

Stock Code : 2364



**Twinhead International Corp.**

2022 Annual Shareholders' Meeting

# Meeting Agenda

June 13, 2023

No. 31, Huaxi Rd., Daliao Dist., Kaohsiung City , Taiwan (R.O.C.)

# Table of Contents

<b>One. Meeting Procedure .....</b>	<b>1</b>
<b>Two. Meeting Agenda.....</b>	<b>2</b>
<b>Three. Report Items .....</b>	<b>3</b>
<b>Four. Acknowledgements .....</b>	<b>5</b>
<b>Five. Discussion and Election .....</b>	<b>8</b>
<b>Six. Extraordinary Motions.....</b>	<b>14</b>
<b>Seven. Appendix</b>	
Appendix 1: Audit Committee’s Review Report.....	16
Appendix 2: 2022 Business Report .....	17
Appendix 3: 2022 Financial Statements (unconsolidated and consolidated) .....	18
Appendix 4: Independent Auditors’ Report .....	26
Appendix 5: 2022 Earnings Distribution Table.....	33
Appendix 6: Comparison Table for Articles of Incorporation Before and After Revision.....	34
Appendix 7: Comparison Table for Rules and Procedures of Shareholders’ Meeting Before and After Revision.....	37
Appendix 8: List of Director Candidates (Including Independent Directors) .....	39
Appendix 9: Articles of Incorporation .....	41
Appendix 10: Regulations Governing the Election of Directors and Independent Directors.....	47
Appendix 11: Rules and Procedures of Shareholders’ Meeting .....	50
Appendix 12: Shareholdings of Directors.....	54

# **Twinhead International Corporation 2023 Shareholders' Meeting Procedure**

I. Call the Meeting to Order

II. Chairperson Remarks

III. Report Items

IV. Acknowledgement

V. Discussion and Election

VI. Extraordinary Motions

VII. Adjournment

# **Twinhead International Corporation**

## **2023 Shareholders' Meeting Agenda**

Time: 9:30 a.m., Tuesday, June 13, 2023

Place: No. 31, Huaxi Road, Dafa Industrial Park, Daliao District, Kaohsiung City

### **I. Report Items**

- (I) Audit Committee presents 2022 audit report of the Company.
- (II) To report 2022 employees' and directors' remuneration.

### **II. Acknowledgement**

- (I) 2022 Business Report
- (II) 2022 Financial Statements (unconsolidated and consolidated)
- (III) Proposal for 2022 earnings distribution

### **III. Discussion and Election:**

- (I) 2022 capitalization of retained earnings.
- (II) Amendment to the Company's Articles of Incorporation.
- (III) Amendment to the Company's Rules and Procedures of Shareholders' Meeting.
- (IV) Election for the 14th directors (including independent directors).
- (V) Release the prohibition on directors from participation in competitive business.

### **IV. Extraordinary Motions**

### **V. Adjournment**

## **Report Items**

Report No.1: Audit Committee presents 2022 audit report of the Company.

Explanation: The Company's 2022 Audit Committee's Review Report (please refer to page 16 of this agenda for details of Audit Committee's Review Report).

Resolution:

Report No.2: To report 2022 employees' and directors' remuneration.

- Explanation: I. In accordance with Article 22-1 in Articles of Incorporation, if the Company generates profits during the year, an allocation of no less than 5% shall be made as the remuneration to employees and no more than 4% as the remuneration to directors according to laws. However, the profit should be reserved first for offsetting of accumulated losses if any.
- II. The appropriation rate of remuneration for employees and directors has been approved by the 13th Board of Directors in the 17th meeting on December 29, 2022 and in the 18th Board of Directors' meeting on March 16, 2023, respectively. The remuneration will be 8% and 3% of 2022 net income before tax (before appropriation of remuneration) for employees and directors respectively. Total employees' remuneration was \$7,154,879 in New Taiwan Dollars (similarly hereinafter). Total directors' remuneration was \$2,683,080.
- III. The employees' and directors' remuneration are to be distributed in cash. The employees' remuneration will be distributed to the full-time employees of the Company only.

Resolution:

# **Acknowledgement**

Proposal No.1 Proposed by the Board of Directors

Summary: Acknowledgement of 2022 business report.

Explanation: I. The Company's 2022 business report (please refer to page 17 of this agenda) has been approved by the 13th Board of Directors in the 18th meeting on March 16, 2023. The Audit Committee examined and issued the audit report.

II. Proposed for acknowledgement.

Resolution:

## Proposal No.2 Proposed by the Board of Directors

Summary: Acknowledgement of 2022 financial statements (unconsolidated and consolidated).

Explanation: I. The Company's 2022 financial statements (unconsolidated and consolidated, please refer to page 18-25 of this agenda) have been approved by the 13th Board of Directors in the 18th meeting on March 16, 2023, were audited by CPA Stella Huang and CPA Jason Yin of KPMG (please refer to page 26-32 of this agenda). Audit Committee examined and issued the audit report.

II. Proposed for acknowledgement.

Resolution:



## Proposal No.3 Proposed by the Board of Directors

### Summary: Acknowledgement of 2022 earnings distribution

Explanation: I. According to the Articles of Incorporation, the Company should issue a total of \$2,124 as dividends of Type A registered preference shares for the year of 2022, with the proposed book closure date on July 21, 2023 and the dividend issuance date on August 4, 2023.

II. The Company's 2022 net income after tax was \$79,598,027. In accordance with the Company Act and the Articles of Incorporation, a 10% legal capital reserve of \$7,959,803 shall be set aside, and 2022 dividends on preference shares of \$2,124 shall be distributed at first. Retained earnings available for distribution was \$71,796,166. The proposed stock dividend per share is \$2.5, with a total of \$61,998,400.

III. The Company's 2022 Earnings Distribution Table (please refer to page 33 of this agenda) has been approved by the by the 13th Board of Directors in the 18th meeting on March 16, 2023. The Audit Committee examined and issued the audit report.

IV. Proposed for acknowledgement.

Resolution:

# Discussion and Election

Proposal No.1 Proposed by the Board of Directors

Summary: Discussion for 2022 capital increase out of surplus profit.

- Explanation: I. In order to replenish operating capital, it is proposed to issue new shares out of surplus profit of 2022, with a total of \$61,998,400 and 6,199,840 shares at a par value of \$10 per share. News shares to be issued on the capital increase out of surplus profit shall be distributed, with no consideration paid, to the shareholders as registered in the shareholders roster on the record date at the rate circa 250 per 1,000 shares. The shareholder with fractional shares may apply to the Company's agent for stock affairs for pairing fractional shares into a whole share within 5 days from the record date. For shares remained factional with or without being paired, upon expiration of the said period, cash will be paid according to their par value (and rounded to the nearest full New Taiwan Dollar) instead, and the Chairman is authorized to look for specified persons to buy the fraction of shares according to the face value.
- II. Rights and obligations of the new shares issued in the capital increase are the same as the former shares.
- III. Upon approval of the competent authority, the Board of Directors is authorized to determine the stock dividend record date and related issues. It is proposed that the Board of Directors would be authorized to deal with the adjustment

due to regulation of competent authority or objective environment,

- IV. It is proposed that the Board of Directors would be authorized to deal with the matters in connection with the change to the stock dividend ratio distributable to shareholders as a result of a change in the total outstanding shares of the Company arising from treasury stock transferring or cancellation or other reasons.
- V. Proposed for discussion.

Resolution:

## Proposal No.2 Proposed by the Board of Directors

Summary: Discussion for revision of Articles of Incorporation.

Explanation: I. In order to conform to the needs of the Company's operation, it is proposed to amend the Company's Articles of Incorporation. Please refer to page 34 to 36 of this agenda for the comparison table before and after revision.

II. Proposed for discussion.

Resolution:

## Proposal No.3 Proposed by the Board of Directors

Summary: Discussion for revision of Rules and Procedures of Shareholders' Meeting.

Explanation: I. Based on the Regulations Governing the Administration of Shareholder Services of Public Companies and the amendments to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" announced in March 2022 by Taiwan Stock Exchange, it is proposed to amend the Company's Rules and Procedures of Shareholders' Meeting. Please refer to page 37 for the comparison table before and after revision.

II. Proposed for discussion.

Resolution:

## Proposal No.4 Proposed by the Board of Directors

Summary: Election for the 14th directors (including independent directors).

Explanation: I. The term of the directors of the 13th Board will be ended on June 29, 2023. It is proposed to elect new directors (including independent directors) for the 14th Board at this year's Shareholders' Meeting. In accordance with Article 12 and 12-1 of the Company's Articles of Incorporation, it is proposed to elect 11 directors (including 4 independent directors) and adopt candidates nomination system. The three-year term of directors (including independent directors) of the 14th Board will start from June 13, 2023 and conclude on June 12, 2026.

II. List of director candidate (Including independent director) (please refer to page 39-40 of this agenda).

III. Proposed for election.

Voting Results:

## Proposal No.5 Proposed by the Board of Directors

Summary: Discussion for release of the prohibition on directors of the 14th Board from participation in competitive business.

Explanation: I. In accordance with Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

II. The directors of the 14th Board have investment and operation in business that is the same as or similar to the Company and serve as its director or supervisor. In accordance with Article 209 of the Company Act, it is proposed to the Shareholders' Meeting for release of the prohibition on directors of the 14th Board from participation in competitive business.

III. Proposed for election.

Resolution:

# **Extraordinary Motions**



# Adjournment

## **Twinhead International Corporation: Audit Report by Audit Committee**

Hereby

The Company's Board of Directors has prepared 2022 Business Report, financial statements (including standalone and consolidated) and the proposal for earnings distribution. The financial statements (including standalone and consolidated) have been audited by CPA Stella Huang and CPA Jason Yin with KPMG Taiwan. The above statements and documents have been audited by Audit Committee and no non-compliance was found. Hence, these are presented for ratification according to Article 14-4 of the Security and Exchange Act and Article 219 of the Company Act.

As above  
2023 Shareholders' Meeting

Convener of Audit Committee: Yuan-Chuan Lee

March 20, 2023

# **Twinhead International Corporation**

## **2022 Business Report**

### **I. Overview of Operation and Achievement of Project Implementation:**

The Company's 2022 consolidated operating revenue was NT\$934,137 thousand, and the gross profit was NT\$298,856 thousand, with a gross profit margin of 32%.

### **II. Overview of Production and Sales and Profitability:**

The Company's main products are Mil-Spec/industrial computers and rugged portable computers. The consolidated sales of 2022 were 34,790 pieces, with a total amount of NT\$748,585 thousand. Plus sales of other electronic components, the total sales were NT\$934,137 thousand.

### **III. Overview of Profit or Loss and Execution of Income and Expenditure Budget:**

Although there were factors that adversely influenced the economy due to inflation and increasing interest rate in 2022, as a result of the gradual completion of marketing channel layout, the sales region gradually spread out, and there was still an increase in annual revenue compared to the previous year. The Company's consolidated net income after tax for 2022 was NT\$77,509 thousand, and the net income to parent company was NT\$79,598. There was still a growth compared to 2021. In general, the Company has gradually entered a phase of stable profits.

### **IV. Business Strategy and Vision:**

From the perspective of business: In addition to intensifying the distribution system established in Europe and America, the Company also actively improve the structure of distribution in Mainland China and third world countries, weeding out the weakness and retaining the strength, to establish the bases for steady growth of the Company in the future.

From the perspective of products: In addition to continuously launching rugged portable devices with different product position in the vertical market, the Company will also devote its resources to the research and development of new products with potential according to the technology trends.

From the perspective of organization costs: The company continued promoting lean organization and process and rationalization to reduce costs and enhance efficiency and profitability.

Prospect for 2023: The Company will continue devote to strengthening the operation of subsidiaries and make good relationship with local strategic partners to increase market penetration and bid participation. With the improvement of brand awareness and image, it is expected to continue to grow in 2023 and achieve operation goals.

Person in Charge: Yu-Jen Kao    Manager: Su-Fu Kao    Accounting Head: Hung-Jung Wang

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 193,170	17	189,417	17	2100	Short-term borrowings (notes 6(i) and 8)	\$ 579,000	50	620,000	56
1151	Notes receivable, net (notes 6(b) and 6(q))	-	-	116	-	2150	Notes payable	221	-	177	-
1170	Accounts receivable, net (notes 6(b) and 6(q))	82,589	7	59,452	5	2170	Accounts payable	108,352	9	72,679	7
1180	Accounts receivable—related parties, net (notes 6(b), 6(q) and 7)	64,491	6	56,860	5	2200	Other payables	63,877	6	53,087	5
130x	Inventories (note (c))	239,197	21	197,783	18	2220	Other payables-related parties (notes 6(m) and (r))	437	-	814	-
1410	Prepayments	6,356	-	9,538	1	2250	Provisions—current (note 6(j))	7,843	1	6,215	1
1470	Other current assets	441	-	2,273	-	2280	Current lease liabilities (note 6(k))	15,069	1	14,782	1
	<b>Total current assets</b>	<u>586,244</u>	<u>51</u>	<u>515,439</u>	<u>46</u>	2300	Other current liabilities	20,225	2	17,216	1
<b>Non-current assets:</b>						<b>Total current liabilities</b>		<u>795,024</u>	<u>69</u>	<u>784,970</u>	<u>71</u>
1520	Financial assets measured at fair value through other comprehensive income-non-current (note 6(d))	679	-	1,803	-	2550	Provisions—non-current (note 6(j))	6,908	1	5,669	1
1600	Property, plant and equipment (notes (f), (j) and 8)	271,122	23	276,227	25	2580	Non-current lease liabilities (note 6(k))	230	-	15,299	1
1755	Right-of-use assets (note 6(g))	14,748	1	29,259	3	2670	Other non-current liabilities (notes 6(e) and 7)	8,690	-	3,207	-
1760	Investment property, net (notes 6(h), (l) and 8)	141,360	12	142,763	13		<b>Total non-current liabilities</b>	<u>15,828</u>	<u>1</u>	<u>24,175</u>	<u>2</u>
1840	Deferred income tax assets (note 6(n))	32,874	3	32,874	3		<b>Total liabilities</b>	<u>810,852</u>	<u>70</u>	<u>809,145</u>	<u>73</u>
1920	Refundable deposits	5,810	1	5,806	1		<b>Equity (note 6(o)):</b>				
1942	Long-term accounts receivable- related parties (notes 6(b), (q) and 7)	80,292	7	82,129	7		Share capital:				
1995	Other non-current assets	23,126	2	24,241	2	3110	Ordinary shares	247,993	21	247,993	22
	<b>Total non-current assets</b>	<u>570,011</u>	<u>49</u>	<u>595,102</u>	<u>54</u>	3120	Preference shares	11	-	11	-
								248,004	21	248,004	22
						3200	Capital surplus	35	-	-	-
							Retained earnings:				
						3310	Legal reserve	2,818	-	-	-
						3350	Retained earnings	79,758	7	28,182	3
								82,576	7	28,182	3
							Other equities:				
						3410	Exchange differences on translation of foreign financial statements	32,903	3	42,201	4
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(18,115)	(1)	(16,991)	(2)
								14,788	2	25,210	2
							<b>Total equity</b>	<u>345,403</u>	<u>30</u>	<u>301,396</u>	<u>27</u>
<b>Total assets</b>		<u>\$ 1,156,255</u>	<u>100</u>	<u>1,110,541</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 1,156,255</u>	<u>100</u>	<u>1,110,541</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Ordinary Share)

	2022		2021	
	Amount	%	Amount	%
4000 <b>Operating revenues (notes 6(q) and 7)</b>	\$ 892,509	100	825,287	100
5000 <b>Operating costs (notes 6(c), (f), (j), (k), (m) and 7)</b>	<u>625,445</u>	<u>70</u>	<u>595,079</u>	<u>72</u>
<b>Gross profit (loss) from operations</b>	267,064	30	230,208	28
5910 Less: Unrealized gain (loss) on affiliated transactions (note7)	<u>1,126</u>	<u>-</u>	<u>922</u>	<u>-</u>
5900 <b>Gross profit</b>	<u>265,938</u>	<u>30</u>	<u>229,286</u>	<u>28</u>
6000 <b>Operating expenses (notes 6(f), (g), (k), (m) and 7):</b>				
6100 Selling expenses	40,832	5	34,055	4
6200 Administrative expenses	96,631	11	89,071	11
6300 Research and development expenses	<u>89,825</u>	<u>10</u>	<u>76,988</u>	<u>9</u>
<b>Total operating expenses</b>	<u>227,288</u>	<u>26</u>	<u>200,114</u>	<u>24</u>
6900 <b>Net operating income</b>	<u>38,650</u>	<u>4</u>	<u>29,172</u>	<u>4</u>
7000 <b>Non-operating income and expenses (notes 6(d), (h), (k), (l) and (s)):</b>				
7100 Interest income	1,242	-	113	-
7010 Other income	14,982	2	19,505	2
7020 Other gains and losses	52,149	6	(17,419)	(2)
7050 Finance costs	(11,266)	(1)	(10,616)	(1)
7375 Share of loss (profit) of subsidiaries accounted for under equity method	<u>(16,159)</u>	<u>(2)</u>	<u>7,427</u>	<u>1</u>
<b>Total non-operating income and expenses</b>	<u>40,948</u>	<u>5</u>	<u>(990)</u>	<u>-</u>
<b>Income from continuing operations before tax</b>	79,598	9	28,182	4
7950 <b>Less: Income tax expense (note 6(n))</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net income</b>	<u>79,598</u>	<u>9</u>	<u>28,182</u>	<u>4</u>
8300 <b>Other comprehensive income (loss) (note 6(o)):</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,124)	-	508	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>(1,124)</u>	<u>-</u>	<u>508</u>	<u>-</u>
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	(9,298)	(1)	2,489	-
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>(9,298)</u>	<u>(1)</u>	<u>2,489</u>	<u>-</u>
8300 <b>Other comprehensive income (loss), net</b>	<u>(10,422)</u>	<u>(1)</u>	<u>2,997</u>	<u>-</u>
<b>Total comprehensive income (loss)</b>	<u>\$ 69,176</u>	<u>8</u>	<u>\$ 31,179</u>	<u>4</u>
9750 <b>Basic earnings per share (in New Taiwan dollar) (note 6(p))</b>	<u>\$ 3.21</u>		<u>\$ 1.14</u>	
9850 <b>Diluted earnings per share (in New Taiwan dollar) (note 6(p))</b>	<u>\$ 3.20</u>		<u>\$ 1.13</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP.

Statements of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollar)

	Share capital			Capital surplus	Legal reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Total other equity interest		Total equity
	Ordinary shares	Preference share	Total share capital			Retained earnings (accumulated deficits)	Total retained earnings		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	
<b>Balance at January 1, 2021</b>	\$ 1,959,240	84	1,959,324	-	-	(1,711,320)	(1,711,320)	39,712	(17,499)	22,213	270,217
Net income	-	-	-	-	-	28,182	28,182	-	-	-	28,182
Other comprehensive income (loss)	-	-	-	-	-	-	-	2,489	508	2,997	2,997
Total comprehensive income (loss)	-	-	-	-	-	28,182	28,182	2,489	508	2,997	31,179
Capital reduction to offset accumulated deficits	(1,711,247)	(73)	(1,711,320)	-	-	1,711,320	1,711,320	-	-	-	-
<b>Balance at December 31, 2021</b>	247,993	11	248,004	-	-	28,182	28,182	42,201	(16,991)	25,210	301,396
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	2,818	(2,818)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(24,799)	(24,799)	-	-	-	(24,799)
Cash dividends of preference share	-	-	-	-	-	(405)	(405)	-	-	-	(405)
Due to donated assets received	-	-	-	35	-	-	-	-	-	-	35
Net income	-	-	-	-	-	79,598	79,598	-	-	-	79,598
Other comprehensive income (loss)	-	-	-	-	-	-	-	(9,298)	(1,124)	(10,422)	(10,422)
Total comprehensive income (loss)	-	-	-	-	-	79,598	79,598	(9,298)	(1,124)	(10,422)	69,176
<b>Balance at December 31, 2022</b>	\$ 247,993	11	248,004	35	2,818	79,758	82,576	32,903	(18,115)	14,788	345,403

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Net income before tax	\$ 79,598	28,182
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	23,386	24,259
Amortization	12,194	11,578
Interest expense	11,266	10,616
Interest income	(1,242)	(113)
Dividend income	(480)	-
Share of loss (profit) of subsidiaries accounted for using equity method	16,159	(7,427)
Unrealized profit (loss) from sales	1,126	922
Total adjustments to reconcile profit	62,409	39,835
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	116	(116)
Accounts receivable	(23,137)	(2,269)
Accounts receivable—related parties	(26,894)	(11,932)
Inventories	(41,414)	(3,349)
Prepayments	3,182	(971)
Other current assets	2,041	174
Total changes in operating assets, net	(86,106)	(18,463)
Net changes in operating liabilities:		
Notes payable	44	(10)
Accounts payable	35,673	(53,403)
Other payables	10,512	4,351
Other payable—related parties	(377)	721
Provisions	2,867	1,656
Other current liabilities	3,009	(7,476)
Total changes in operating liabilities, net	51,728	(54,161)
Total changes in operating assets and liabilities, net	(34,378)	(72,624)
Total adjustments	28,031	(32,789)
Cash inflow (outflow) generated from operating activities	107,629	(4,607)
Interest received	1,132	113
Interest paid	(10,505)	(10,183)
Income taxes (paid) received	(99)	27
<b>Net cash flows from (used in) operating activities</b>	98,157	(14,650)
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	5,186
Acquisition of property, plant and equipment	(2,367)	(1,626)
Decrease in refundable deposits	(4)	5
Increase in other non-current assets	(11,079)	(6,436)
Dividends received	480	-
<b>Net cash flows used in investing activities</b>	(12,970)	(2,871)
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	80,000	210,000
Decrease in short-term borrowings	(121,000)	(210,000)
Payment of lease liabilities	(14,782)	(14,501)
Cash dividends paid	(25,204)	-
Interest paid	(448)	(729)
<b>Net cash flows used in financing activities</b>	(81,434)	(15,230)
<b>Net increase (decrease) in cash and cash equivalents</b>	3,753	(32,751)
<b>Cash and cash equivalents at beginning of period</b>	189,417	222,168
<b>Cash and cash equivalents at end of period</b>	\$ 193,170	189,417

See accompanying notes to parent company only financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	<u>December 31, 2022</u>		<u>December 31, 2021</u>			<u>December 31, 2022</u>		<u>December 31, 2021</u>	
<b>Assets</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>					<b>Liabilities and Equity</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 230,416	20	236,489	21	2100	\$ 579,000	50	620,000	55
1150 Notes receivable, net (notes 6(b) and 6(p))	-	-	116	-	2150	221	-	177	-
1170 Accounts receivable, net (notes 6(b) and 6(p))	89,909	8	70,836	6	2170	109,894	10	75,461	7
1180 Accounts receivable—related parties, net (notes 6(b), 6(p) and 7)	701	-	-	-	2200	71,483	6	61,523	5
1200 Other receivables	-	-	1,222	-	2250	8,663	1	7,389	1
130x Inventories (note 6(c))	255,455	22	212,209	19	2280	17,066	1	16,774	1
1470 Prepayments and other current assets	<u>9,426</u>	<u>1</u>	<u>13,452</u>	<u>1</u>	2300	<u>26,210</u>	<u>2</u>	<u>28,946</u>	<u>3</u>
<b>Total current assets</b>	<b><u>585,907</u></b>	<b><u>51</u></b>	<b><u>534,324</u></b>	<b><u>47</u></b>	<b>Total current liabilities</b>	<b><u>812,537</u></b>	<b><u>70</u></b>	<b><u>810,270</u></b>	<b><u>72</u></b>
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(d))	679	-	1,803	-	2550	6,908	1	5,669	1
1600 Property, plant and equipment (notes 6(e) and 8)	272,693	23	278,146	25	2645	3,812	-	17,148	1
1755 Right-of-use assets (note 6(f))	30,269	2	43,142	4	2670	6,731	1	6,676	1
1760 Investment property, net (notes 6(g), (k) and 8)	192,916	17	194,842	17		<u>597</u>	<u>-</u>	<u>1,525</u>	<u>-</u>
1840 Deferred income tax assets (note 6(m))	43,378	4	43,045	4	<b>Total non-current liabilities</b>	<b><u>18,048</u></b>	<b><u>2</u></b>	<b><u>31,018</u></b>	<b><u>3</u></b>
1920 Refundable deposits	7,202	1	7,071	1	<b>Total liabilities</b>	<b><u>830,585</u></b>	<b><u>72</u></b>	<b><u>841,288</u></b>	<b><u>75</u></b>
1995 Other non-current assets	<u>23,283</u>	<u>2</u>	<u>24,526</u>	<u>2</u>	<b>Equity attributable to owners of parent (note 6(n)):</b>				
<b>Total non-current assets</b>	<b><u>570,420</u></b>	<b><u>49</u></b>	<b><u>592,575</u></b>	<b><u>53</u></b>	Share capital:				
				3110	Ordinary shares	247,993	22	247,993	22
				3120	Preference shares	<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>
						<u>248,004</u>	<u>22</u>	<u>248,004</u>	<u>22</u>
				3200	Capital surplus	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
					Retained earnings:				
				3310	Legal reserve	2,818	-	-	-
				3350	Retained earnings	<u>79,758</u>	<u>7</u>	<u>28,182</u>	<u>3</u>
						<u>82,576</u>	<u>7</u>	<u>28,182</u>	<u>3</u>
				3410	Other equities:				
				3420	Exchange differences on translation of foreign financial statements	32,903	3	42,201	4
					Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	<u>(18,115)</u>	<u>(2)</u>	<u>(16,991)</u>	<u>(3)</u>
						<u>14,788</u>	<u>1</u>	<u>25,210</u>	<u>1</u>
					Total equity attributable to owners of parent	<u>345,403</u>	<u>30</u>	<u>301,396</u>	<u>26</u>
				36xx	<b>Non-controlling interests</b>	<u>(19,661)</u>	<u>(2)</u>	<u>(15,785)</u>	<u>(1)</u>
					<b>Total equity</b>	<b><u>325,742</u></b>	<b><u>28</u></b>	<b><u>285,611</u></b>	<b><u>25</u></b>
<b>Total assets</b>	<b><u>\$ 1,156,327</u></b>	<b><u>100</u></b>	<b><u>1,126,899</u></b>	<b><u>100</u></b>	<b>Total liabilities and equity</b>	<b><u>\$ 1,156,327</u></b>	<b><u>100</u></b>	<b><u>1,126,899</u></b>	<b><u>100</u></b>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Ordinary Share)

	2022		2021	
	Amount	%	Amount	%
4000	<b>Operating revenues (notes 6(p) and 7)</b>			
	\$ 934,137	100	867,893	100
5000	<b>Operating costs (notes 6(c), 6(e), 6(f), 6(i), 6(j) and 6(l))</b>			
	<u>635,281</u>	<u>68</u>	<u>608,149</u>	<u>70</u>
5900	<b>Gross profit</b>			
	<u>298,856</u>	<u>32</u>	<u>259,744</u>	<u>30</u>
6000	<b>Operating expenses (notes 6(b), 6(e), 6(f), 6(j), 6(l), 6(q) and 7):</b>			
6100	Selling expenses			
	60,965	7	55,712	6
6200	Administrative expenses			
	126,650	13	117,766	14
6300	Research and development expenses			
	89,825	10	76,988	9
6450	Impairment loss determined in accordance with IFRS 9			
	<u>71</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total operating expenses</b>			
	<u>277,511</u>	<u>30</u>	<u>250,466</u>	<u>29</u>
6900	<b>Net operating income</b>			
	<u>21,345</u>	<u>2</u>	<u>9,278</u>	<u>1</u>
7000	<b>Non-operating income and expenses (notes 6(d), 6(g), 6(j), 6(k) and 6(r)):</b>			
7100	Interest income			
	1,398	-	168	-
7010	Other income			
	37,443	4	40,723	5
7020	Other gains and losses			
	29,746	3	(13,304)	(2)
7050	Finance costs			
	<u>(11,446)</u>	<u>(1)</u>	<u>(10,847)</u>	<u>(1)</u>
	<b>Total non-operating income and expenses</b>			
	<u>57,141</u>	<u>6</u>	<u>16,740</u>	<u>2</u>
	<b>Income from continuing operations before tax</b>			
	78,486	8	26,018	3
7950	<b>Less: Income tax expense (note 6(m))</b>			
	<u>977</u>	<u>-</u>	<u>246</u>	<u>-</u>
	<b>Net income</b>			
	<u>77,509</u>	<u>8</u>	<u>25,772</u>	<u>3</u>
8300	<b>Other comprehensive income (loss) (note 6(n)):</b>			
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>			
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income			
	(1,124)	-	508	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss			
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>			
	<u>(1,124)</u>	<u>-</u>	<u>508</u>	<u>-</u>
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			
	(11,085)	(1)	2,903	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss			
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>			
	<u>(11,085)</u>	<u>(1)</u>	<u>2,903</u>	<u>-</u>
8300	<b>Other comprehensive income (loss), net</b>			
	<u>(12,209)</u>	<u>(1)</u>	<u>3,411</u>	<u>-</u>
	<b>Total comprehensive income (loss)</b>			
	<u>\$ 65,300</u>	<u>7</u>	<u>29,183</u>	<u>3</u>
	<b>Net income (loss) attributable to:</b>			
8610	Owners of parent			
	79,598	8	28,182	3
8620	Non-controlling interests			
	<u>(2,089)</u>	<u>-</u>	<u>(2,410)</u>	<u>-</u>
	<u>\$ 77,509</u>	<u>8</u>	<u>25,772</u>	<u>3</u>
	<b>Comprehensive income (loss) attributable to:</b>			
8710	Owners of parent			
	69,176	7	31,179	3
8720	Non-controlling interests			
	<u>(3,876)</u>	<u>-</u>	<u>(1,996)</u>	<u>-</u>
	<u>\$ 65,300</u>	<u>7</u>	<u>29,183</u>	<u>3</u>
9750	<b>Basic earnings per share (in New Taiwan dollar) (note 6(o))</b>			
	<u>\$ 3.21</u>		<u>1.14</u>	
9850	<b>Diluted earnings per share (in New Taiwan dollar) (note 6(o))</b>			
	<u>\$ 3.20</u>		<u>1.13</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent							Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital			Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest			
	Ordinary shares	Preference share	Total share capital	Capital surplus	Legal reserve	Retained earnings (accumulated deficits)	Total retained earnings						
<b>Balance at January 1, 2021</b>	\$ 1,959,240	84	1,959,324	-	-	(1,711,320)	(1,711,320)	39,712	(17,499)	22,213	270,217	(13,789)	256,428
Net income (loss)	-	-	-	-	-	28,182	28,182	-	-	-	28,182	(2,410)	25,772
Other comprehensive income (loss)	-	-	-	-	-	-	-	2,489	508	2,997	2,997	414	3,411
Total comprehensive income (loss)	-	-	-	-	-	28,182	28,182	2,489	508	2,997	31,179	(1,996)	29,183
Capital reduction to offset accumulated deficits	(1,711,247)	(73)	(1,711,320)	-	-	1,711,320	1,711,320	-	-	-	-	-	-
<b>Balance at December 31, 2021</b>	247,993	11	248,004	-	-	28,182	28,182	42,201	(16,991)	25,210	301,396	(15,785)	285,611
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	2,818	(2,818)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(24,799)	(24,799)	-	-	-	(24,799)	-	(24,799)
Cash dividends of preference share	-	-	-	-	-	(405)	(405)	-	-	-	(405)	-	(405)
Due to donated assets received	-	-	-	35	-	-	-	-	-	-	35	-	35
Net income (loss)	-	-	-	-	-	79,598	79,598	-	-	-	79,598	(2,089)	77,509
Other comprehensive income (loss)	-	-	-	-	-	-	-	(9,298)	(1,124)	(10,422)	(10,422)	(1,787)	(12,209)
Total comprehensive income (loss)	-	-	-	-	-	79,598	79,598	(9,298)	(1,124)	(10,422)	69,176	(3,876)	65,300
<b>Balance at December 31, 2022</b>	\$ <u>247,993</u>	<u>11</u>	<u>248,004</u>	<u>35</u>	<u>2,818</u>	<u>79,758</u>	<u>82,576</u>	<u>32,903</u>	<u>(18,115)</u>	<u>14,788</u>	<u>345,403</u>	<u>(19,661)</u>	<u>325,742</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollar)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Net income before tax	\$ 78,486	26,018
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	28,090	28,743
Amortization	12,326	11,847
Impairment loss determined in accordance with IFRS 9	71	-
Interest expense	11,446	10,847
Interest income	(1,398)	(168)
Dividend income	(480)	-
Total adjustments to reconcile profit	50,055	51,269
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	116	(116)
Accounts receivable	(19,073)	(10,258)
Accounts receivable—related parties	(774)	2,848
Other receivables	1,222	(1,222)
Inventories	(43,246)	(4,781)
Prepayments and other current assets	4,235	1,228
Total changes in operating assets, net	(57,520)	(12,301)
Net changes in operating liabilities:		
Notes payable	44	(10)
Accounts payable	34,433	(54,398)
Other payables	9,682	4,090
Provisions	2,513	1,435
Other current liabilities	(2,791)	(4,960)
Other non-current liabilities	(928)	155
Total changes in operating liabilities, net	42,953	(53,688)
Total changes in operating assets and liabilities, net	(14,567)	(65,989)
Total adjustments	35,488	(14,720)
Cash inflow generated from operating activities	113,974	11,298
Interest received	1,288	168
Interest paid	(10,505)	(10,183)
Income taxes paid	(266)	(498)
<b>Net cash flows from operating activities</b>	104,491	785
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	5,186
Acquisition of property, plant and equipment	(2,929)	(1,728)
(Increase) Decrease in refundable deposits	(4)	5
Increase in other non-current assets	(11,083)	(6,434)
Dividends received	480	-
<b>Net cash flows used in investing activities</b>	(13,536)	(2,971)
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	80,000	210,000
Decrease in short-term borrowings	(121,000)	(210,000)
Decrease in guarantee deposits received	-	(108)
Payment of lease liabilities	(16,887)	(16,420)
Cash dividends paid	(25,204)	-
Interest paid	(628)	(960)
<b>Net cash flows used in financing activities</b>	(83,719)	(17,488)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(13,309)	3,595
<b>Net decrease in cash and cash equivalents</b>	(6,073)	(16,079)
<b>Cash and cash equivalents at beginning of period</b>	236,489	252,568
<b>Cash and cash equivalents at end of period</b>	\$ 230,416	236,489

See accompanying notes to consolidated financial statements.



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## Independent Auditors' Report

To the Board of Directors of Twinhead International Corp.:

### Opinion

We have audited the parent company only financial statements of Twinhead International Corp. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters was addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters to be communicated in our report.

#### Inventory measurement

Please refer to note 4(g), note 5, and note 6(c) of the parent company only financial statements for details on the information about inventory measurement.



#### Description of key audit matter:

The inventory of the Company includes inventory for production and repair. Since the technology in the computer industry changes rapidly, market demand may change in the meantime. Because of the market change and aging situation, the carrying value of inventories may exceed its net realized value. As the subsequent measurement of inventory depends on the evaluation of the management based on several evidence. Therefore, we consider it as a key audit matter.

#### How the matter was addressed in our audit:

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the basis used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only 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. Obtain 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. Conclude 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 auditors' report to the related disclosures in the parent company only 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 auditors' 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Po-Shu Huang and Yuan-Sheng Yin.

KPMG

Taipei, Taiwan (Republic of China)  
March 16, 2023

#### 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.



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## Independent Auditors' Report

To the Board of Directors of Twinhead International Corp.:

### Opinion

We have audited the consolidated financial statements of Twinhead International Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 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"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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 for the year end December 31, 2022. 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 as the key audit matters to be communicated in our report.

### **Inventory measurement**

Please refer to note 4(h), note 5, and note 6(c) of the consolidated financial statements for details on the information about inventory measurement.

#### **Description of key audit matter:**

The inventory of the Group includes inventory for production and repair. Since the technology in the computer industry changes rapidly, market demand may change in the meantime. Because of the market change and aging situation, the carrying value of inventories may exceed its net realized value. As the subsequent measurement of inventory depends on the evaluation of the management based on several evidence. Therefore, we consider it as a key audit matter.

#### **How the matter was addressed in our audit:**

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the basis used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

## **Other Matter**

Twinhead International Corp. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified audit 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 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. Obtain 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. Conclude 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 auditors' 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 auditors' 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 auditor's 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 Po-Shu Huang and Yuan-Sheng Yin.

KPMG

Taipei, Taiwan (Republic of China)  
March 16, 2023

#### **Notes to Readers**

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

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

# Twinhead International Corporation

## Earnings Distribution Table

2022

	Unit: New Taiwan
Dollars	<u>Amount</u>
Beginning unappropriated earnings	160,066
Plus:	
Net income after tax for 2022	79,598,027
Less:	
2022 Statutory reserves appropriated	7,959,803
Distribution details	
(I) 2022 Cash dividends to special share holders	2,124
(II) Bonuses to shareholders (share of NT\$2.5)	61,998,400
	<hr/>
Ending unappropriated earnings	<u><u>9,797,766</u></u>

Person in Charge: Yu-Jen Kao    Manager: Su-Fu Kao    Accounting Head: Hung-Jung Wang

Twinhead International Corporation Table for Articles of Incorporation Before and After Revision

Articles After Revision	Articles Before Revision	Explanation for Revision
<p>Article 12: The Company has <u>7</u> to 15 directors. The number of directors to be elected shall be determined within this range by the Board of Directors. The candidate nomination system described in Article 192-1 of the Company Act applies to the election of directors. Shareholders elect directors from the list of candidates. A term is three years. Reelected directors can serve consecutive terms. The total number of the Company's shares held by all directors may not fall below the statutory percentage required by competent authority.</p>	<p>Article 12: The Company has <u>9</u> to 15 directors. The number of directors to be elected shall be determined within this range by the Board of Directors. The candidate nomination system described in Article 192-1 of the Company Act applies to the election of directors. Shareholders elect directors from the list of candidates. A term is three years. Reelected directors can serve consecutive terms. The total number of the Company's shares held by all directors may not fall below the statutory percentage required by competent authority.</p>	<p>For flexible planning of the number of directors, it is proposed to revise the range for the number of the Company's directors.</p>
<p>Article 22: The Company's annual earnings, if any, should be used first to pay taxes, offset accumulated losses and then appropriate at 10% for legal reserves until the amount of legal reserves is equivalent to the Company's paid-in capital. The issuance of preference dividends due but not yet paid should take priority. Special reserves may be recognized depending on operational and statutory requirements, followed with the recognition or reversal of special reserves according to laws and regulations. If there are any remaining earnings, along with the accumulated undistributed earnings, the Board of Directors may propose the earnings distribution to the shareholders' meeting for resolution. <u>It is authorized that the dividends, bonuses, legal reserve and distributable paid-in-capital in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a</u></p>	<p>Article 22: The Company's annual earnings, if any, should be used first to pay taxes, offset accumulated losses and then appropriate at 10% for legal reserves until the amount of legal reserves is equivalent to the Company's paid-in capital. The issuance of preference dividends due but not yet paid should take priority. Special reserves may be recognized depending on operational and statutory requirements, followed with the recognition or reversal of special reserves according to laws and regulations. Any remaining earnings, along with the accumulated undistributed earnings, <u>are distributed as dividends to shareholders</u> according to the proposal by the Board of Directors and after the resolution from the shareholders' meeting. Considering the growth of the industry where the Company operates and for the strengthening of the Company's financial structure and the protection of investors' rights, no less than 50% of the</p>	<p>I. In order to simplify the procedure for distribution of dividends, bonuses, legal reserves and paid-in-capital, it is proposed to amend the resolution method for distribution paid in cash. II. The amendment to dividend policy will raise the appropriation rate of cash dividends from not more than 40% of the total shareholders' bonuses to 80% to improve flexibility.</p>

<p><u>meeting of the board of directors attended by two-thirds of the total number of directors; and a report of such distribution shall be submitted to the shareholders' meeting</u></p> <p>Considering the growth of the industry where the Company operates and for the strengthening of the Company's financial structure and the protection of investors' rights, no less than 50% of the distributable earnings shall be allocated as dividends to shareholders. However, distribution may not be made if the cumulative allocable earnings are less than 1% of the paid-in capital. With the capital surplus, retained earnings, future <u>capital demand and long-term financial plan</u> under consideration, cash dividends shall not be higher than 80% of the total dividends in order to maintain a stable dividend policy. Other dividends shall be in the form of shares.</p>	<p>distributable earnings shall be allocated as dividends to shareholders. However, distribution may not be made if the cumulative allocable earnings are less than 1% of the paid-in capital. With the capital surplus, retained earnings and future <u>profitability</u> under consideration, cash dividends shall not be higher than 40% of the total dividends in order to maintain a stable dividend policy. Other dividends shall be in the form of shares.</p>	
<p>Article 25: The Articles of Incorporation were established on January 13, 1984. First amendment on January 31, 1984 Second amendment on February 16, 1984 Third amendment on November 25, 1985 Fourth amendment on July 20, 1986 Fifth amendment on June 10, 1987 Sixth amendment on January 21, 1988 Seventh amendment on June 10, 1988 Eighth amendment on October 20, 1988 Ninth amendment on April 4, 1989 Tenth amendment on November 20, 1989 Eleventh amendment on March 12, 1990</p>	<p>Article 25: The Articles of Incorporation were established on January 13, 1984. First amendment on January 31, 1984 Second amendment on February 16, 1984 Third amendment on November 25, 1985 Fourth amendment on July 20, 1986 Fifth amendment on June 10, 1987 Sixth amendment on January 21, 1988 Seventh amendment on June 10, 1988 Eighth amendment on October 20, 1988 Ninth amendment on April 4, 1989 Tenth amendment on November 20, 1989 Eleventh amendment on March 12, 1990 Twelfth amendment on October 26,</p>	<p>Add the date of amendment to Articles of Incorporation.</p>

Twelfth amendment on October 26, 1990	1990	
Thirteenth amendment on June 1, 1991	Thirteenth amendment on June 1, 1991	
Fourteenth amendment on March 28, 1992	Fourteenth amendment on March 28, 1992	
Fifteenth amendment on May 15, 1993	Fifteenth amendment on May 15, 1993	
Sixteenth amendment on June 25, 1995	Sixteenth amendment on June 25, 1995	
Seventeenth amendment on August 30, 1996	Seventeenth amendment on August 30, 1996	
Eighteenth amendment on April 28, 1997	Eighteenth amendment on April 28, 1997	
Nineteenth amendment on April 15, 1998	Nineteenth amendment on April 15, 1998	
Twentieth amendment on May 19, 1999	Twentieth amendment on May 19, 1999	
Twenty-first amendment on April 27, 2000	Twenty-first amendment on April 27, 2000	
Twenty-second amendment on May 25, 2001	Twenty-second amendment on May 25, 2001	
Twenty-third amendment on May 31, 2002	Twenty-third amendment on May 31, 2002	
Twenty-fourth amendment on May 30, 2003	Twenty-fourth amendment on May 30, 2003	
Twenty-fifth amendment on May 27, 2005	Twenty-fifth amendment on May 27, 2005	
Twenty-sixth amendment on June 13, 2008	Twenty-sixth amendment on June 13, 2008	
Twenty-seventh amendment on May 31, 2013	Twenty-seventh amendment on May 31, 2013	
Twenty-eighth amendment on June 23, 2016	Twenty-eighth amendment on June 23, 2016	
Twenty-ninth amendment on June 16, 2017	Twenty-ninth amendment on June 16, 2017	
Thirtieth amendment on June 12, 2019	Thirtieth amendment on June 12, 2019	
Thirty-first amendment on June 30, 2020	Thirty-first amendment on June 30, 2020	
Thirty-second amendment on June 10, 2022	Thirty-second amendment on June 10, 2022	
<u>Thirty-third amendment on June 13, 2023</u>		

Twinhead International Corporation Comparison Table for Rules of Procedure for Shareholders' Meeting Before and After Revision

Articles After Revision	Articles Before Revision	Explanation for Revision
<p>Article 2: Attending shareholders (or representatives, <u>proxy solicitors</u>) should wear the attendance certificates. Sign-in may be made in lieu of handing in the sign-in card. The number of shares in attendance is calculated with the sign-in cards handed in.</p>	<p>Article 2: Attending shareholders (or representatives) should wear the attendance certificates. Sign-in may be made in lieu of handing in the sign-in card. The number of shares in attendance is calculated with the sign-in cards handed in.</p>	<p>I. In accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the tai-zheng-zhi-li-zih No.1110004250 amendment to “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meeting” announced by Taiwan Stock Exchange on March 8, 2022, this article is newly added accordingly.</p>
<p>Article 20: <u>In the event of a virtual Shareholders' Meeting (including hybrid and virtual-only Shareholders' Meeting), the Regulations Governing the Administration of Shareholder Services of Public Companies and related regulations shall apply to the matters not covered by paragraph 2 in this article. In the event of a virtual Shareholders' Meeting, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, and</u></p>	<p>Article 20: <u>The Company Act and the Company's Articles of Incorporation shall apply to the matters not covered by the Procedure.</u></p>	<p>I. The reason for addition of this Article is the same as the former. II. The former Article shifts to Article 21.</p>

<p><u>the obstruction continues for more than 30 minutes, except for the conditions that do not need to postpone or resume illustrated in Regulations Governing the Administration of Shareholder Services of Public Companies, the chair shall announce the meeting postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.</u></p>		
<p>Article <u>21</u>: The Company Act and the Company's Articles of Incorporation shall apply to the matters not covered by the Procedure.</p>	<p>Article <u>20</u>: The Company Act and the Company's Articles of Incorporation shall apply to the matters not covered by the Procedure.</p>	<p>I. Revise for the shift of Article number.</p>
<p>Article <u>22</u>: The Procedure takes effect when approved by the shareholders' meeting. This applies to amendments.</p>	<p>Article <u>21</u>: The Procedure takes effect when approved by the shareholders' meeting. This applies to amendments.</p>	<p>I. Revise for the shift of Article number.</p>



List of 14th Director Candidate (Including Independent Director) of Twinhead International Corporation

Category	Name	Representative	No. of shares held	Main Education and Experience
Director	Kaos Enterprise Co., Ltd	Yu-Jen Kao	3,973,315 shares	Department of Law, National Taiwan University Members of the Legislative Yuan Chairman of the Company
	Kaos Enterprise Co., Ltd	Su-Fu Kao	3,973,315 shares	NYU Stern School of Business, U.S. President of the Company
	Kaos Enterprise Co., Ltd	Min-Kung Hung	3,973,315 shares	Institute of public administration, National Chengchi University Independent director of Aero Win Technology Corporation
	EUROC Investment Co., Ltd	Mei-Li Tsai	6,000 shares	Institute of accounting, National Chengchi University Director of Aero Win Technology Corporation Director of Mosa Industrial Corporation President of EUROC Investment Co., Ltd
	The 21 <sup>st</sup> Century Foundation	Cheng-Hu Chow	23,262 shares	PhD in public administration and a master's degree in international administration management, University of La Verne in Los Angeles, U.S. Chairman of Shih Hsin University
	Protegas Futuro Holdings LLC	An Van Nguyen	3,802,355 shares	B.S. Computer Science, University of California at Berkeley Chairman and president of NCS Technologies Inc.
	Ri Yue Kao Investment Co., Ltd	-	82,622 shares	-
Independent director	Yuan-Chuan Lee	-	0 share	PhD in Agriculture Team of Institute of Development Planning, Chinese Culture University Master's degree in Institute of Agricultural Engineering, College of Agriculture, National Taiwan University Bachelor's degree in Department of Hydraulic Engineering, College of Engineering, National Cheng

				<p>Kung University  Council member of the 4th, 5th, and 6th Taiwan Provincial Consultative Council  Speaker of the 5th and 6th Taiwan Provincial Consultative Council  Independent director of the Company</p>
	Tzu-Ping Jen	-	0 share	<p>Bachelor's degree in business administration, Fu Jen Catholic University  Assistant Vice President of the Head Quarter of Mega International Commercial Bank  President of Management and Consulting Firm of the Bank of Communications  Chairman of Tai Pin Non-Life Insurance Co., Ltd.  Independent director of Mosa Industrial Corporation  Independent director of the Company</p>
	I-Hsiung Su	-	0 share	<p>Bachelor's degree in statistics team of accounting statistics department, National Chung Hsing University  Professor and dean of the Department of Statistics, National Chung Hsing University  Dean of the College of Business, Chung Yuan Christian University  Chairman of Taoyuan Christian Jhongli Church Foundation  Independent director of the Company</p>
	Shu-Hua Chiou	-	0 share	<p>PhD in communication institute, Shih Hsin University  Master's degree in business management, Western International University, U.S.  Contracted visiting professor of Department of Public Relations and Advertising, Shih Hsin University  Honorary chair professor of Overseas Chinese University</p>

# **Twinhead International Corporation: Articles of Incorporation**

## **Chapter 1: General Provision**

- Article 1: The Company is incorporated according to the regulations governing limited companies under the Company Act and named “Twinhead International Corporation”.
- Article 2: The Company is engaged in the following businesses:
1. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
  2. F401021 Regulated telecommunications radio-frequency equipment import
  3. All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1: The Company may provide endorsements and guarantees to external parties due to business relationships.
- Article 2-2: The Company’s investments in investees are not subject to the limitations specified by Article 13 of the Company Act but may not exceed 500% of the Company’s paid-in capital.
- Article 3: The Company is headquartered in Taiwan. When necessary and as resolved by the Board of Directors, the Company may establish branches, factories or offices in other domestic locations or overseas.
- Article 4: The Company makes announcements in accordance with Article 28 of the Company Act.

## **Chapter 2: Shares**

- Article 5: The Company’s authorized capital is NT\$7 billion, divided by 700 million shares and at a face value of NT\$10 per share. Shares may be issued in multiple tranches. Preference shares may be issued within the shares mentioned above.
- The aforesaid total capitalization includes NT\$500 million for warrants issued to employees, divided into 50 million shares at a face value of NT\$10 per share. This may be issued in tranches. The issuance shall be determined by the Board of Directors.
- Article 5-1: The preference shares issued by the Company is Type A registered preference shares. The relevant rights, obligations and other important matters are as follows:
- Type A registered preference shares
1. According to laws, the Company’s net income each year shall be used first to offset losses from prior years, to allocate for taxes payable and legal reserves. Preference dividends are based on 20% of the face value p.a.
  2. Dividends are paid in cash once a year. Dividends for the previous year are calculated according to the number of days in issue after the date of approval by the annual shareholders’

meeting. However, dividends are calculated up to the end of the previous year in case of conversion to ordinary shares.

3. If there is no earnings for the year or the earnings are insufficient for the issuance of preference dividends, any earnings in subsequent years should be prioritized for dividends due but unpaid during previous years. Shareholders of Type A registered preference shares are entitled to due but unpaid preference dividends for conversion to ordinary shares. The Company should pay in full at one sitting such due but unpaid dividends. However, they may not request the distribution of earnings from the previous year to ordinary shares. All the other rights and obligations are the same as ordinary shares.
4. Preference shareholders may request to convert preference shares into the same number of ordinary shares in each June after one year in issuance of preference shares.
5. Preference shares have a priority claim over ordinary shares when the Company is liquidated. However, the allocation of the Company's remaining assets may not exceed the issued amount. Type A registered preference shares have no rights or obligations other than those described in this Article of Incorporation.

Article 6: Once the Company offers shares to the public, it is not necessary to print and produce registered shares in issuance. However, registration with Taiwan Depository & Clearing Corporation is required.

Article 7: The book is closed within 60 days before each annual shareholders' meeting, 30 days before an extraordinary shareholders' meeting or five days before the basis date for the Company's issuance of dividends or other interests.

### **Chapter 3: Shareholders' Meetings**

Article 8: Shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. Annual shareholders' meetings are convened once a year and within six months after the end of a financial year. Notification is sent by the Board of Directors to shareholders 30 days in advance. Extraordinary shareholders' meetings are convened when necessary and according to laws.

Article 8-1: The Company's shareholders' meetings may be convened online or in other methods announced by the central competent authorities.

Article 9: If a shareholder is unable to attend to the shareholders' meeting, it is possible to appoint a representative to attend with the proxy issued by the Company and with the scope of authorization specified.

Article 10: Each ordinary share of the Company is entitled to one vote. Type A registered preference shares have no voting rights.

Article 11: Unless otherwise stipulated in the Company Act, the resolution by the shareholders' meeting requires the attendance of shareholders representing more than half of the total issued shares and the consent

from the majority of voting rights represented by the attending shareholders.

#### **Chapter 4: Directors**

- Article 12: The Company has 9 to 15 directors. The number of directors to be elected shall be determined within this range by the Board of Directors. The candidate nomination system described in Article 192-1 of the Company Act applies to the election of directors. Shareholders elect directors from the list of candidates. A term is three years. Reelected directors can serve consecutive terms. The total number of the Company's shares held by all directors may not fall below the statutory percentage required by competent authority.
- Article 12-1: Among the aforesaid directors, at least three and no less than one fifth of the board seats have to be independent directors. The election is based on the candidate nomination system described in Article 192-1 of the Company Act. Shareholders elect independent directors from the list of candidates.
- Article 13: A board meeting requires the attendance of at least two thirds of directors. Chairperson is elected among directors with consent from at least half of the attending directors. Vice Chairperson may also be elected.  
Chairperson oversees the Company matters in adherence to laws, Articles of Incorporation and resolutions by shareholders' meetings and board meetings. If Chairperson cannot perform duties due to any reason, the deputy shall perform according to the Company Act.
- Article 14: When the vacant director seats reach one third of the board or all independent directors have departed, the Company should convene an extraordinary shareholders' meeting for election of directors within 60 days after the event. If the departure of directors or independent directors reduces the board size to the level below requirement by laws or in Articles of Incorporation, it is necessary to elect directors to fill the vacancies in the next shareholders' meeting. However, the term of a by-elected director is limited to the original term of the vacancy.
- Article 15: The first meeting of each board shall be convened according to the Company Act. In addition, board meetings shall be convened at least once a quarter by Chairperson and chaired by Chairperson. If Chairperson cannot perform duties due to any reason, the deputy shall perform according to Article 208 of the Company Act. Ad-hoc board meetings may be convened by Chairperson when deemed necessary by Chairperson or requested by at least half of the directors. Such meetings shall be chaired by Chairperson.
- Article 16: Unless otherwise stipulated by the Company Act and other laws, a resolution by the Board of Directors requires the attendance of more than half of the directors and the approval from the majority of the

directors in attendance. If unable to attend in person for any reasons, directors may issue letters of authorization by listing the scope of authorization to authorize other directors to attend on behalf. The authorized person can only represent one director.

Article 17: (deleted)

Article 18: The Board of Directors is authorized to determine the remuneration of Chairperson, Vice Chairperson, and directors according to their involvement in and contributions to the Company's operation and in reference to the industry standards.

The Company purchases liability insurances for its directors according to laws.

Article 19: Unless otherwise specified by laws, the following matters should be brought to the Board of Directors and require the attendance of at least two thirds of directors and the consent by at least half of the attending directors.

1. Issuance of new shares
2. Issuance of new shares as consideration for shares of other companies
3. Issuance of corporate bonds
4. Application to the court for restructuring
5. Distribution of employees' remuneration

### **Chapter 5: Managers and Employees**

Article 20: The Company has one President, nominated by Chairperson. There may be multiple Vice Presidents, nominated by President. The appointment/dismissal requires the consent from the Board of Directors.

### **Chapter 6: Reports and accounts**

Article 21: After the end of each financial year, the Board of Directors shall prepare the following reports and statements for the ratification by shareholders' meetings according to statutory procedures.

1. Business report
2. Financial statements
3. Proposals for earnings distributions or loss offsetting

Article 22: The Company's annual earnings, if any, should be used first to pay taxes, offset accumulated losses and then appropriate at 10% for legal reserves until the amount of legal reserves is equivalent to the Company's paid-in capital. The issuance of preference dividends due but not yet paid should take priority. Special reserves may be recognized depending on operational and statutory requirements, followed with the recognition or reversal of special reserves according to laws and regulations. Any remaining earnings, along with the accumulated undistributed earnings, are distributed as dividends to shareholders according to the proposal by the Board of Directors and

after the resolution from the shareholders' meeting.

Considering the growth of the industry where the Company operates and for the strengthening of the Company's financial structure and the protection of investors' rights, no less than 50% of the distributable earnings shall be allocated as dividends to shareholders. However, distribution may not be made if the cumulative allocable earnings are less than 1% of the paid-in capital. With the capital surplus, retained earnings and future profitability under consideration, cash dividends shall not be higher than 40% of the total dividends in order to maintain a stable dividend policy. Other dividends shall be in the form of shares.

Article 22-1: If the Company generates profits during the year, an allocation of no less than 5% shall be made as the remuneration to employees and no higher than 4% as the remuneration to directors according to laws. However, the profit should be reserved first for offsetting of accumulated losses if any. The employees eligible for the aforesaid distribution of remunerations may include the employees with controlling or subordinate companies meeting certain criteria. The details shall be determined by the Board of Directors.

## **Chapter 7 Supplementary Provisions**

Article 23: The Company's organizational regulations and detailed work rules are formulated separately by the Board of Directors.

Article 24: Any matters not covered by the Articles of Incorporation shall refer to the Company Act and other regulations.

Article 25: The Articles of Incorporation were established on January 13, 1984.

First amendment on January 31, 1984

Second amendment on February 16, 1984

Third amendment on November 24, 1985

Fourth amendment on July 20, 1986

Fifth amendment on June 10, 1987

Sixth amendment on January 21, 1988

Seventh amendment on June 10, 1988

Eighth amendment on October 20, 1988

Ninth amendment on April 4, 1989

Tenth amendment on November 20, 1989

Eleventh amendment on March 12, 1990

Twelfth amendment on October 26, 1990

Thirteenth amendment on June 1, 1991

Fourteenth amendment on March 28, 1992

Fifteenth amendment on May 15, 1993

Sixteenth amendment on June 25, 1995

Seventeenth amendment on August 30, 1996

Eighteenth amendment on April 28, 1997

Nineteenth amendment on April 15, 1998

Twentieth amendment on May 19, 1999  
Twenty-first amendment on April 27, 2000  
Twenty-second amendment on May 25, 2001  
Twenty-third amendment on May 31, 2002  
Twenty-fourth amendment on May 30, 2003  
Twenty-fifth amendment on May 27, 2005  
Twenty-sixth amendment on June 13, 2008  
Twenty-seventh amendment on May 31, 2013  
Twenty-eighth amendment on June 23, 2016  
Twenty-ninth amendment on June 16, 2017  
Thirtieth amendment on June 12, 2019  
Thirty-first amendment on June 30, 2020  
Thirty-second amendment on June 10, 2022



## **Twinhead International Corporation: Procedure for Election of Directors**

- Article 1: The Procedure is established in accordance with the Company Law and the Company's Articles of Incorporation. The election of the Company's directors shall adhere to the Procedure.
- Article 2: The Company's election of directors is held at shareholders' meetings. Independent directors and directors are elected together. The number of elected independent directors and the number of elected directors are calculated separately.
- Article 3: The election of the Company's directors is based on single votes.
- Article 4: The election of the Company's directors and independent directors is based on the candidate nomination system described in Article 192-1 of the Company Act. Shareholders shall elect directors and independent directors from the list of candidates.
- The professional qualifications, shareholdings, restrictions on other roles and other matters of compliance for independent directors shall be subject to the Company Act, the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and other relevant laws and regulations.
- Each ordinary share contains the votes in the same number as the number of directors to be elected. Votes can all be cast to one candidate or distributed to multiple candidates.
- Shareholders may exercise voting rights electronically for the election of the Company's directors.
- Article 4-1: (deleted)
- Article 4-2: (deleted)
- Article 5: The Board of Directors determines the number of directors to be elected. Those who receive the highest votes are elected. If two or more candidates have won the same number of votes but fewer vacancies are available, lot drawing is used as the method to select the elected. The Chair shall draw lots for absent candidates.
- Article 6: (deleted)
- Article 7: (deleted)
- Article 8: When the vacant director seats reach one third of the board or all

independent directors have departed, the Company should convene an extraordinary shareholders' meeting for election of directors within 60 days after the event. If the departure of directors or independent directors reduces the board size to the level below requirement by laws or in Articles of Incorporation, it is necessary to elect directors to fill the vacancies in the next shareholders' meeting.

Article 9: Ballots are prepared by the Board of Directors. The ballots should be numbered and indicated with the number of votes.

Article 10: At the start of an election, the Chair elects scrutineers and ballot counters to monitor voting and to count ballots.

Article 11: Ballot boxes are prepared by the Board of Directors. Boxes are open to public eyes before voting.

Article 12: Voters shall follow the rules described on the ballots by filling in the name of the candidate they would like to vote for and the shareholder account numbers and then insert the ballots into the box. Government agencies or legal-person shareholders and their representatives can all be candidates. When a candidate is a government agency or legal-person shareholder, the candidate column on the ballot should be filled in with the name of the government agency or legal-person shareholder. When a candidate is the representative of a government agency or legal-person shareholder, the candidate column on the ballot should be filled in with the name of the representative. The shareholder account number should be the shareholder account number of the government agency or legal-person shareholder.

Article 13: Any of the following circumstances will render a ballot invalid:

1. Not using the ballot supplied by the Procedure
2. A blank ballot inserted into a ballot box
3. Writing unclear and illegible
4. Name of the candidate voted not consistent with the name on the shareholder register
5. More candidates listed on one ballot than the candidates to be elected in the same election
6. Other writings than the name and the shareholder name of the candidate
7. Name of the candidate the same as that of another shareholder

but no shareholder account number provided for identification purposes

8. Other circumstances that make it impossible to identify the name of the candidate

Article 14: Scrutineers monitor ballot counting. Voting results are announced by the Chair on the spot. Election results are recorded, with at least one ballot counter and scrutineer signing for confirmation.

Article 15: Election results are included in the minute of the shareholders' meeting, distributed to shareholders according to laws, and filed and published. The original copy of the record and ballots are retained by the Company.

Article 16: The Procedure takes effect once resolved by the shareholders' meeting. This applies to amendments.

# **Twinhead International Corporation: Procedure of Shareholders'**

## **Meeting**

- I. The rules of procedure for the Company's shareholders' meetings, shall be as provided in the Procedure.
- II. Attending shareholders (or representatives) should wear the attendance certificates. Sign-in may be made in lieu of handing in the sign-in card. The number of shares in attendance is calculated with the sign-in cards handed in.
- III. Attendance and voting at a shareholders' meeting shall be calculated with the number of shares.
- IV. The Company's shareholders' meetings should be convened at the Company's site or other suitable and convenient venues for shareholders to attend. The meetings may not be earlier than 9am or later than 3pm.
- V. Chairperson shall chair the shareholders' meeting if convened by the Board of Directors. If Chairperson is on leave or cannot exercise duties for any reason, Vice Chairperson shall act in his/her place. If there is no Vice Chairperson or Vice Chairperson is also on leave or cannot exercise duties for any reason, Chairperson shall appoint a managing director to act in his/her place. In the absence of a managing director, a director shall be appointed as the deputy. If Chairperson does not appoint a deputy, managing directors and directors shall elect one person among themselves.  
If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting.
- VI. The Company may appoint its authorized attorneys, certified public accountants, or related persons to attend a shareholders' meeting. The personnel organizing the shareholders' meeting should wear identification badges or armbands.
- VII. The Company should make an audio and video recording of the entire process of shareholders' meetings and such recordings should be retained for at least one year.
- VIII. The Chair shall immediately call the meeting to order at the appointed meeting time. If the shareholders present represent less than half of the total number of issued shares, the Chair may announce the postponement of the meeting. The number of postponements shall be limited to two times, and the

total delay time shall not exceed one hour. In case of no quorum of shareholders representing at least one third of the issued shares in attendance after two postponements, tentative resolutions may be reached according to the first paragraph of Article 175 of the Company Act. Shareholders are then informed of the results of the tentative resolutions and the shareholders' meeting is reconvened within one month.

If the number of shares in attendance reaches more than half of the Company's issued shares before the conclusion of the current meeting, the Chair may ask the shareholders' meeting to re-vote on the tentative resolutions in accordance with Article 174 of the Company Act.

- IX. When a shareholders' meeting is convened by the Board of Directors, the agenda is determined by the Board of Directors. The meeting shall be proceeded according to the agenda, which cannot be changed unless resolved by the shareholders' meeting.

The rule in the preceding paragraph applies to the shareholders' meeting convened by a party with power to convene but other than the Board of Directors.

Before the conclusion of the agenda (including Extempore motions) mentioned in the two preceding paragraphs, the Chair may not announce adjournment unless resolved by the meeting.

After adjournment, shareholders may not the elect another Chair to continue the meeting at the original venue or at another venue.

- X. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak shall be set by the Chair. If an attending shareholder only presents a speaker's slip without speaking up, it is deemed to have not spoken. When the spoken content is not consistent with the content described in the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chair and the shareholder who is speaking. The Chair shall stop any violations.

- XI. Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed three

minutes.

If the shareholder's speech violates the rules or exceeds the scope of the agenda, the Chair may stop the speech.

- XII. When a legal person is appointed to attend as proxy, it may designate only one person to attend in the meeting.  
When a legal-person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same proposal.
- XIII. After an attending shareholder has spoken, the Chair may respond in person or assign relevant personnel to respond.
- XIV. When the Chair thinks that a proposal has been discussed sufficiently to put it to a vote, he/she may announce the discussion closed and call for a vote.
- XV. Scrutineers and ballot counters for votes on proposals are appointed by the Chair. However, scrutineers shall be shareholders. Voting results should be reported onsite and recorded.
- XVI. During the meeting, the Chair may, at his/her discretion, set a time for recess.
- XVII. Unless otherwise required by the Company Act and specified in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote from a majority of the voting rights represented by attending shareholders. If the shareholders express no objection or abstention after the Chair inquires their opinions at the time of a vote, the proposal is deemed to have passed, with the same validity as passed by voting. Each share is entitled to one vote. Type A registered preference shares have no voting rights. When one person is concurrently appointed as the proxy by two or more shareholders to attend a shareholders' meeting, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in voting.
- XVIII. When there is an amendment or an alternative to a proposal, the Chair shall present the amended or alternative proposal together with the original proposal and decide the sequence of voting. When any of these proposals is passed, other proposals will then be deemed rejected, and no further voting is required.
- XIX. The Chair may instruct pickets (or security guards) to assist in the

maintenance of order. Pickets (or security guards) should wear the armband with the wording “picket” when helping to maintain order.

XX. The Company Act and the Company’s Articles of Incorporation shall apply to the matters not covered by the Procedure.

XXI. The Procedure takes effect when approved by the shareholders’ meeting. This applies to amendments.

## Twinhead International Corporation: Shareholdings by Directors

- I. The Company's paid-in capital is NT\$248,004,220, with 24,800,422 shares in issuance.
- II. According to Article 26 of the Securities and Exchange Act, the directors as a whole should hold at least 2,976,050 shares.
- III. As of the book closing date for this shareholders' meeting, the numbers of shares held by directors individually and collectively in the shareholders' register are listed in the table below and in compliance with the percentage required by Article 26 of the Securities and Exchange Act.

Title	Account name	Representative	No. of shares held
Chairman	Kaos Enterprise Co., Ltd	Yu-Jen Kao	3,973,315 shares
Director	Kaos Enterprise Co., Ltd	Su-Fu Kao	3,973,315 shares
Director	Kaos Enterprise Co., Ltd	Min-Kung Huang	3,973,315 shares
Director	EUROC Investment Co., Ltd	Mei-Li Tsai	6,000 shares
Director	The 21 <sup>st</sup> Century Foundation	Cheng-Hu Chow	23,262 shares
Director	Protegas Futuro Holdings, LLC	An Van Nguyen	3,802,355 shares
Director	Ri Yue Kao Investment Co., Ltd	-	82,622 shares
Independent Director	Yuan-Chuan Lee	-	0 share
Independent Director	Tzu-Ping Jen	-	0 share
Independent Director	I-Hsiung Su	-	0 share
Holdings by directors in total:		7,887,554 shares	