recognized in profit or loss were as follows:

	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u><u>\$ 33</u></u>	<u><u>34</u></u>
Expenses relating to short-term leases	<u><u>\$ 117</u></u>	<u><u>83</u></u>

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

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u><u>\$ 2,427</u></u>	<u><u>2,645</u></u>

(i) Real estate leases

As of December 31, 2023 and 2022, the Company 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 4 years. Some leases had not included an option to renew the lease for an additional period of the same

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duration after the end of the contract term.

(ii) Other leases

As of December 31, 2023 and 2022, the Company leases transportations for 3 years.

Furthermore, the Company leases trivial leases with lease terms of 1 to 3 year, these leases are short-term and leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Employee benefits

(i) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company 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 \$282 thousand and \$274 thousand for the years ended December 31, 2023 and 2022, respectively.

(ii) Short-term compensated absence

The short-term compensated absence for the years ended December 31, 2023 and 2022 were included in other payable with balance of \$1,394 thousand and \$1,289 thousand, respectively.

(q) Income taxes

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

	<b>2023</b>	<b>2022</b>
Current tax expense		
Current period	\$ 71,813	42,466
Adjustment for prior periods	(837)	87
Undistributed earnings additional tax	18,469	2,781
	<u>89,445</u>	<u>45,334</u>
Deferred tax expense		
Origination and reversal of temporary differences	(13,805)	51,237
Income tax expense	<u><b>\$ 75,640</b></u>	<u><b>96,571</b></u>

For the years ended December 31, 2023 and 2022, there were no income taxes recognized directly in equity and other comprehensive income.

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

Reconciliation of income tax and income before tax 2023 and 2022 were as follows.

	<b>2023</b>	<b>2022</b>
Profit excluding income tax	<b>\$ 1,332,139</b>	<b>999,724</b>
Income tax using the Company's domestic tax rate	\$ 266,428	199,945
Income tax impact of foreign operating entity surplus not expected to be repatriated	(14,123)	(17,889)
Share of profit of subsidiaries accounted for using the equity method-domestic	11,485	4,555
Adjustment in tax rate	(226,649)	(121,374)
Changes in provision in prior periods	(837)	87
Recognition of previously over-estimated deferred tax liabilities	(39,767)	-
Undistributed earnings additional tax	18,469	2,781
Income basic tax	60,634	28,466
Total	<b>\$ 75,640</b>	<b>96,571</b>

(ii) Deferred tax assets and liabilities

1) 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 December 31, 2023 and 2022. 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<b>\$ 2,643,114</b>	<b>2,571,952</b>
Unrecognized deferred tax liabilities	<b>\$ 528,623</b>	<b>514,390</b>

2) Recognized deferred tax assets and liabilities

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

**Deferred Tax Assets:**

	<b>Net loss of evaluation in financial asset and liabilities</b>	<b>Short-term compensated absence</b>	<b>Cash surrender value of life insurance</b>	<b>Unearned-gro ss sales from subsidiaries</b>	<b>Unrealized foreign exchange loss</b>	<b>Other</b>	<b>Total</b>
Balance at 1 January 2023	\$ 265	258	-	13,151	7,823	166	21,663
Recognized profit or loss	(265)	21	-	(1,642)	(4,216)	-	(6,102)
Balance at 31 December 2023	<b>\$ -</b>	<b>279</b>	<b>-</b>	<b>11,509</b>	<b>3,607</b>	<b>166</b>	<b>15,561</b>

(Continued)



**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

	Net loss of evaluation in financial asset and liabilities	Short-term compensated absence	Cash surrender value of life insurance	Unearned-gro ss sales from subsidiaries	Unrealized foreign exchange loss	Other	Total
Balance at 1 January 2022	\$ 685	390	820	14,795	1,141	166	17,997
Recognized profit or loss	(420)	(132)	(820)	(1,644)	6,682	-	3,666
Balance at 31 December 2022	<u>\$ 265</u>	<u>258</u>	<u>-</u>	<u>13,151</u>	<u>7,823</u>	<u>166</u>	<u>21,663</u>

**Deferred Tax Liabilities:**

	Net income of evaluation in financial asset and liabilities	Unrealized foreign exchange gain	Recognized foreign investment income in equity method	Total
Balance at 1 January 2023	\$ -	8,683	46,220	54,903
Recognized profit or loss	387	(8,683)	(11,611)	(19,907)
Balance at 31 December 2023	<u>\$ 387</u>	<u>-</u>	<u>34,609</u>	<u>34,996</u>
Balance at 1 January 2022	\$ -	-	-	-
Recognized profit or loss	-	8,683	46,220	54,903
Balance at 31 December 2022	<u>\$ -</u>	<u>8,683</u>	<u>46,220</u>	<u>54,903</u>

(iii) Assessment of tax

The Company's tax returns were assessed by the Taipei National Tax Administration to 2021.

(r) 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, 2023 and 2022, 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 98,560 thousand common shares and 98,131 thousand common shares for the years ended December 31, 2023 and 2022, respectively.

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

(in thousands of shares)	Ordinary Shares	
	2023	2022
Balance on January 1	98,131	93,505
Conversion to convertible corporate bonds	1	4,626
Issuance of restricted employee stock	428	-
Balance on December 31	<u>98,560</u>	<u>98,131</u>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(i) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Share capital	\$ 405,127	405,127
Premium on bonds conversion	956,906	956,812
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	1,070,506	1,067,139
Stock transfer (from retained earnings of Swancor)	780,337	780,337
Restricted of employee stock	33,167	-
Equity component of convertible bonds recognized in stock option	167,600	167,610
	<b><u>\$ 3,570,421</u></b>	<b><u>3,533,803</u></b>

- 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) According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase, by transferring capital surplus in excess of the par value, should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

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

(Continued)

## Swancor Holding Company Limited

### Notes to the Financial Statements

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 2022 and 2021 were decided during the Company's board meeting and the general meeting of the shareholders held on May 9, 2023 and May 31, 2022, respectively, as follows:

	<u>2022</u>	<u>2021</u>
Dividends distributed to ordinary shareholders		
Cash	<u>\$ 487,091</u>	<u>139,187</u>

Earnings distribution for 2023 were decided by the general meeting of the shareholders held on March 11, 2024 as follows:

	<u>2023</u>
Dividends distributed to ordinary shareholders	
Cash	<u>\$ 487,527</u>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the 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 2023 was as follows:

(in thousands of shares)

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

The movement of treasury stock for 2022 was as follows:

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

- 2) In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of December 31, 2019, the Company could repurchase no more than 7,849 thousand shares, with a total value of no more than \$2,790,383 thousand.
- 3) In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(iv) Other equity (net after tax)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Unearned compensation</b>	<b>Total</b>
Balance at 1 January 2023	\$ (333,092)	(14,645)	-	(347,737)
Exchange differences on foreign operations	(70,767)	-	-	(70,767)
Net change in fair value of investments in financial assets at FVTOCI	-	449	-	449
Issuance restricted of employee stock	-	-	(37,446)	(37,446)
Balance at 31 December 2023	<u>\$ (403,859)</u>	<u>(14,196)</u>	<u>(37,446)</u>	<u>(455,501)</u>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned compensation	Total
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>-</u>	<u>(347,737)</u>

(s) Share-based Payments

(i) Equity-settled share-based payment-resericted stock plan for employees

- 1) Details of the equity-settled share-based payment agreement of the Company was as follows:

Type of agreement	Grant date	Granted share (in thousand shares)	Contract Period	Conditions
Restricted employee stock option plan	2023.08.08	428	3 year	Employee's performance has reached the Company's performance standard

- 2) A resolution was decided during the board meeting of the Company held on May 29, 2023 to award 450 thousand new shares of restricted stock to employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On August 8, 2023, the board of directors resolved to issue 428 thousand shares, with the fair value on the grant date of \$87.5 per share.

Details of the restricted employee stock option was as follows:

	<u>2023</u>
	<u>Number of Shares (thousands)</u>
Outstanding at 1 January	-
Vested	<u>428</u>
Outstanding at 31 December	<u>428</u>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(ii) Cash-settled share-based payment plan-stock appreciation right plan

In November 2023, the Company executed a compensation plan to grant 17 thousand units of cash-settled stock appreciation right to qualified employees of the Company without consideration. One unit of stock appreciation right to employees represents a right to the intrinsic value of 0.5 common share of Company. Those employees who fulfill both service period and performance conditions set by the Company are gradually eligible to the vested stock appreciation right at certain percentage and time frame. For those employees who fail to fulfill the vesting conditions, the Company will withdraw their rights without consideration. During the vesting period, the holders of the stock appreciation right are not entitled the same rights as those of common stock holders of Company

1) Details of the cash-settled share-based payment agreement of the Company was as follows:

<b>Type of agreement</b>	<b>Grant date</b>	<b>Granted share (in thousand shares)</b>	<b>Contract Period</b>	<b>Conditions</b>
Stock appreciation right plan	2023.11.01	17	4 year	Employees' performance has reached the Company's performance standard

2) The compensation cost for the cash-settled share-based payment was measured at fair value initially by using Binomial Option Pricing Model and will be remeasured at the end of each reporting period until settlement. As of December 31, 2023, the assumptions used are as follows:

	<b>2023</b>
	<b>Stock apprection rights plan</b>
Strike price (NT\$)	\$ -
Share price of measurement date (NT\$)	\$ 98.30
Expected life (years)	2.32~5.82
Expected share price rate(%)	39.86~47.6
Risk-free interest rate(%)	1.11~1.16
Expected dividend rate(%)	5.09
Partition	200

Expected volatility is based on the expected volatility of historical volatility. The expected life with the Company's issuance regulations. The Company determined the risk-free rate during the life of the option. This rate is determined based on rate of time deposits, and it is in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(iii) Employee expense and liability

The Company incurred expenses and liabilities of Share-based arrangement in 2023 as follows:

	<u>2023</u>
Equity-settled share-based payment	\$ -
Cash-settled share-based payment	<u>60</u>
Total	<u><u>\$ 60</u></u>
Total carrying amount of liability for cash-settled arrangements (other non-current liability on account)	<u><u>\$ 60</u></u>

(t) Earnings per Share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company	<u><u>\$ 1,256,499</u></u>	<u><u>903,153</u></u>

2) Weighted average number of ordinary shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares at 31 December	<u><u>97,590</u></u>	<u><u>95,270</u></u>

3) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u><u>\$ 12.88</u></u>	<u><u>9.48</u></u>

(ii) Diluted earnings per share

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

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Company(basic)	\$ 1,256,499	903,153
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	<u>9,501</u>	<u>13,580</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 1,266,000</u></u>	<u><u>916,733</u></u>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

2) Weighted average number of ordinary shares (diluted)

	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares (basic)	97,590	95,270
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	17,084	18,361
Effect of restricted employee shares unvested (Notes)	18	31
Weighted average number of ordinary shares (diluted)	<b><u>114,692</u></b>	<b><u>113,662</u></b>

3) Diluted earnings per share

	<b>2023</b>	<b>2022</b>
Diluted earnings per share	<b><u>\$ 11.04</u></b>	<b><u>8.07</u></b>

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.

(u) Revenue

The details of revenue for the years ended December 31, 2023 and 2022 were as follows :

	<b>2023</b>	<b>2022</b>
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 169,597	297,769
Dividend revenue	2,049	65,224
	<b><u>\$ 171,646</u></b>	<b><u>362,993</u></b>

(v) Employee compensation and directors' 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, where 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.

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**Notes to the Financial Statements**

For the year ended December 31, 2023 and 2022, the Company estimated and reversed its employee remuneration amounting to \$1,242 thousand, \$2,769 thousand, and directors' remuneration amounting to \$25,824 thousand and \$14,523 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employee and directors of each period, multiplied by the percentage of remuneration to employee and directors 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 remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

(w) Non-operating income and expenses

(i) Interest income

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 30,750	11,791
Interest income from bonds investment	3,621	1,552
Other interest income	2,527	6,037
	<u><b>\$ 36,898</b></u>	<u><b>19,380</b></u>

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

(ii) Other income and expenses

	<u>2023</u>	<u>2022</u>
Rent income	\$ 17,814	17,782
Fee income	3,227	5,084
Service revenue	-	701
Other	2,450	15,127
	<u><b>\$ 23,491</b></u>	<u><b>38,694</b></u>

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

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains on disposal of property, plant and equipment	\$ 912	912
Gains on disposal of intangible assets	7,296	7,311
Foreign exchange gains (losses)	(27,596)	49,342
Gains on financial assets (liabilities) measured at fair value through profit or loss	1,207,475	648,691
Fee expense	-	(581)
	<u><b>\$ 1,188,087</b></u>	<u><b>705,675</b></u>

For financial assets measured at fair value through profit or loss, please refer to note 6(b) and (f).

(iv) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense-bank loans	\$ 3,592	6,032
Interest expense-lease liabilities	33	34
Interest expense-bonds	14,648	17,220
Others	9	4
Less: capitalization of interest	(11,026)	(7,458)
	<u><b>\$ 7,256</b></u>	<u><b>15,832</b></u>

(x) Financial instrument

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

During 2023 and 2022, the Company's revenue was share of profit of subsidiaries, associates and joint ventures accounted for using the equity method. There was no concentration of credit risk.

3) Receivables and debt securities

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

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

(Continued)

## Swancor Holding Company Limited

### Notes to the Financial Statements

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. The Company has no loss allowance provision as of December 31, 2023 and 2022.

#### (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.

	Carrying amount	Contractual cash flows	1-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Secured loans	\$ 191,220	203,191	4,509	4,264	194,418	-
Accounts payable	132,146	132,146	132,146	-	-	-
Bonds payable	1,516,598	1,557,800	1,557,800	-	-	-
Lease liability	2,288	2,302	2,130	172	-	-
	<b>\$ 1,842,252</b>	<b>1,895,439</b>	<b>1,696,585</b>	<b>4,436</b>	<b>194,418</b>	<b>-</b>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Secured loans	\$ 203,515	215,968	3,982	3,765	208,221	-
Accounts payable	104,117	104,117	104,117	-	-	-
Bonds payable	1,502,045	1,557,900	-	-	1,557,900	-
Lease liability	351	352	352	-	-	-
	<b>\$ 1,810,028</b>	<b>1,878,337</b>	<b>108,451</b>	<b>3,765</b>	<b>1,766,121</b>	<b>-</b>

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

#### (iii) Exchange rate risk

##### 1) Currency risk

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

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	19,385	30.705	595,216	14,793	30.71	454,293

##### 2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 0.5% of the NTD against the USD as at December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$2,381 thousand and \$1,817 thousand, respectively.

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(27,596) thousand and \$49,342 thousand, respectively.

(iv) Interest rate risk

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

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

If the interest rate had increased/decreased by 0.5%, with all other variable factor remaining constant, the Company's net income would have increased/decreased by \$765 thousand and \$814 thousand for the years ended December 31, 2023 and 2022, respectively. This is mainly due to the Company's borrowing in variable rates.

(v) Other market price risk

For the years ended December 31, 2023 and 2022, 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:

	2023		2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 0.5%	\$ 228	13	239	10
Decreasing 0.5%	(228)	(13)	(239)	(10)

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the 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, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets at fair value through profit or loss</b>					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 2,586	2,586	-	-	2,586
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks unlisted on domestic markets	105,031	-	-	105,031	105,031
Stocks listed on domestic markets	45,650	45,650	-	-	45,650
Original bonds	101,682	101,682	-	-	101,682
<b>Subtotal</b>	<b>252,363</b>	<b>147,332</b>	<b>-</b>	<b>105,031</b>	<b>252,363</b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	941,881	-	-	-	-
Other receivables (including related parties)	69,076	-	-	-	-
Other financial assets-current	896,000	-	-	-	-
Refundable deposit	3,856	-	-	-	-
<b>Subtotal</b>	<b>1,910,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 2,165,762</b>	<b>149,918</b>	<b>-</b>	<b>105,031</b>	<b>254,949</b>
<b>Financial liabilities</b>					
<b>Financial liabilities at fair value through profit or loss</b>					
Non derivative financial liabilities mandatorily measured at fair value through profit or loss	\$ 436	-	436	-	436
<b>Financial liabilities measured at amortized cost</b>					
Other payables	132,146	-	-	-	-
Long-term borrowings	191,220	-	-	-	-
Bonds payable	1,516,598	-	1,800,809	-	1,800,809
Current and non-current lease liabilities	2,288	-	-	-	-
<b>Subtotal</b>	<b>1,842,252</b>	<b>-</b>	<b>1,800,809</b>	<b>-</b>	<b>1,800,809</b>
<b>Total</b>	<b>\$ 1,842,688</b>	<b>-</b>	<b>1,801,245</b>	<b>-</b>	<b>1,801,245</b>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

	December 31, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets at fair value through profit or loss</b>					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 667,955	2,051	-	665,904	667,955
<b>Financial assets at fair value through other comprehensive income</b>					
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
<b>Subtotal</b>	109,662	84,631	-	25,031	109,662
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,359,458	-	-	-	-
Other receivables (including related parties)	70,272	-	-	-	-
Other financial assets-current	1,000	-	-	-	-
Refundable deposit	1,448	-	-	-	-
<b>Subtotal</b>	1,432,178	-	-	-	-
<b>Total</b>	<b>\$ 2,209,795</b>	<b>86,682</b>	<b>-</b>	<b>690,935</b>	<b>777,617</b>
<b>Financial liabilities</b>					
<b>Financial liabilities at fair value through profit or loss</b>					
Non derivative financial liabilities mandatorily measured at fair value through profit or loss	\$ 3,208	-	3,208	-	3,208
<b>Financial liabilities measured at amortized cost</b>					
Other payables	104,117	-	-	-	-
Long-term borrowings	203,515	-	-	-	-
Bonds payable	1,502,045	-	1,737,686	-	1,737,686
Current and non-current lease liabilities	351	-	-	-	-
<b>Subtotal</b>	1,810,028	-	1,737,686	-	1,737,686
<b>Total</b>	<b>\$ 1,813,236</b>	<b>-</b>	<b>1,740,894</b>	<b>-</b>	<b>1,740,894</b>

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

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

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

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

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 Company are determined by reference to the market quotation.

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

4) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2023 and 2022.

5) Reconciliation of Level 3 fair values

	<b>Fair value through profit or loss (Unquoted equity instruments)</b>	<b>Fair value through other comprehensive income (Unquoted equity instruments)</b>
Opening balance on January 1, 2023	\$ 665,904	25,031
Recognized in profit or loss	733,152	-
Purchased	-	80,000
Disposal	(1,399,056)	-
Ending Balance on December 31, 2023	<b>\$ -</b>	<b>105,031</b>
Opening balance on January 1, 2022	\$ 664,094	25,031
Gain of loss	1,810	-
Balance at December 31, 2022	<b>\$ 665,904</b>	<b>25,031</b>

The amount of gains on disposal of financial assets measured at fair value through profit or loss please refer to note 6(b).

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

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

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## Swancor Holding Company Limited

### Notes to the Financial Statements

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss - equity investments without an active market- Synera Renewable Energy	Discounted Cash Flow Method	<ul style="list-style-type: none"> <li>• Cost of equity Ratio (As of December 31, 2022 were 9.12% )</li> <li>• Lack of marketability (As of December 31, 2022 were 19% )</li> </ul>	<ul style="list-style-type: none"> <li>• the higher the Cost of equity Ratio, the higher the fair value</li> <li>• the higher the lack of marketability discount, the lower the fair value</li> </ul>
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"> <li>• Cost of equity Ratio (As of December 31, 2022 were 9.12% )</li> <li>• Lack of marketability (As of December 31, 2022 were 19% )</li> </ul>	<ul style="list-style-type: none"> <li>• the higher the Cost of equity Ratio, the higher the fair value</li> <li>• the higher the lack of marketability discount, the lower the fair value</li> </ul>
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"> <li>• Price-Book Ratio (As of December 31, 2023 and 2022 were 1.59~2.06 and 2.02~2.42, respectively)</li> <li>• Price-to-Sales Ratio (As of December 31, 2023 and 2022 were 0.59~1.48 and 0.63~1.58, respectively)</li> <li>• Lack of marketability discount (As of December 31, 2023 and 2022 were all 35%, respectively)</li> </ul>	<ul style="list-style-type: none"> <li>• the higher the Price-Book Ratio, the higher the fair value</li> <li>• the higher the Price-to-Sales Ratio, the higher the fair value</li> <li>• the higher the lack of marketability discount, the lower the fair value</li> </ul>
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets) equity investments without an active market-Yang Bao Enterprise Co., Ltd.	Public company comparable	<ul style="list-style-type: none"> <li>• Price-Book Ratio (As of December 31, 2023 was 3.19)</li> <li>• Price-to-Sales Ratio (As of December 31, 2023 was 4.14)</li> <li>• Lack of marketability discount (As of December 31, 2023 was 35%)</li> </ul>	<ul style="list-style-type: none"> <li>• the higher the Price-Book Ratio, the higher the fair value</li> <li>• the higher the Price-to-Sales Ratio, the higher the fair value</li> <li>• the higher the lack of marketability discount, the lower the fair value</li> </ul>

(Continued)



**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

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

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

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

	<u>Input value</u>	<u>Change up or down</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2023</b>						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	105,031	0.5%	-	-	525	(525)
<b>December 31, 2022</b>						
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)

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.

(y) Financial risk management

(i) Overview

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

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

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.

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Other receivables

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

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

2) Investment

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

(iv) Liquidity risk

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

(Continued)

## Swancor Holding Company Limited

### Notes to the Financial Statements

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

(z) Capital management

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

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

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

As of December 31, 2023, the Company's capital management strategy is consistent with that of the prior year, and the gearing ratio is maintained within 2% to 50% so as to ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as at December 31, 2023 and 2022 were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 2,008,662	1,928,052
Less: cash and cash equivalents	941,881	1,359,458
Net debt	1,066,781	568,594
Total equity	7,360,767	6,658,215
Adjusted equity	<b>\$ 8,427,548</b>	<b>7,226,809</b>
Debt-to-equity ratio	<b>13%</b>	<b>8%</b>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

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

The Company's investing and financing activities, which did not affect its current cash flow in the years ended December 31, 2023 and 2022, were as follows:

- (i) For loss control of subsidiaries, please refer to notes 6(f).
- (ii) For acquisition of right-of-use assets through lease, please refer to note 6(i).
- (iii) For conversion of convertible bonds to ordinary shares, please refer to notes 6(r).

Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Non-cash changes</b>			<b>December 31, 2023</b>
			<b>Increase (Decrease)</b>	<b>Amortization</b>	<b>Transferred shares and Capital surplus</b>	
Short-term borrowings	\$ -	-	-	-	-	-
Long-term borrowings (including current portion)	203,515	(12,295)	-	-	-	191,220
Lease liabilities (including current portion)	351	(2,277)	4,214	-	-	2,288
Bonds payable	1,502,045	-	-	14,648	(95)	1,516,598
Total liabilities from financing activities	<b>\$ 1,705,911</b>	<b>(14,572)</b>	<b>4,214</b>	<b>14,648</b>	<b>(95)</b>	<b>1,710,106</b>

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>December 31, 2022</b>
			<b>Increase (Decrease)</b>	<b>Amortization</b>	
Short-term borrowings	\$ 500,000	(500,000)	-	-	-
Long-term borrowings (including current portion)	213,515	(10,000)	-	-	203,515
Lease liabilities (including current portion)	2,879	(2,528)	-	-	351
Bonds payable	1,900,906	-	(416,081)	17,220	1,502,045
Total liabilities from financing activities	<b>\$ 2,617,300</b>	<b>(512,528)</b>	<b>(416,081)</b>	<b>17,220</b>	<b>1,705,911</b>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

**(7) Related-party transactions:**

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Synera Renewable Energy Co., Ltd. (Synera Renewable Energy) (note)	Key management personnel of the Company are Synera Renewable Energy's director
Swancor(HK) Investment Co., Ltd (Swancor(HK))	Subsidiary of the Company
Swancor Highpolymer Co., Ltd. (Swancor Highpolymer)	Subsidiary of the Company
Strategic Capital Holding Ltd. (Strategic)	Subsidiary of the Company
Swancor(Jiangsu) New Materials Co., Ltd. (Swancor(Jiangsu))	Subsidiary of the Company
Sunwell (Jiangsu) Carbon Fiber Composites Co., Ltd. (Swancor (Jiangsu) Carbon Fiber Composites)	Subsidiary of the Company
Sunwell Carbon Fiber Composite Corporation (Sunwell Carbon Fiber Composite)	Subsidiary of the Company
Swancor Ind. Co., Ltd. (Samoa) (Swancor)	Subsidiary of the Company
Swancor Advanced Materials Co., Ltd. (Swancor Advanced Materials)	Subsidiary of the Company
Swancor (Tianjin) Wind Blade Materials Co., Ltd. (Swancor (Tianjin))	Subsidiary of the Company
Swancor Ind(M) SDN.BHD. (Swancor Ind(M))	Subsidiary of the Company
Swancor Innovation & Incubation Co., Ltd. (Swancor Innovation & Incubation)	Subsidiary of the Company
S-Wanlai co., Ltd. (S-Wanlai)	Subsidiary of the Company
Shandong Longneng Renewable Resources Utilization Co., Ltd (Shandong Longneng)	Subsidiary of the Company
Swancor Recycling Technology (Jiangsu) Ltd. (Swancor Recycling)	Subsidiary of the Company

note: The original name is Swancor Renewable Energy Co., Ltd. which changed the name to Synera Renewable Energy Co., Ltd. in November 2022.

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**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(b) Significant transactions with related parties

(i) Other transaction

- 1) The labor services provided to associates by the Company in 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Other related parties- Synera Renewable Energy	\$ -	<u>701</u>

- 2) For the years ended December 31, 2023 and 2022, the Company provided guarantees and endorsements for related parties, and the fee income generated from related parties was as follows:

	<u>2023</u>	<u>2022</u>
Subsidiary- Swancor (Jiangsu) Carbon Fiber Composites	\$ 3,143	5,084
Subsidiary- S-Wanlai	84	-
	<u>\$ 3,227</u>	<u>5,084</u>

As of December 31, 2023 and 2022, the amount that had yet to be collected (which were classified under other receivable due from related parties) were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary- Swancor (Jiangsu) Carbon Fiber Composites	\$ -	5,421
Subsidiary- S-Wanlai	84	-
	<u>\$ 84</u>	<u>5,421</u>

- 3) Rent income

For the years ended December 31, 2023 and 2022, the Company leases office to related parties were as follows:

	<u>2023</u>	<u>2022</u>
Subsidiary- Swancor Highpolymer	\$ 12,156	12,156
Subsidiary- Sunwell Carbon Fiber Composite	2,292	2,292
	<u>\$ 14,448</u>	<u>14,448</u>

- 4) The energy service provided to associates by the Company in 2023 was as follows:

	<u>2023</u>
Subsidiary- Swancor Highpolymer	\$ 1,498
Subsidiary- Sunwell Carbon Fiber Composite	415
	<u>\$ 1,913</u>

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

As of December 31, 2023, the amount had yet to be collected (which were classified under other receivable due from related parties) were as follows:

	<b>December 31, 2023</b>
Subsidiary- Swancor Highpolymer	1,471
Subsidiary- Sunwell Carbon Fiber Composite	33
	<b><u>\$ 1,504</u></b>

The other fees provided to S-Wanlai by the Company in 2023. The amount of \$160 thousand that had yet to be collected had been recognized as other receivable due from related parties of December 31, 2023.

(ii) Loans to Related Parties

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiary- Swancor	<b><u>\$ 62,427</u></b>	<b><u>61,420</u></b>

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

	<b>2023</b>	<b>2022</b>
Subsidiary- Swancor (Jiangsu) Fiber Carbon Composites	\$ -	1,995
Subsidiary- Swancor	2,523	2,050
Subsidiary- Sunwell Carbon Fiber Composites	-	1,909
Subsidiary- Swancor Innovation & Incubation	-	72
	<b><u>\$ 2,523</u></b>	<b><u>6,026</u></b>

As of December 31, 2023 and 2022, interest of related parties receivable (recognized as other receivable- related parties) were \$1,449 thousand and \$1,380 thousand, respectively.

(iii) Guarantee

As of December 31, 2023 and 2022, the Company had provided guarantee for the loans of subsidiaries-Swancor (Jiangsu) Carbon Fiber Composites and S-Wanlai with credit limit of \$555,278 thousand and \$854,931 thousand, respectively.

(Continued)

**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 8,015	10,885
Post-employment benefits	145	153
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>\$ 8,160</b>	<b>11,038</b>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land	Bank Loans	\$ 540,921	540,921
Restricted bank deposit (other financial assets-current)	Bank's acceptance bill, long-term borrowings, stand by L/C and bank guarantee	1,000	1,000
		<b>\$ 541,921</b>	<b>541,921</b>

**(9) Significant commitments and contingencies:**

(a) Unrecognized contractual commitments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Acquisition of property, plant and equipment	<b>\$ 99,386</b>	<b>401,845</b>

(b) Contingencies: None.

(c) Other: None.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

(Continued)



**Swancor Holding Company Limited**  
**Notes to the Financial Statements**

**(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	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	12,216	12,216	-	46,637	46,637
Labor and health insurance	-	833	833	-	627	627
Pension	-	282	282	-	274	274
Remuneration directors	-	25,824	25,824	-	14,628	14,628
Others	-	-	-	-	-	-
Depreciation	-	12,171	12,171	-	12,723	12,723
Amortization	-	781	781	-	2,238	2,238

Additional information of the number of employees and employee benefits of the Company in 2023 and 2022:

	2023	2022
The number of employees	<u>11</u>	<u>23</u>
The number of directors excluding the employees	<u>6</u>	<u>6</u>
The average of employees' benefits	<u>\$ 2,666</u>	<u>2,796</u>
The average of salary	<u>\$ 2,443</u>	<u>2,743</u>
The average of salary adjustment	<u>(11.00)%</u>	<u>105.00%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

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

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

(Continued)

# SWANCOR HOLDING COMPANY LIMITED

## Notes to the Financial Statements

### (13) Other disclosures:

#### (a) Information on significant transactions:

The 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	Other receivables	Yes	RMB16,000 USD2,000 130,970	RMB16,000 69,363	RMB14,400 62,427	4%	2	-	Operating purpose	-	-	-	2,944,307 (Note 1)	2,944,307 (Note 2)
0	Swancor Holding	Sunwell Carbon Fiber Composite	Other receivables	Yes	120,000	-	-	-%	2	-	Operating purpose	-	-	-	1,104,115 (Note 1)	2,944,307 (Note 2)
1	Sunwell Carbon Fiber Composite	Sunwell (Jiangsu) Carbon Fiber Composites	Other receivables	Yes	RMB15,630 67,760	RMB15,000 65,028	RMB15,000 65,028	3.9%	2	-	Operating purpose	-	-	-	99,608 (Note 3)	265,622 (Note 3)
2	Swancor Highpolymer	Swancor Ind(M)	Other receivables	Yes	USD4,072 125,020	USD2,500 76,763	USD2,000 61,410	5.30%	2	-	Operating purpose	-	-	-	173,756 (Note 4)	463,349 (Note 4)

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 Sunwell Carbon Fiber Composite, the amount of endorsements and/or guarantees shall not exceed 15% of Sunwell Carbon Fiber Composites' net worth. The total amount of endorsements and/or guarantees shall not exceed 40% of Sunwell Carbon Fiber Composites' net worth.

Note4 : According to the “Procedure for Loaning of Funds and Endorsements and Guarantees” issued by Swancor Highpolymer, the amount of endorsements and/or guarantees shall not exceed 15% of Swancor Highpolymer's net worth. The total amount of endorsements and/or guarantees shall not exceed 40% of Swancor Highpolymer's net worth.

Note5 : For the purpose of lending, the numbering is classified as follows:

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

(Continued)

# SWANCOR HOLDING COMPANY LIMITED

## Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Swancor Holding	S-Wanlai	2	3,680,384	180,000	180,000	28,000	-	2.45%	7,360,767	Y	N	N
0	Swancor Holding	Sunwell (Jiangsu) Carbon Fiber Composites	2	3,680,384	854,931	375,278	214,159	-	5.10%	7,360,767	Y	N	Y
0	Swancor Holding	Yang-Bao	1	736,077	80,000	80,000	80,000	80,000	1.09%	7,360,767	N	N	N
1	Swancor Highpolymer	Swancor Ind(M)	1	579,187	258,160	122,820	-	-	10.60%	1,158,373	N	N	N
2	Swancor Advanced Materials	Swancor (Jiangsu)	2	1,576,543	888,716	888,716	-	-	16.91%	2,627,572	N	N	Y
2	Swancor Advanced Materials	Swancor (Tianjin)	2	1,576,543	1,110,700	992,978	51,844	-	18.90%	2,627,572	N	N	Y
2	Swancor Advanced Materials	Swancor Ind(M)	2	1,576,543	81,866	78,134	325	-	1.49%	2,627,572	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 : The amount of endorsements and/or guarantees to other parties hall not exceed 10% of the Company's net worth. The total amount of endorsements and/or guarantees to other parties shall not exceed 100% of the Company's net worth.

Note3 : According to the “Procedure for Loaning of Funds and Endorsements and Guarantees” issued by Swancor Advanced Materials, the amount of endorsements and/or guarantees shall not exceed 30% of Swancor Advanced Materials' net worth. The total amount of endorsements and/or guarantees shall not exceed 50% of Swancor Advanced Materials' net worth.

Note4 : According to the “Procedure for Loaning of Funds and Endorsements and Guarantees” issued by Swancor Highploymer, the amount of endorsements and/or guarantees shall not exceed 50% of Swancor Highploymers' net worth. The total amount of endorsements and/or guarantees shall not exceed 100% of Swancor Highploymers' net worth.

Note5 : Relationship between guarantee providers and guarantee parties were as follows:

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

(Continued)

# SWANCOR HOLDING COMPANY LIMITED

## Notes to the Financial Statements

(iii) Securities held as of December 31, 2023 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Swancor Holding	Stock – China Communications Media Group Co., Ltd.		Financial assets at fair value through profit or loss-current	10	46	0.04%	46	
Swancor Holding	Stock- Tsang Yow Industrial Co., Ltd.		Financial assets at fair value through profit or loss-current	26	855	0.03%	855	
Swancor Holding	Stock – Aero Win Technology Corporation		Financial assets at fair value through profit or loss-current	12	566	0.02%	566	
Swancor Holding	Stock – Koan Hau Technology Co., Ltd.		Financial assets at fair value through profit or loss-current	68	1,119	0.09%	1,119	
Swancor Holding	Stock - Yang Bao		Financial assets at fair value through other comprehensive income - non-current	2,000	80,000	2.92%	80,000	
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	
Swancor Holding	Special Stock – WT Microelectronics Co., Ltd.		Financial assets at fair value through other comprehensive income-non-current	1,000	45,650	0.10%	45,650	
Swancor Holding	Stock – Promix Composites, Inc.		Financial assets at fair value through other comprehensive income-non-current	1,500	-	10.00%	-	
Swancor Holding	Stock- Ideal Star International Corp.		Financial assets at fair value through other comprehensive income-non-current	500,000	-	10.00%	-	
Swancor Holding	Stock- Dell International LLC		Financial assets at fair value through other comprehensive income-non-current	-	6,311	- %	6,311	
Swancor Holding	Bonds-Citigroup Inc.		Financial assets at fair value through other comprehensive income-non-current	-	8,569	- %	8,569	
Swancor Holding	Bonds-AT & T Corporation		Financial assets at fair value through other comprehensive income-non-current	-	6,643	- %	6,643	
Swancor Holding	Stock- Birtish Petroleum		Financial assets at fair value through other comprehensive income-non-current	-	5,338	- %	5,338	
Swancor Holding	Bonds-Hewlett Packard Company		Financial assets at fair value through other comprehensive income-non-current	-	5,243	- %	5,243	
Swancor Holding	Bonds-Saudi Aramco		Financial assets at fair value through other comprehensive income-non-current	-	15,432	- %	15,432	
Swancor Holding	Bonds-Standard & Poor's		Financial assets at fair value through other comprehensive income-non-current	-	9,174	- %	9,174	
Swancor Holding	Bonds-POSCO		Financial assets at fair value through other comprehensive income-non-current	-	14,168	- %	14,168	
Swancor Holding	Bonds-Macquarie Group Limited		Financial assets at fair value through other comprehensive income-non-current	-	5,894	- %	5,894	
Swancor Holding	Bonds-GLE		Financial assets at fair value through other comprehensive income-non-current	-	12,213	- %	12,213	
Swancor Holding	Bonds-Goldmon		Financial assets at fair value through other comprehensive income-non-current	-	6,250	- %	6,250	
Swancor Holding	Bonds-Ford		Financial assets at fair value through other comprehensive income-non-current	-	6,447	- %	6,447	

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:.

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Swancor Holding	Formosa International Investment Co., Ltd.	Financial assets at fair value	STONEPEAK VETTEL HOLDINGS COMPANY LIMITED	none	45,246	453,000	-	-	45,246	1,142,252	453,000	689,252	-	-
Swancor Holding	Synera Renewable Energy Co., Ltd.	Financial assets at fair value	Stonpeak Oceanview Taiwan Co., Ltd.	none	25,127	212,904	-	-	25,127	256,804	212,904	43,900	-	-

(Continued)

# SWANCOR HOLDING COMPANY LIMITED

## Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Swancor Holding	Construction in progress	2020.11.20~2023.12.31	1,003,831	According to contract	Truedreams Construction CO.,LTD etc.	None	Not applicable	Not applicable	Not applicable	-	Public Bidding	For operating	None

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

- (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 (Jiangsu)	Swancor Advanced Materials	Direct of indirect subsidiaries of the Company	(Sales)	(1,684,958)	(23.10) %	90 day	Note 1	No difference	569,078	18.47 %	
Swancor Advanced Materials	Swancor (Jiangsu)	Direct of indirect subsidiaries of the Company	Purchases	1,684,958	32.52 %	90 day	Note 1	No difference	(569,078)	(25.32) %	
Swancor (Jiangsu)	Swancor (Tianjin)	Direct of indirect subsidiaries of the Company	(Sales)	(229,837)	(3.15) %	90 day	Note 1	No difference	92,385	3.00 %	
Swancor (Tianjin)	Swancor (Jiangsu)	Direct of indirect subsidiaries of the Company	Purchases	229,837	4.44 %	90 day	Note 1	No difference	(92,385)	(4.11) %	
Swancor (Jiangsu)	Meisia New Materials	Direct of indirect subsidiaries of the Company	Purchases	262,429	5.06 %	30~120 day	-	No difference	(86,394)	(3.84) %	
Meijia New Materials	Swancor (Jiangsu)	Associate of the subsidiary	(Sales)	(262,429)	(3.60) %	30~120 day	-	No difference	86,394	2.80 %	

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.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
Swancor(Jiangsu)	Swancor Advanced Materials	Direct of indirect subsidiaries of the Company	569,078	4.53	-	-	-	-

- (ix) Trading in derivative instruments: None

(Continued)

# SWANCOR HOLDING COMPANY LIMITED

## Notes to the Financial Statements

(b) Information on investees:

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

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	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%	573,538	(26,389)	(22,805)	
Swancor Holding	Strategic	Samoa	Investing and holding	USD 9,601 317,780	USD 9,601 317,780	9,601	100.00%	4,048,248	USD7,833 244,204	244,204	
Swancor Holding	Swancor Innovation & Incubation	R.O.C.	Management consulting	210,000	210,000	21,000	100.00%	102,508	(33,969)	(33,969)	
Swancor Holding	S-Wanlai	R.O.C.	Chemical products manufacturing and processing	200,000	200,000	20,000	100.00%	336,894	(17,284)	(17,284)	
Strategic	Swancor	Samoa	Investing and holding	USD 7,100 233,692	USD 7,100 233,692	7,100	100.00%	USD 107,673 3,306,003	USD 6,319 196,996	USD 6,319 196,996	
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 320,866 1,391,022	RMB 53,992 238,883	RMB 53,992 238,883	
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 59,036 231,928	HKD 7,383 29,406	HKD 7,383 29,406	
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 294,856 1,158,373	HKD 59,405 236,593	HKD 59,405 236,593	
Sunwell Carbon Fiber Composite	COTECH	R.O.C.	Producing and selling carbon composites	130,000	130,000	130,000	80.82%	130,000	(18,576)	-	

(c) Information on investment in Mainland China: None.

(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,	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Swancor Advanced Materials	Production and selling of Vinyl Ester Resins and light composite material resins	USD20,677 RMB348,576 1,834,912	Indirectly owned by the company	USD2,500 84,071	-	-	USD2,500 84,071	USD10,105 315,044	79.23%	USD8,006 249,609	USD 136,002 4,175,930	RMB 137,866 615,142
Wuxi Rongmai Engineering Plastic Co., Ltd.	Producing Engineering plastic used in electronic, electrical engineering and automotive industry	USD2,100 64,806	Indirectly owned by the company (Note 1)	USD250 8,098	-	-	USD250 8,098	-	10.00%	-	-	-
Swancor (Tianjin)	Energy conservation wind power laminar resins' manufacturing and selling	USD7,000 RMB5,500 254,376	Indirectly owned by the company	USD7,000 230,401	-	-	USD7,000 230,401	RMB(13,852) (61,286)	79.23%	RMB(10,975) (48,557)	RMB 182,333 790,450	-
Swancor (Jiangsu).	Energy conservation wind power laminar resins' manufacturing and selling	RMB122,500 613,850	Indirectly owned by the company	RMB76,875 380,892	-	-	RMB76,875 380,892	RMB15,604 69,039	79.23%	RMB12,363 54,700	RMB 147,149 637,923	-
Meijia New Materials	Producing and selling of powder coating and epoxy resin	RMB210,000 913,290	Indirectly owned by the company	-	-	-	-	RMB(22,175) (98,112)	18.86%	RMB(4,182) (18,504)	RMB 161,137 698,562	-
Swancor (Jiangsu) Carbon Fiber Composites	Producing and selling carbon composites	USD19,000 611,313	Indirectly owned by the company	USD15,940 512,237	-	-	USD15,940 512,237	RMB(16,965) (75,059)	72.50%	RMB(12,300) (54,419)	343,186	-
Shandong Longneng	Recycling of renewable resources	RMB10,239 45,301	Indirectly owned by the company	-	-	-	-	RMB(62) (273)	43.58%	RMB(34) (150)	RMB3,631 15,743	-
Swancor Recycling	Producing and selling recycled carbon fiber and glass fiber	USD5,000 157,150	Directly owned by the company	-	USD5,000 157,150	-	USD5,000 157,150	RMB(124) (549)	100.00%	RMB(124) (549)	153,635	-

(Continued)

# SWANCOR HOLDING COMPANY LIMITED

## Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD7,282	USD 94,531 2,858,077	5,199,241

Note1 : Invested by Ideal Star

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

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

Note4 : The indirectly investment in Mainland China amounting to USD91,263 thousand was incurred from the merger of the Company and Swancor Industrial, wherein the Company became the surviving company and Swancor Industrial became the dissolved entity thereafter.

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

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholding Shareholder's name	Shares	Percentage
Tsai's Family Holding Co., Ltd.	19,313,658	19.59%

**(14) Segment information: None**

Please refer to the 2023 consolidated financial statement.

**Swancor Holding Company Limited**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and cash on hand	\$ 138
Cash in banks	Demand deposit	116,968
	Time deposits	824,775
		<u><u>\$ 941,881</u></u>

**Statement of Prepayments**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Overpaid sales tax		\$ 49,715
Others (Note)		3,301
		<u><u>\$ 53,016</u></u>

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



**Swancor Holding Company Limited**

**Statement of changes in investments accounted for using the equity method**

**For the year ended December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

Name of investee	Beginning Balance			Addition		Decrease		Profit or loss of investment	Amount of exchange on translation of foreign financial statement	Other adjustment Item	Ending Balance			Market value of Net Assets value		Pledge Collateral
	Shares	Percentage of ownership	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of ownership	Amount	Unit price	Total price	
Sunwell Carbon Fiber Composites Corporation	45,800,000	86.42%	\$ 601,761	-	-	-	-	(22,805)	(5,665)	247(note 4)	45,800,000	86.42%	573,538	12.52	573,538	None
Strategic Capital Holding Ltd.	9,601,000	100.00%	3,884,116	-	-	-	(29,264)(note 3)	244,204	(62,136)	11,328(note 5)	9,601,000	100.00%	4,048,248	422.35	4,048,248	None
S-Wanlai Co., Ltd.	20,000,000	100.00%	204,178	15,000,000	150,000(note1)	-	-	(17,284)	-	-	35,000,000	100.00%	336,894	9.63	336,894	None
Swancor Innovation & Incubation	21,000,000	100.00%	136,477	-	-	-	-	(33,969)	-	-	21,000,000	100.00%	102,508	4.88	102,058	None
Swancor Recycling Technology(Jiangsu) Ltd.	-	-	% -	-	157,150(note2)	-	-	(549)	(2,966)	-	-	100.00%	153,635	-	153,635	None
			<u>\$ 4,826,532</u>		<u>150,157</u>		<u>(29,264)</u>	<u>169,597</u>	<u>(70,767)</u>	<u>11,575</u>			<u>5,214,823</u>		<u>5,214,373</u>	

**Note1: Including \$150,000 thousand of increase capital to S-Wanlai Co., Ltd..**

**Note2: Including \$157,150 thousand of increase capital to set up Swancor Recycling Technology(Jiangsu) Ltd..**

**Note3: Including \$29,264 thousand of Strategic's cash dividends.**

**Note4: Including the investment amount of \$247 thousand of changing in downstream transactions.**

**Note4: Credit \$3,367 thousand of capital surplus because of recognizing the Company's employee share options and the investment amount of \$7,961 thousand of changing in downstream transactions.**

**Swancor Holding Company Limited**  
**Statement of Other Payables and Other Payables**  
**December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other payables	Salary Payable	\$ 56,439
	Employee compensation and director's remuneration	27,066
	Payables on equipment	43,231
	Others (Note)	<u>5,410</u>
		<u><b>\$ 132,146</b></u>

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

**Statement of Other Current liabilities**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other Current liabilities	Receipts under custody	<u><b>\$ 320</b></u>

**Swancor Holding Company Limited**  
**Statement of Operating Revenue**  
**For the year ended December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Share of profit of Subsidiaries, associates and joint ventures accounted for using the equity method	\$ 169,597
Dividend income	2,049
	<u><b>\$ 171,646</b></u>

**Statement of Operating Expenses**

<u>Item</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Salary	\$ 37,998	42
Professional service fees	8,292	83
Depreciation	11,921	250
Tax Donation	7,599	-
Others (Note)	14,513	29
Total	<u><b>\$ 80,323</b></u>	<u><b>404</b></u>

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

**Swancor Holding Company Limited**  
**Statement of Non-Operating income and expenses**  
**For the year ended December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
<b>Non-Operating Income</b>		
Gain on financial assets (liabilities) at fair value through profit or loss	Financial assets (liabilities) evaluation profit and loss	\$ 1,207,475
Other (Note)		<u>68,397</u>
		<u>1,275,872</u>
<b>Non-Operating Expenses</b>		
Interest expense		7,256
Foreign exchange losses		<u>27,596</u>
		<u>34,852</u>
		<u><b>\$ 1,241,020</b></u>

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

VI. Impact on the Company's financial status due to financial difficulties experienced by the Company and its affiliates during the last fiscal year up to the publication date of this Annual Report: None.

## Chapter 7. Financial Position and the Review and Analysis of Financial Performance and Risk

### I. Financial Status

Unit: NT\$ thousands

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	8,630,699	8,641,496	10,797	0%
Property, plant and equipment	3,469,962	3,852,977	383,015	11%
Intangible assets	53,917	47,530	(6,387)	(12%)
Other assets	2,119,517	1,731,068	(388,449)	(18%)
Total asset value	14,274,095	14,273,071	(1,024)	0%
Current liabilities	4,185,128	5,051,932	866,804	21%
Non-current liabilities	2,141,500	555,738	(1,585,762)	(74%)
Total liabilities	6,326,628	5,607,670	(718,958)	(11%)
Equity attributable to shareholders of the parental	6,658,215	7,360,767	702,552	11%
Share capital	981,311	985,601	4,290	0%
Capital surplus	3,533,803	3,570,421	36,618	1%
Retained earnings	2,538,139	3,307,547	769,408	30%
Other equity interest	(347,737)	(455,501)	(107,764)	31%
Treasury stock	(47,301)	(47,301)	0	0%
Non-controlling interest	1,289,252	1,304,634	15,382	1%
Total equity	7,947,467	8,665,401	717,934	9%
Reasons for changes in the two periods:				
1. Increase in current liabilities and decrease in non-current liabilities from the previous year, mainly due to the reclassification of convertible corporate bonds issued by the company to current liabilities.				
2. Increase in retained earnings from the previous year, mainly due to increased net profit for the period.				
3. Decrease in other equity from the previous year, mainly due to the decrease in exchange differences resulting from the translation of financial statements of foreign operating entities due to exchange rate fluctuations.				

Note: The financial information above has been audited by CPAs.

## II. Financial Performance

### (I) Analysis of financial performance for the most recent two fiscal years (consolidated financial statements)

Unit: NT\$ thousands

Item \ Year	2022	2023	Difference	
			Amount	%
Operating revenue	9,771,454	7,294,813	(2,476,641)	(25%)
Gross profit	1,528,434	1,334,505	(193,929)	(13%)
Operating profit (loss)	473,483	230,108	(243,375)	(51%)
Non-operating income and expenses	672,844	1,217,999	545,155	81%
Net income before tax	1,146,327	1,448,107	301,780	26%
Net income from continuing operations	959,979	1,281,988	322,009	34%
Net profit for this period	959,979	1,281,988	322,009	34%
Other comprehensive income (net, after tax)	59,914	(93,951)	(153,865)	(257%)
Total comprehensive income	1,019,893	1,188,047	168,154	16%
Net income attributable to shareholders of the parent	903,153	1,256,499	353,346	39%
Net income attributable to non-controlling interests	56,826	25,499	(31,327)	(55%)
Total comprehensive income attributable to owners of the parent	946,783	1,186,181	239,398	25%
Total comprehensive income attributable to non-controlling interests	73,110	1,866	(71,244)	(97%)
Earnings per share	9.48	12.88	3.40	36%

Reasons for changes in the two periods:

1. Operating income decreased from the previous year, mainly due to intensified industry price competition and fluctuations in raw material market prices.
2. The decrease in operating profit or loss as compared to the previous year was mainly due to the decrease in cost of raw materials and transportation cost during the year as compared to the previous year.
3. The increase in non-operating income and expenses as compared to the previous year was mainly due to Recognized financial asset valuation gains from the disposal of equity interests in Formosa I International and Synera Renewable Energy this year.
4. The increase of net profit before tax, net profit of current period of continuing business units, net profit of the current period, net profit attributable to parent company, total comprehensive profit and loss attributable to parent company, and earnings per share compared with that of previous year: was mainly due to the combined effects of the above reasons.
5. The decrease of other comprehensive profit and loss of the current period compared with that of the previous year: the exchange balance of the financial statements of foreign-operating institutions in current year decreased compared with that of the previous year.

Note: The amounts in the two years' reports have been audited and certified by the CPA.

### (II) Projected sales volume in the following year and its basis:

The Company sales volume was determined based on the market demand, development trend, the customers' operating status and the Company's current order status, as well as taking into consideration the Company's production capacity. The Company reviews its business plan on a quarterly basis in face of uncertainties in the global economy.

### III. Cash Flow

Analysis of changes in cash flow, improvement plans for liquidity shortage, and the liquidity analysis for the coming year:

#### (I) Analysis of the changes in annual cash flow for the latest fiscal year

Unit: NT\$ thousands

Unit: PTH thousands

Initial cash balance	Net cash flow resulting from operating activities for the entire year Net Cash	Net cash flow from other activities	Sum of cash surplus (Inadequacy)	Remedial measures for cash inadequacy	
				Investment plan	Financing Plans
2,527,070	2,443,899	-1,905,417	3,065,552	N/A	
(1) Operating activities: Mainly due to the recovery of accounts receivable and notes.					
(2) Investment activities: Mainly from Recovery of proceeds from the disposal of equity investments, constructing headquarters building, increased purchase of equipment and replacement of equipment.					
(3) Financing activities: Mainly from allotting dividends and repaying bank loans.					

#### (II) Plan for improving insufficient liquidity: None

#### (III) Cash liquidity analysis for the coming fiscal year.

Unit: NT\$ thousands

Initial cash balance	Net cash flow resulting from operating activities for the entire year Net Cash	Net cash flow from other activities	Sum of cash surplus (Inadequacy)	Remedial measures for cash inadequacy	
				Investment plan	Financing Plans
3,065,552	-274,727	-1,109,577	1,681,248	N/A	
(1) Operating activities: Mainly due to differences in accounts payable and accounts receivable periods.					
(2) Investment activities: Mainly from construction of headquarters, the increased purchase of equipment and the replacement of equipment.					
(3) Financing activities: Mainly from the external equity capital increase and issuance of cash dividends.					

IV. Major Capital Expenditures in the Most Recent Year and their Impacts on the Company's Financial and Operations: As the Company's operation is in good condition and the cash inflow from operating activities has been stable in recent years, the source of funds for major capital expenditure in recent years is mainly self-owned working capital and issuance of corporate bonds, so there is no significant impact on the Company's finance.

V. Investment policy in the most recent year, main reasons for its profit or loss, improvement plans and investment plan for the coming year: None.

#### VI. Risk Management:

1. The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Interest rate: The ratio of net interest expense over consolidated pretax profit of the Company and its subsidiaries in 2023 was -0.07%, indicating that fluctuations in interest rates had a certain impact on the consolidated profit of the Company and its subsidiaries. In response to fluctuations in interest rates, the Company and its subsidiaries appointed designated personnel for

assessing the interest rates of bank borrowings with reference to fluctuations in market interest rates, with close contacts with the banks, in order to timely evaluate the market interest rates of capital and money markets, and obtain more favorable borrowing rates and reduce the risk of interest rate fluctuations by use of various financial instruments (such as issuance of convertible bonds or capital increase by cash). To sum up, although the rise in interest rates may affect corporate earnings, the Company and its subsidiaries can reduce the risk of rising interest rates by the use of various financial instruments.

Exchange rate: The consolidated net foreign exchange loss of the Company and its subsidiaries in 2023 was NT\$15,236 thousand, accounting for 1.05% of the consolidated pretax profit in 2023. Hence, fluctuations in foreign exchange rates have a certain degree of impact on the consolidated profit of the Company and its subsidiaries. For the exports of the Company and its subsidiaries, pricing and receivables are mostly denominated in USD or RMB, while some are in EUR and JPY. As the major suppliers' payables are paid in USD, some of the foreign-currency accounts receivables can be used to offset foreign-currency accounts payable, achieving the effect of a natural hedge. However, U.S. dollar assets are still higher than U.S. dollar liabilities, and the Company adopted specific measures in response to fluctuations of foreign exchange rates:

- (1) For the fund transfer in foreign currency, the payment of foreign exchange expenses shall be from the Company's own foreign exchange income in order to effectively reduce foreign exchange risk.
- (2) The Company and its subsidiaries maintain close contact with banks to keep track of changes in the foreign exchange market, and thereby allow relevant managers to make timely adjustments on fluctuations of foreign exchange rates. The payment remittance depends on the actual funding needs and fluctuations of foreign exchange rates. Excess funds will be exchanged into NTD in a timely manner to reduce foreign currency risk exposure.
- (3) During the process of pricing, the price will be adjusted with consideration of the impact of fluctuations in foreign exchange rates.
- (4) In order to mitigate foreign exchange risk, the Company may adopt investment strategies of financial derivatives for hedging in accordance with its "Procedures for Acquisition or Disposal of Assets" and "Procedures for Processing Derivatives Transactions", such as forward exchange contracts, which can hedge relevant foreign exchange rate risk, and mitigate the impact of fluctuations in foreign exchange rate on the Company's profitability.

Inflation: The Company and its subsidiaries constantly track the market price fluctuations, maintaining good interaction with customers and suppliers. Therefore, inflation currently has no direct impact on the Company and its subsidiaries.

2. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:
  - (1) By adhering to the conservatism principles and the concept of pragmatic approach to business operations. The Company and its subsidiaries are focused on the core businesses and have never engaged in high-risk, high-leverage investments.
  - (2) In accordance with the "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements/Guarantees" approved by the Board of Directors, the loaning funds to others and endorsements/ guarantees by the Company



and its subsidiaries was conducted between the parent and the subsidiaries and between each subsidiary, and no losses have incurred from loaning funds others or endorsements/guarantees thanks to sound and stable operation of the affiliates.

- (3) With the financial hedging strategy of hedging the exchange rate risk, the Company and its subsidiaries fully disclose information on relevant transactions in the financial statements in accordance with the Company's "Procedures for Acquisition and Disposal of Assets" and "Procedures for Processing Derivatives Transactions".

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work:

Unit: NT\$ thousands

Future Research and Development Plan	Projected investment in R&D in 2024	Future Research and Development Plan	Projected investment in R&D in 2024
Development and application of HYVER in ship and yacht industry	13,500	Applications of recyclable resin in large wind turbine blades	22,500
Development of PU extruded resin	11,250	Development of winding resin for type IV hydrogen storage cylinder	16,174
Applications of recyclable resin in hydrogen storage tank fields	22,500	TP series	2,100
Applications of recyclable resin in extrusion fields	15,750	Pultruded carbon plate for web in wind power	9,582
Development of Transparent Pre-Impregnated Resins	11,250	Carbon fiber components for UAV	2,000

4. Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The daily operations of Swancor and its subsidiaries are conducted in accordance with related laws and regulations at home and abroad. The Company also pays attention to the trends and changes of domestic and international policies and regulations to control market changes. In the most recent year, changes in domestic and international policies and regulations have not had a material effect on the Company's financial operations.

5. Effect on the Company's financial operations of developments in science (including the safety risk of information and communication) and technology as well as industrial change, and measures to be taken in response:

The Company and its subsidiaries have kept in track of industrial technologies (including the impact of changes in the safety risk of information and communication), technological developments and changes, and industry trends, with improvements in their R&D capabilities, as well as active expansion of the application areas in the energy saving and environmental protection markets in the future. Therefore, changes in technologies and industries may not have a significant impact on the Company's financial operations.

6. Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

Since its establishment, the Company and its subsidiaries have adhered to the management concept of "Customer service is of utmost importance; Swancor strives for continuous growth; Employees share the enthusiasm and prides in the Company; Environmental protection is our priority", and the core value of "Quality, Integrity, Innovation, Diligent". In 2021, with the new direction of "Devoted to carbon neutrality and new materials innovation", and we are committed to maintaining corporate image and core

business operations. At present, no corporate crisis has occurred from changes in corporate image.

7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The Company and its subsidiaries strategically invest and acquire companies to enhance product competitiveness, extend the value chain, commit to zero carbon emissions and a circular economy, achieve core technological advancements, improve product innovation capabilities, grasp energy-saving and carbon-reduction trends, and expand new business models, aiming to maximize shareholder value and achieve sustainable development visions.

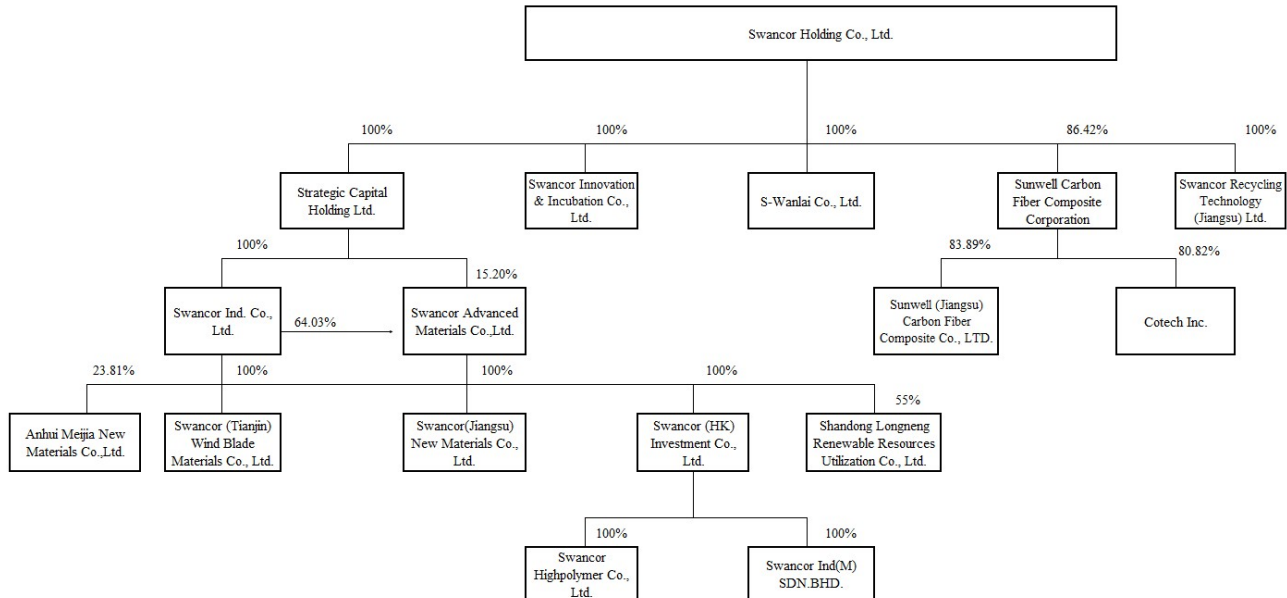
8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.
9. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:
  - (1) Purchase: In consideration of factors such as price and risk diversification, the Company and its subsidiaries have been negotiating with more than two suppliers for the same raw materials. Furthermore, the Company has signed long-term purchase contracts with major raw material suppliers, with the aim to effectively avoid unstable supply of raw materials. Therefore, there should be no risks on concentrated sources of purchases. Although the raw materials used by the Company and its subsidiaries are mostly petrochemical products, and the production costs are susceptible to fluctuations in international crude oil prices, the Company and its subsidiaries maintained close and cooperative relationship with domestic and overseas raw material suppliers to ensure a stable source of raw materials at a reasonable price. In addition, the Company and its subsidiaries also keep track of the latest information through suppliers, and pays attention to the business cycle and the balance between supply and demand, in order to determine the appropriate time for purchase and inventory adjustment, in the hope to mitigate the impact of international oil price fluctuations.
  - (2) Sales: As the Company and its subsidiaries were committed to developing new products and new customers in recent years, the risks on concentrated sources of sales have been gradually reduced, and there should be no more risks on concentrated sources of sales.
10. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: There is no impact of equity transfer or replacement on the Company.
11. Effect upon and risk to Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: The Company did not experience any change in management up to the date of publication of the annual report.
12. Litigation or non-litigation events: None.
13. Other important risks and corresponding measures: None

VII. Other Important Matters: None.

## Chapter 8. Special Disclosures

### I. Information on the Company's Associates

#### (I) Organizational Structure of Affiliates



Note 1: Swancor Advanced Material established a subsidiary, Shandong Longneng, on October 31, 2023, with Swancor Advanced Material holding a 55% equity stake.

Note 2: On November 7, 2023, the investment of NT\$157,150 thousand was increased to subsidiary company- Swancor Recycling Technology(Jiangsu) Ltd., and relevant registration has been completed.

Note 3: This is the information as of December 31, 2023.

# 1. Basic information of associates

December 31, 2023 Unit: thousands

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
Swancor Innovation & Incubation Co., Ltd.	April 16, 2021	3rd Floor, No. 11, Industrial South 6th Road, Nantou City, Nantou County	NTD210,000	Management Consultants
S-Wanlai Co., Ltd.	June 7, 2022	No. 11, Industrial South 6th Road, Nantou City, Nantou County	NTD200,000	Production and sales of circular economy products
Swancor Recycling Technology(Jiangsu) Ltd.	November 7, 2023	No. 26, Xixin Avenue, Funing Economic Development Zone, Jiangsu Province	RMB 35,563	Production of recycled carbon fiber and glass fiber products
Strategic Capital Holding Limited	December 1, 2003	Offshore Chambers, P.O. box 217, Apia, Samoa	USD9,600	Investment holding
Swancor Ind Co., Ltd	August 11, 2006	Offshore Chambers, P.O. box 217, Apia, Samoa	USD7,100	Investment holding
Swancor Advanced Materials Co., Ltd.	October 25, 2000	No. 618, Songsheng Road, Songjiang District, Shanghai	RMB403,200	Production and sale of eco-friendly anti-corrosion resin and lightweight composite resin
Swancor (Tianjin) Wind Blade Materials Co., Ltd.	January 8, 2007	No. 6, Caiyun Street, Hangu Modern Industrial Park, Binhai New Area, Tianjin	RMB56,547	Production and sale of energy-saving wind turbine blade resin
Swancor (Jiangsu) New Materials Co., Ltd.	October 21, 2014	No. 27, Weier Road, High-tech Industrial Park, Funing County, Yancheng City, Jiangsu Province	RMB122,500	Production and sale of energy-saving wind turbine blade resin and eco-friendly anti-corrosion resin
Shandong Longneng Renewable Resources Utilization Co., Ltd.	October 31, 2023	No. 118, Yinshan 1st Road, Yinhai Chemical Industrial Park, Tushan Town, Laizhou City, Yantai City, Shandong Province	RMB10,239	Recycling, processing and sales of waste blades and wind turbine main engines
Swancor (HK) Investment Co., Ltd.	November 23, 2015	Room C1, Room 1501, Grand Millennium Plaza (Low Block), 181 Queen's Road Central, Hong Kong	HKD170,522	Investment holding
Swancor Highpolymer Co., Ltd.	October 6, 2016	No. 9 Gongye South 6th Road, Nantou City, Nantou County	NTD415,800	Production and sale of eco-friendly anti-corrosion resin and lightweight composite resin
Swancor Ind (M) SDN BHD	October 11, 2013	NO.41-01 JALAN MUTIARA EMAS 10/2 TAMAN MOUNT AUSTIN JOHOR BAHRU JOHOR MALAYSIA	MYR32,634	Production and sale of eco-friendly anti-corrosion resin and lightweight composite resin
Sunwell Carbon Fiber Composite Corporation	September 3, 2019	No. 11, Industrial South 6th Road, Yongfengli, Nantou City, Nantou County	NTD530,000	Production and sale of carbon fiber composite materials
Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	October 15, 2015	No. 26, Xixin Avenue, Funing Economic Development Zone, Jiangsu Province	USD19,000	Production and sale of carbon fiber composite materials
Cotech Inc.	May 10, 2002	No. 21, Jing 1st Road, Wuqi District, Taichung City	NTD438,462	Production and sale of carbon fiber composite materials

Note1: The above-mentioned associates do not hold any of the Company's shares.

Note2: 2023/12/31 foreign currency exchange rate: USD/NTD: 30.705, RMB/NTD: 4.3352, MYR/NTD: 6.6896

2. Information on the same shareholders of companies that are considered to have a controlling and subordinate relation: None.

### 3. Information on directors, supervisors and general managers of affiliates

December 31, 2023

Name	Title	Name or representative	Shareholding	
			Shares	%
Swancor Innovation & Incubation Co., Ltd.	Director	Swancor Holding Co., Ltd. Representative: Jau-Yang Tsai	21,000,000	100%
	Supervisor	Swancor Holding Co., Ltd. Representative: Shu-Hsien Kan		
S-Wanlai Co., Ltd.	Chairman	Swancor Holding Co., Ltd. Representative: Hsiao-Yi Tsai	20,000,000	100%
Swancor Recycling Technology (Jiangsu) Ltd.	Director	Swancor Holding Co., Ltd. Representative: Hsiao-Yi Tsai	(Note 1)	100%
	Supervisor	Swancor Holding Co., Ltd. Representative: Mei-Ching Hung		
Strategic Capital Holding Limited	Director	Swancor Holding Co., Ltd. Representative: Jau-Yang Tsai	9,601,250	100%
Swancor Ind Co., Ltd	Director	Strategic Capital Holding Limited (Samoa) Representative: Jau-Yang Tsai	7,100,000	100%
Swancor Advanced Materials Co., Ltd.	Chairman	Swancor Ind Co., Ltd (SAMOA) Strategic Capital Holding Limited Representative: Jau -Yang Tsai	319,517,122	79.23%
	Director	Swancor Ind Co., Ltd (SAMOA) Strategic Capital Holding Limited Representative: Shu-Hsien Kan /Ta-Wei Wang		
		Xinjiang Goldwind Sci & Tech Co., Ltd. Representative: Wan-Ping Liu,	25,834,500	6.41%
	Independent Director	Yuan-Tung Li / Kung-Lien Kao / Hsu-Yu Liu	0	0%
	Supervisor	Chi-Shen Chen / Chia-Min Hung / Hung-Jung Wang	0	0%
Swancor (Tianjin) Wind Blade Materials Co., Ltd.	Chairman	Swancor Advanced Materials Co., Ltd. Representative: Jau-Yang Tsai	(Note 1)	100%
Swancor (Jiangsu) New Materials Co., Ltd.	Chairman	Swancor Advanced Materials Co., Ltd. Representative: Jau-Yang Tsai	(Note 1)	100%
Shandong Longneng Renewable Resources Utilization Co., Ltd.	Director	Swancor Advanced Materials Co., Ltd. Representative: Hsiao-Yi Tsai / Shu-Hsien Kan	(Note 1)	55%
	Director	Shandong Longneng New Energy Co., Ltd. Representative: Tse-Hsiao Sun	(Note 1)	45%
	Supervisor	Pei-I Li	0	0%
Swancor (HK) Investment Co., Ltd.	Chairman	Swancor Advanced Materials Co., Ltd. Representative: Mei-Ching Hung	(Note 1)	100%
Swancor Highpolymer Co., Ltd.	Chairman	Swancor (HK) Investment Co., Ltd. Representative: Jau-Yang Tsai	41,580,000	100%
Swancor Ind (M) SDN BHD	Director	Swancor (HK) Investment Co., Ltd. Representative: Mei-Ching Hung / Chun-Ming Chen	32,656,957	100%
Sunwell Carbon Fiber Composite Corporation	Chairman	Swancor Holding Co., Ltd. Representative: Jau-Yang Tsai	45,800,000	86.24%
	Director	Shih-Jung Kuo / Hsiao-Yi Tsai / Wei-Cheng Hsiao / Kai-His Tseng	118,000	0.22%
	Supervisor	Ming-Jen Chan / Shu-Hsien Kan	383,000	0.72%

Name	Title	Name or representative	Shareholding	
			Shares	%
Sunwell (Jiangsu) Carbon Fiber Composite Co., Ltd.	Chairman	Sunwell Carbon Fiber Composite Corporation Representative: Jau-Yang Tsai	(Note 1)	83.89%
	Director	Sunwell Carbon Fiber Composite Corporation Representative: Shu-Hsien Kan		16.11%
		Formosa Plastics (Cayman) Ltd. Representative: Han-Hsiung Wang		
	Supervisor	Sunwell Carbon Fiber Composite Corporation Representative: Chia-Min Hung		83.89%
		Formosa Plastics (Cayman) Ltd. Representative: Chia-Hung Chien		16.11%
Cotech Inc.	Chairman	Sunwell Carbon Fiber Composite Corporation Representative: Chi-Shen Chen	130,000,000	80.82%
	Director	Sunwell Carbon Fiber Composite Corporation Representative: Tsung-Ting Hsieh / Hsiao-Yi Tsai / Shih-Wen Yu		
	Director	Wan-Tsung Weng	68,653	0.04%
	Supervisor	Li-Min Hung	0	0%

Note 1: The company is a limited company with no share issued.

#### 4. Overview of business operations of associates

December 31, 2023 Unit: NT\$ thousands

Name of Company	Actual paid-in capital	Total asset value	Total liabilities	Net Value	Operating revenue	Operating profit	Net Profit and loss (after tax)	Earnings per share (NT\$) (after tax)
Swancor Innovation & Incubation Co., Ltd.	210,000	119,391	16,883	102,508	26,668	(34,843)	(33,969)	(1.62)
S-Wanlai Co., Ltd.	200,000	412,140	75,246	336,894	198,435	(23,279)	(17,284)	(0.86)
Swancor Recycling Technology (Jiangsu) Ltd.	157,150	153,674	39	153,635	-	(80)	(549)	(Note 2)
Strategic Capital Holding Limited	317,780	4,105,451	-	4,105,451	-	(36)	244,204	25.44
Swancor Ind Co., Ltd.	233,692	3,369,884	63,876	3,306,008	-	(46)	196,996	27.75
Swancor Advanced Materials Co., Ltd.	1,834,912	6,574,619	1,319,475	5,255,144	2,145,340	72,629	315,044	0.78
Swancor (Tianjin) Wind Blade Materials Co., Ltd.	254,376	2,230,621	1,232,955	997,666	1,359,551	(84,733)	(61,286)	(Note 2)
Swancor (Jiangsu) New Materials Co., Ltd.	613,850	1,640,269	835,116	805,153	1,922,308	90,268	69,039	(Note 2)
Shandong Longneng Renewable Resources Utilization Co., Ltd.	45,301	50,364	6,243	44,121	-	(354)	(273)	(Note 2)
Swancor (HK) Investment Co., Ltd.	662,997	1,391,324	302	1,391,022	-	(628)	238,883	(Note 2)
Swancor Highpolymer Co., Ltd.	415,800	1,814,276	655,903	1,158,373	2,401,071	287,678	236,594	5.69
Swancor Ind (M) SDN BHD	241,521	352,121	120,194	231,927	390,514	40,705	29,406	0.90
Sunwell Carbon Fiber Composite Corporation	530,000	1,114,090	450,036	664,054	665,586	34,695	(26,389)	(0.5)
Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	611,313	1,010,757	539,452	471,305	416,836	(94,983)	(75,059)	(Note 2)
Cotech Inc.	438,462	229,028	282,827	(53,799)	51,466	(13,574)	(18,576)	(0.42)

Note 1: If any related company is a foreign company, its relevant figures shall be presented in NT\$ as converted at the exchange rate on the reporting date.

	Closing rate	Average rate
US\$1:	NT\$ 30.705	NT\$ 31.1773

Note 2: The company is a limited company with no share issued.

#### (II) Consolidated Financial Statements of Affiliates:

In 2023 (from January 1, 2023 to December 31, 2023), pursuant to the Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations, the entities that must be included in preparing the consolidated financial statements covering affiliated enterprises are entirely the same as those that the International Financial Reporting Standards (IFRS) 10, endorsed by the Financial Supervisory Commission (FSC), requires to be included in preparing the consolidated financial report comprising the parent and its subsidiaries, and if the required disclosures to be made in the consolidated financial statements covering affiliated enterprises are already made in the consolidated financial report comprising the parent and its subsidiaries, then the consolidated financial statements covering affiliated enterprises need not be prepared.



(III) Affiliation report: Not applicable.

- II. Private Placement Securities in the Most Recent Year up to the Publication Date of this Annual Report: None.
- III. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year up to the Date of Publication of this Annual Report: None.
- IV. Other Matters that Require Additional Description: None.

**Chapter 9. Events with major impacts on shareholder equity or stock price described in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year up to the date of publication of this Annual Report: None.**

Swancor Holding Co., Ltd.  
2023 Annual Report

Swancor Holding Co., Ltd.

Chairman: Jau-Yang Tsai