Stock Code：2364

Twinhead International Corp.

2022 Annual Report

Printed on May 3, 2023

Taiwan Stock Exchange Market Observation Post System：

http://mops.twse.com.tw

Twinhead annual report is available at http://www.twinhead.com.tw

I. The names, titles, telephone numbers and emails of Spokesperson and Deputy Spokesperson

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II. Addresses and telephone numbers of the head office, branches and factories

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Telephone: (07) 787-1691

III. Name, address, website and telephone number of the stock transfer agent

Name: Stock Transfer Agency Department, Grand Fortune Securities Co., Ltd.
Address: 6F, No. 6, Section 1, Zhongxiao West Road, Zhongzheng District, Taipei City
Telephone: (02) 2371-1658
Website: www.gfortune.com.tw

IV. Name, accounting firm, address, website and telephone number of the auditors for the most recent financial report

CPAs: CPA Stella Huang; CPA Jason Yin
Accounting firm: KPMG Taiwan
Address: 68F, No. 7, Section 5, Xinyi Road, Taipei City
Telephone: (02) 8101-6666 (switchboard)
Website: www.kpmg.com.tw

V. Name of the exchange for listed overseas marketable securities and methods to inquire about the overseas marketable securities: none

VI. Company website: http://www.twinhead.com.tw

Table of Contents

One. Letter to Shareholders

Dear Shareholders,

Reviewing the operation of 2022, although the global economy recovered gradually from the COVID-19 pandemic, industries were still unable to get rid of the impact of the pandemic. Also, the competition among the computer industry was so severe that the gross margin declined in general. Fortunately, the Company has transformed early. The new products drove up the average gross margin. The Company still maintained a gross margin more than 30%. In addition, under the supervision of the Board of Directors, the employees carried through the implementation of transformation strategy and the application of flexible tactics, continuously committed to achieving the goals of strategic transformation, and stuck to making their own way among the fierce competition.

The report on operating performance in 2022, business plan for the upcoming year and corporate development strategy and the analysis of impact on the Company due to external competitive environment, regulatory environment and macroeconomic conditions are illustrated as follows:

I. Operating Performance in 2022:

For operating revenue and profit, the sales quantity of portable computers (including finished boards) for 2022 was 34,790 pieces. The consolidated operating revenue for 2022 was NT$934,137 thousand, and the gross profit was NT$298,856 thousand, with a gross profit margin of 32%. The net income after tax to parent company was NT$79,598 thousand.

During 2022, the impacts from shortage of components and difficulty in logistic due to the pandemic still existed; however, because of the gradual maturity of distribution, there was still an increase in the 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.

For research and development, in addition to the research for improvement of quality, materials, equipment and manufacturing procedures to enhance the capacity, the Company improved the level of technology and developed new products with more value added through technology exchange.

II. Business Plan for the Current Year and Future Development Strategy:

With the general goal of "business first, quality first, efficiency first," the Company's operating policy is to continue avoiding the red ocean of high quantity and low gross margin and concentrate on the development and continuous improvement of niche products with higher gross margin like Mil-Spec/industrial computers and rugged portable computers. The Company conducts market segmentation and actively develops new customers and application market. The Company also provides customers with complete services of total solution (from product design to production, sales and after-sales service). The Company actively enhances the added value and gross profit to create greater profit. For the tactic, the Company enhances the customers' reliance on our products as much as possible to stabilize the long-term partnership with customers. Our long-term goal is aimed at providing solutions and service system to customers with more diverse special applicants, innovating marketing strategy, and looking forward to becoming one of the major IPC suppliers.

III. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions:

During 2022, there was still a growth momentum for substitution of desktop computers, especially the expansion in fields of military, industry, agriculture, gaming industry, automation and safety control. Following this trend, the Company avoided competition in low gross margin, turned to niche market, and conducted market segmentation as our major pursuit. With proper adjustment to sales proportion in each market, the Company adopted sales and operation strategy of different products. Our core goals are aimed at niche products and active development of new customers and new markets and integration of procurement schedule to lower the costs.

In addition, the Company will continue intensifying the improvement and rationalization, devote to enhance the efficiency, promote energy saving measures, and strengthen the technology exchange with customers and peers to improve the operation structure. We believe that the Company will effectively use each factor to reverse the disadvantage of the environment and face the new challenges in the industry to prepare for the future opportunities.

With the trust and continued support from our shareholders, the Company's Board of Directors will strictly supervise the operating team and all of our employees to do our best, actively pursue the prosperity of the Company, and achieve the operation goals in continuous profitability as a return to the continued reliance and trust of our shareholders.

To our Shareholders,

May health and happiness bless you.

Chairman Yu-Jen Kao

Two. Company background

I. Establishment date

February 27, 1984

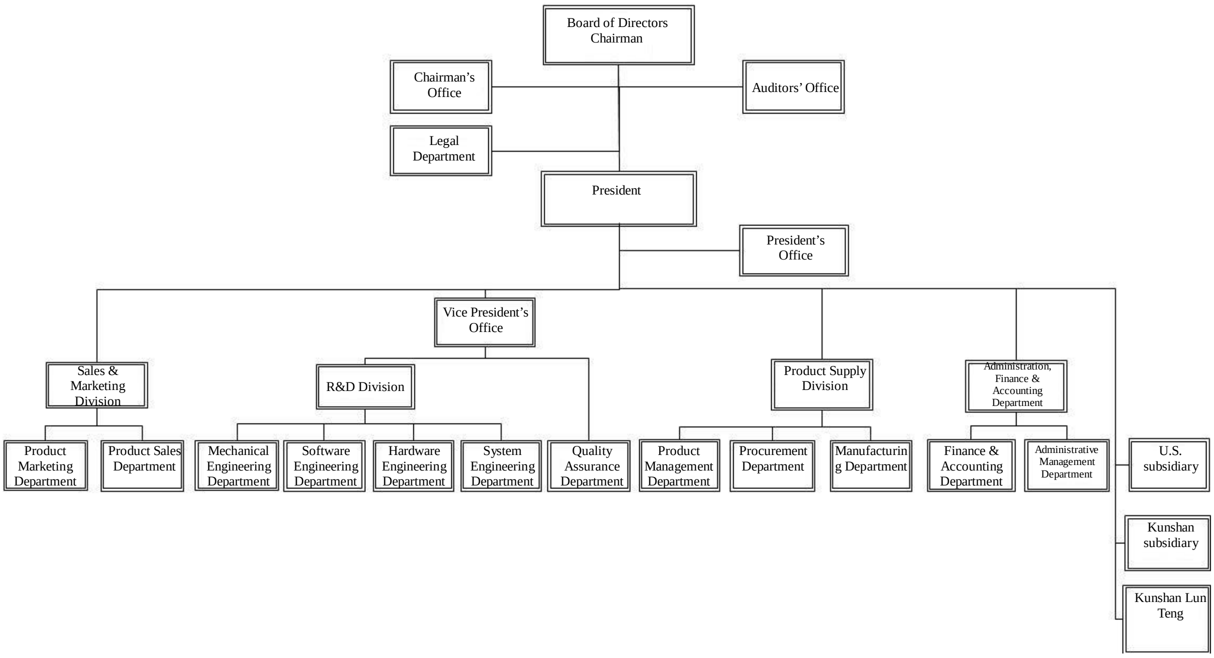
II. Company history

1984	Company establishment
1989	Establishment of subsidiaries in the U.S. and Germany
1997	IPO on August 11 Secondary offering by NT$600 million to increase paid-in capital to NT$2,640 million
1998	Paid-in capital increased to NT$3,635 million Issuance of the first unsecured convertible corporate bond in Taiwan for NT$2,100 million
1999	Paid-in capital increased to NT$4,784,809,360
2000	Paid-in capital increased to NT$5,284,509,420
2001	Launch of the world's first 14" P4 durabook
2002	Opening of Headquarters Building in Neihu
2003	Executive Director Shi-Ming Ma also serving as President
2004	Capital reduction by NT$2,772,580,110 to NT$2,773,037,120 in paid-in capital Completion of the new factory in Kunshan, China
2005	Disposal of Headquarters Building in Neihu
2006	President Shi-Ming Ma promoted to Vice Chairman. Tao-Heng Peng taking the position of President
2008	Launch of medical tablets
2010	Su-Fu Kao serving as President
2011	Consolidation with the subsidiary Lun Yang Technology (倫揚科技)
2012	Capital reduction by NT$657,060,160 to NT$1,901,615,310 in paid-in capital Capital reduction by NT$962,217,340 to NT$939,397,910 in paid-in capital
2016	Private placement of 25 million ordinary shares, as resolved by the 2016 shareholders' meeting. Paid-in capital of NT$1,189,397,970 post the private placement.
2017	Private placement of 25 million ordinary shares, as resolved by the 2016 shareholders' meeting. Paid-in capital of NT$1,439,397,970 post the private placement.
2017	Private placement of 55 million ordinary shares, as resolved by the 2017 shareholders' meeting. Paid-in capital of NT$1,989,397,970 post the private placement.
2020	Consolidation of subsidiaries Twintek and Yu Feng
2021	Capital reduction by NT$1,711,320,110 to NT$248,004,220 in paid-in capital

Three. Corporate Governance Report

I. Organization

(I) Organization chart



(II) Activities of major divisions and departments

Division/department	Description
Chairman's Office	Undertaking instructions from Chairman and driving operational guidelines in the Company
Auditors' Office	Subordinate to the Board of Directors. Assistance in corporate ma systems, internal control systems, internal audit systems, establish implementation of operational procedures, and inspection of the and reliability of all systems and operational procedures
Legal Department	Legal affairs, shareholder services and investments
President's Office	Managing and implementation of operational policies for the whole company
Vice President's Office	Management of R&D Division and Quality Assurance Department matters
Administration, Finance & Accounting Department	Management of Administrative Management Department and Finance & Accounting Department matters
Administrative Management Department	Management of HR, general affairs, insurance and IT systems throughout the company
Finance & Accounting Department	Management of finance, accounting and tax matters throughout the company
Product Supply Division	Management of Product Management Department, Procurement Department, Manufacturing Department and Demand Management Center
Product Management Department	Management of R&D projects, ISO control documents, components coding, BOM forms, engineering data (circuit diagrams, design graphs, etc.)
Procurement Department	Management of the procurement for all products, supplies and materials; inventory of raw materials and products; scheduling/coordination of production; planning, implementation and review of inventory policy .
Manufacturing Department	Management of production of all products throughout the company; undertaking of new products; EPR/PPR/MP workflows; industrial safety and environmental protection; import/export of materials and finished goods; bonded warehouses and transport in relation to customs.
Sales & Marketing Division	Management of Product Sales Department and Product Marketing Department
Product Sales Department	Business development and maintenance of military-specification ODM/OEM computers and industry-specifications PC brands; assistance to first-line sales-personnel in after-sales technical services; technical support to customers and other departments; management and analysis of customer complaints and suggestions for after-sales service

Product Marketing Department	Planning of product roadmap and technological direction; collection and analysis of market intelligence; determination of specifications, prices and pricing strategy for new products; feasibility studies; marketing of Durabook military-specifications products and brand; product launch planning and marketing implementation; exhibition and tradeshow participation; budgeting and execution of marketing campaigns; royalty matters and industrial design of products
R&D Division	Management of Software Engineering Department, Hardware Engineering Department, System Engineering Department and Mechanical Engineering Department
Software Engineering Department	Software and firmware design and development for all products
Hardware Engineering Department	Product design and development and PCB (printed circuit board) layout configuration
System Engineering Department	Thermal conductivity for all products; thermal engineering and analysis; design and testing of thermal modules; antenna planning; integration and testing of wireless devices; Enterprise Manufacturing Intelligence; safety issues; and introduction and management of green products
Division/department	Description
Mechanical Engineering Department	Mechanical design and mold development for all products
Quality Assurance Department	Management and advocacy of quality policies; formulation of quality guidelines, short/mid/long-term quality targets and strategies Planning of all tests and reliability analysis before mass production; management of after-sales services for all products

II. Information on Directors, President, Vice Presidents, Assistant Vice Presidents, and managers of all divisions and branches

(I) Information on Directors

1. Information on Directors:

April 15, 2023

Job Title (Note 1)	Nationality or place of registration	Name	Gender, age (Note 2)	Appointment (onboarding) date	Term of office (years)	Commencement date of first term (Note 3)	No. of shares held at time of election		No. of shares currently held		Shares currently held by the spouse and minor children		Shares held under other's names		Principal work experience and academic qualifications (Note 4)	Positions held concurrently in the Company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remarks (Note 5)
							No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relation	
Chairman	Republic of China	Kaos Enterprise Co., Ltd. Representative：Yu-Jen Kao	Male 80-89 years old	6/30/2020 6/30/2020	3	8/30/1996 8/30/1996	31,390,653 2,260,882	16.02% 1.15%	3,973,315 286,174	16.02% 1.15%	- 33,078	- 0.13%	- -	- -	Department of Law, National Taiwan University Members of the Legislative Yuan	Chairman of the Company Chairman of Euroc Investment and Development Co., Ltd.	President	Su-Fu Kao	Father and son	(Note 5)
Director	Republic of China	Kaos Enterprise Co., Ltd. Representative：Su-Fu Kao	Male 50-59 years old	6/30/2020 6/30/2020	3	8/30/1996 6/16/2017	31,390,653 3,811,234 (Note 6)	16.02% 1.95% (Note 7)	3,973,315 498,543 (Note 8)	16.02% 2.01% (Note 9)	- 11,417	- 0.05%	- -	- -	NYU Stern School of Business, U.S.	President of the Company	Chairman	Yu-Jen Kao	Father and son	(Note 5)
Director	Republic of China	Kaos Enterprise Co., Ltd. Representative：Min-Kung Hung	Male 70-79 years old	6/30/2020 6/30/2020	3	8/30/1996 6/30/2020	31,390,653 -	16.02% -	3,973,315 -	16.02% -	- -	- -	- -	- -	Master's degree in Institute of public administration, National Chengchi University	Independent director of Aero Win Technology Corporation	-	-	-	-
Director	Republic of China	EUROC Investment Co., Ltd Representative：Mei-Li Tsai	Female 60-69 years old	6/10/2022 6/10/2022	1 (Note 10)	6/10/2022 6/10/2022	6,000 2,323	0.02% 0.01%	6,000 2,323	0.02% 0.01%	- -	- -	- -	- -	Institute of accounting, National Chengchi University President of Euroc Investment and Development Co., Ltd.	Aero Win Technology Corporation Directors Director of Mosa Industrial Corporation	-	-	-	-
Director	Republic of China	The 21st Century Foundation Representative：Cheng-Hu Chow	Male 40-49 years old	6/30/2020 6/30/2020	3	5/27/2005 6/16/2017	183,781 2,500,000	0.09% 1.28%	23,262 316,441	0.09% 1.28%	- -	- -	- -	- -	PhD in public administration, University of La Verne in Los Angeles, U.S.	Chairman of Shih Hsin University	-	-	-	-
Director	U.S.	Protegas Futuro Holdings, LLC Representative：An Van Nguyen	Male 60-69 years old	6/30/2020 6/30/2020	3	6/30/2020 6/30/2020	30,040,000 -	15.33% -	3,802,355 -	15.33% -	- -	- -	- -	- -	B.S. Computer Science, University of California at Berkeley	Chairman of NCS Technologies Inc.				
Director	Republic of China	Ri Yue Kao Investment Co., Ltd	-	6/30/2020	3	6/16/2017	652,747	0.33%	82,622	0.33%	-	-	-	-	-	-	-	-	-	-
Independent Director	Republic of China	Yuan-Chuan Lee	Male 70-79 years old	6/30/2020	3	6/16/2017	-	-	-	-	-	-	-	-	PhD in agriculture planning institute, Chinese Culture University	Independent director of the Company	-	-	-	-
Independent Director	Republic of China	Tzu-Ping Jen	Male 70-79 years old	6/30/2020	3	6/30/2020	-	-	-	-	-	-	-	-	Bachelor's degree in business administration, Fu Jen Catholic University	Independent director of Mosa Industrial Corporation				
Independent Director	Republic of China	I-Hsiung Su	Male 80-89 years old	6/30/2020	3	6/30/2020	-	-	-	-	-	-	-	-	Bachelor's degree in statistics team of accounting statistics department, National Chung Hsing University	Director of Taoyuan Christian Jhongli Church Foundation				

Note 1: For a corporate shareholder, the name of the corporate shareholder and its representative shall be listed separately (when listing the representative of a corporate shareholder, the name of the corporate shareholder shall also be noted), and Form 1 below shall also be completed.

Note 2: Please state the actual age, or, alternatively, state the age interval into which the actual age falls, e.g., 41-50 years, 51-60 years.

Note 3: Specify the time the person first began to serve as a director or supervisor of the Company. If there has been any break within a term or between terms, add a note specifying the circumstances.

Note 4: Experience related to the current position(s). In case of work experience with the accounting firm offering external audit services or its affiliated companies during the aforesaid period includes, it is necessary to describe job positions and responsibilities.

Note 5: The Company's Chairman and President are relatives within one degree. To enhance operational efficiency and implementation of decisions, Chairman sets the directions and oversees the management. Equipped with business management expertise, President leads the management in implementation in accordance with the management philosophy. Chairman and President fully communicate with directors regarding corporate operation, plans and guidelines. All is reasonable and essential. The Company has three independent directors and more than half of directors do not serve as an employee or manager. This fulfills the Board of Directors' responsibility in supervision and adheres to the spirit of corporate governance.

Note 6: The number of share consists of 3,811,218 ordinary shares and 16 preference shares.
Note 7: The shareholding percentage consists of 1.95% for ordinary shares and 0% for preference shares.
Note 8: The number of share consists of 498,532 ordinary shares and 11 preference shares.
Note 9: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.
Note 10: EUROC Investment Co., Ltd (The Representative Mei-Li Tsai) assumed office on June 10, 2022.

2. Major Shareholders of Corporate Shareholders:

Form 1 April 15, 2023

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)
Kaos Enterprise Co., Ltd	Ming-Luan Kao-Chang (29.221%), Yu-Jen Kao (25.974%), Ri Yue Kao Investment Co., Ltd (15.584%), Wan-Chien Kao (9.740%), Su-Po Kao (9.740%), Su-Fu Kao (9.740%)
EUROC Investment Co., Ltd	Kaos Enterprise Co., Ltd (50%), Bai-Da Investment Co., Ltd. (40%), Mei-Li Tsai (10%)
The 21st Century Foundation (Note 3)	Kaos Enterprise Co., Ltd (59.5238%), Bai-Da Investment Co., Ltd. (23.8095%), Ri Yue Kao Investment Co., Ltd (11.9047%), TA CHEN STAINLESS PIPE CO., LTD. (3.5714%), 2BAN 2B Investment Company (1.1904%)
Protegas Futuro Holdings, LLC	BOG Investments, LLC(100%)
Ri Yue Kao Investment Co., Ltd	Kaos Enterprise Co., Ltd (81.00%), Wan-Chien Kao (5.00%), Su-Po Kao (5.00%), Su-Fu Kao (5.00%),Ming-Luan Kao-Chang (3.00%), Yu-Jen Kao (1.00%)

Note 1: If a director or supervisor is a representative of a corporate shareholder, fill in the name of that corporate shareholder.

Note 2: Fill in the names of the corporate shareholder’s major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios. If any of the major shareholders is a corporate/juristic person, also complete Form 2 below.

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note “deceased.” This column is filled in according to the 21st Century Foundation donation data for 2022.

Form 2: Major Shareholders of the Company's Major Shareholder Listed in Form 1 Which is a Corporate/Juristic Person April 15, 2023

Name of corporate/juristic person (Note 1)	Major shareholders of the corporate/juristic person (Note 2) (Note 3)
Ri Yue Kao Investment Co., Ltd	Kaos Enterprise Co., Ltd (81.00%), Su-Po Kao (5.00%), Su-Fu Kao (5.00%), Wan-Chien Kao (5.00%), Ming-Luan Kao-Chang (3.00%), Yu-Jen Kao (1.00%)
Kaos Enterprise Co., Ltd	Ming-Luan Kao-Chang (29.221%), Yu-Jen Kao (25.974%), Ri Yue Kao Investment Co., Ltd (15.584%), Wan-Chien Kao (9.740%), Su-Po Kao (9.740%), Su-Fu Kao (9.740%)
Bai-Da Investment Co., Ltd.	Ming-Luan Kao-Chang(20.00%), Hao-Hsun Kao (20.00%), Hao-Tong Kao (15.00%), Hao-Hsuan Kao (15.00%), Hsiu-Chuan Yen (10.00%), Yun-Tsai Chou (10.00%), Jiuan-Jiuan Kao (5.00%), Yao-Bin Ding (5.00%)
TA CHEN STAINLESS PIPE CO., LTD.	Brighton-Best International (Taiwan) Inc. (6.86%), Ta Chen Empire Co., Ltd. (5.05%), Ta Ying Cheng Investment Co., Ltd. (3.91%), Han-Yin Hsieh (3.10%), Pei-Rong Shieh (2.70%), Robert Shieh (1.67%), Tong Yi Investment Co., Ltd. (1.64%), Jinn Her Enterprise Co., Ltd. (1.54%), Divine Pacific Enterprise Limited Taiwan Branch (1.48%), Ling-Hua Wang (1.22%),
2BAN 2B Investment Company	Shan-Shan Chou (84.4%), Ming-Hui Shiung (11.1%), Shih-Jie Shiung (4.5%)
BOG Investments, LLC	The An Van Nguyen Revocable Trust(42.99517%)、Mark Eric Christopher(42.99517%)、Dinh Van Nguyen(4.34783%)、Douglas Hafner Eacker(2.17391%)、Joseph William Guest(2.17391%)、Mark Anthony Pancerella(2.17391%)、Christopher Strom Nguyen(1.08696%)、Clinton Grant Christopher(1.08696%)、Cheng Andy Lee(0.96618%)

Note 1: If any major shareholder in Form 1 above is a corporate/juristic person, fill in the name of that corporate/juristic person.
Note 2: Fill in the names of the corporate/juristic person's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios.
Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

3. Professional qualifications of directors and independence of independent directors:

Requirement / Name	Professional qualifications and experience (Note 1)	Independence of independent directors (Note 2)	No. of independent directorships served for other public companies
Kaos Enterprise Co., Ltd. Representative：Yu-Jen Kao	(Note 3): No circumstances with any director as described in Article 30 of the Company Act	Not applicable	0
Kaos Enterprise Co., Ltd. Representative：Su-Fu Kao			0
Kaos Enterprise Co., Ltd. Representative：Min-Kung Huang			1
EUROC Investment Co., Ltd Representative：Mei-Li Tsai (Note 1)			0
The 21st Century Foundation Representative：Cheng-Hu Chow			1
Protegas Futuro Holdings, LLC Representative：An Van Nguyen			0
Ri Yue Kao Investment Co., Ltd (Note 2)			0
Independent Director：Yuan-Chuan Lee		All independent directors meet the following circumstances: 1. Not an employee of the Company or its affiliated enterprise	0
Independent Director：Tzu-Ping Jen			1

Requirement / Name	Professional qualifications and experience (Note 1)	Independence of independent directors (Note 2）	No. of independent directorships served for other public companies
Independent Director：I-Hsiung Su		2. Not a director or supervisor of the Company or its affiliated enterprise 3. Not a natural-person shareholder with at least 1% of the Company's total number of shares in issuance or a top ten natural-person shareholder based on the shares held in person, by the spouse, minor children or under another person's name 4. Not the spouse, a relative within two degrees of kinship or a linear relative within three degrees of kinship to a manager listed in (1) or a person listed in (2) or (3) 5. Not a direct shareholder with at least 5% of the Company's total number of shares in issuance; not a top five shareholder; or a director, supervisor or employee of the legal-person shareholder who is a director or supervisor of the Company, according to Article 27-1 or Article 27-2 of the Company Act 6. Not a director, supervisor or employee of another company with more than half of the board seats or voting shares owned by the Company or controlled by the same person 7. Not a director, supervisor or employee or the spouse of a director, supervisor or employee within another company or an organization whose Chairman, President or a person of an equivalent post is the same as the Company's 8. Not a director, supervisor, manager or a shareholder with at least 5% stakes of a specific company or organization with financial or business dealings with the Company 9. Not a business owner, partner, director, supervisor or manager or the spouse of a business owner, partner, director, supervisor or manager of a professional, sole proprietorship, partnership, company or organization that has provided auditing service to the Company or its affiliated enterprises or the compensations received totaled less than NT$500,000 during the past two years for offering business, legal, financial, accounting services to the Company or its affiliated enterprises 10. Not the spouse or a relative within two degrees of kinship with another director 11. Not elected as government agency, legal person or its representative as described in Article 27 of the Company Act	0

(Note 1) Mei-Li Tsai, the representative from EUROC Investment Co., Ltd took office on June 10, 2022.

(Note 2) Ri Yue Kao Investment elected as legal persons

Note 1: Please describe the professional qualifications and experience of individual directors and supervisors. If an Audit Committee member is equipped with accounting or financial expertise, it is necessary to provide his/her accounting/finance background and work experience. Please also explain whether there are circumstances specified in Article 30 of the Company Act.

Note 2: Please describe the meeting of independence circumstances by independent directors. This includes but does not limit to whether the director, the spouse or a relative within two degrees of kinship acts as a director, supervisor or employee of the Company or an affiliated enterprise; whether the director, the spouse or a relative within two degrees of kinship holds (or under another person's name) the Company's shares and the percentage of the shareholdings and serves as a director, supervisor or employee of a company with specific relations with the Company (according to Paragraphs 5 to 8 of Article 3-1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the compensations obtained by offering the Company or its affiliated enterprises business, legal, financial and accounting services during the past two years.

Note 3: Please refer to Page7for Information on directors: work experience, education, and other roles with the Company and other companies.

4. Board diversity

(1) Board diversity policy and management targets

① According to Article 22 of the Company's Practical Guidelines on Corporate Governance, board composition should be diverse. The following is the standard in relation to company functioning, operational pattern and development needs:

I. Basic requirements and values: gender (at least one female director), age (no limitation) and nationalities (over two-thirds Taiwanese nationals) and culture.

II. Professional knowledge and skillsets: professional background such as law (at least one seat), finance/accounting (at least two seats), industry (at least one seat), administration or management (at least two seats) and professional skillsets

② Management targets

- ➢ At least one director should be female.
- ➢ At least more than half of the directors are not spouses or relatives within two degrees of kinship to each other
- ➢ At least three independent directors

(2) Implementation of the Company's board diversity policy

	Gender	Age distribution					Also employees	Industry/academic experience				
		40~49	50~59	60~69	70~79	80~89		Business	Finance/accounting	Law	Industry	Public administration
Yu-Jen Kao	Male					v		v	v	v	v	
Su-Fu Kao	Male		v				v	v			v	
Min-Kung Huang	Male				v			v				v
Mei-Li Tsai (Note 1)	Female			v				v	v			
Cheng-Hu Chow	Male	v						v				v
An Van Nguyen	Male			v				v				
Ri Yue Kao Investment Co., Ltd	Not applicable											
Yuan-Chuan Lee	Male				v			v			v	v
Tzu-Ping Jen	Male				v			v				
I-Hsiung Su	Male					v		v	v			

(Note 1) Mei-Li Tsai, the representative from EUROC Investment Co., Ltd took office on June 10, 2022.

(3) Achievement of the Company's board diversity policy as follows

Item	Achieved or not
Gender (at least one female director)	Yes
Age (no limitation)	Yes
Nationalities (at least two thirds of Taiwanese nationals)	Yes
Legal background (at least one seat)	Yes
Finance/accounting background (at least two seats)	Yes
Industry background (at least one seat)	Yes
Administration or management background (at least one seat)	Yes

5. Board independence

(1) Board structure

The Company has formulated fair, open and just procedures for election and appointment of directors, in the principle of the protection of shareholders' rights and the fair treatment of shareholders and in adherence to the Company's Articles of Incorporation; Rule of Procedure for Election of Directors; and Practical Guidelines on Corporate Governance. Currently, the Board of Directors consists of three independent directors and seven non-independent directors. One is an employee/manager. Two directors are relatives within two degrees of kinship (Director Yu-Jen Kao and Director Su-Fu Kao are father and the son. This is in compliance with Subparagraphs 3 and 4, Paragraph 3 of Article 26 of the Securities and Exchange Act.

(2) Board independence:

The Company's Board of Directors emphasizes independence and transparency. All directors and independent directors are independent entities in the exercise of power. The three independent directors also observe relevant laws and regulations in the exercise of power as independent directors and Audit Committee. This includes the establishment or amendment of the internal control system; review of the internal control system effectiveness; establishment or amendment of the important financial and business procedures such as asset acquisitions or disposals; transaction of derivatives; lending to others; providing endorsements or guarantees for others; matters associated with directors' own interest; transaction of significant assets or derivatives; major loans; offering of endorsements or guarantees; issuance, offering or private placement of equity securities; authorization, dismissal and fees of external accountants; appointment and dismissal of finance, accounting or internal audit supervisors; and annual financial reports, etc. According to the Company's performance assessment system on the Board of Directors, self-assessments by the Board of Directors and individual directors are conducted once a year, to review the performance of the Board of Directors and to ensure its independence.

(II) Information on President, Vice Presidents, Assistant Vice Presidents, and managers of all divisions and branches

April 15, 2023

Title (Note 1)	Nationality	Name	Gender	Appointment (onboarding) date	Shareholding		Shares held by the spouse and minor children		Shares held under other's names		Experience and education (Note 2)	Roles assumed with other companies	Manager who is the spouse or a relative within two degrees of kinship			Remarks (Note 3)
					No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relation	
President	R.O.C.	Su-Fu Kao	Male	January 1, 2010	498,543 (Note 4)	2.01% (Note 5)	11,417	0.05%	-	-	NYU Stern School of Business, U.S.	Director of a subsidiary	Chairman	Yu-Jen Kao	Father and son	(Note 3)
Senior Vice President, Vice President's Office	R.O.C	Meng-Yang Lu	Male	June 8, 2009	1,333	0.01%	-	-	-	-	Graduate Institute of Electrical Engineering, National Taiwan University	-	-	-	-	-
Sales & Marketing Division	R.O.C	Heng-Chia Wang	Female	July 9, 2018	5,949	0.02%	15,189	0.06%	-	-	Graduate Institute of Technology Management, National Chengchi University	President of a subsidiary	-	-	-	-
Assistant Vice President, Product Supply Division	R.O.C	Hsiao-Chien Chang	Female	September 1, 2020	-	-	314	0.00%	-	-	Department of International Business, National Taiwan University	-	-	-	-	-
Assistant Vice President, R&D Division	R.O.C	Tao-Ming Chang	Male	March 1, 2012	-	-	-	-	-	-	Graduate Institute of Information Science, National Chiao Tung University	-	-	-	-	-
Assistant Vice President, Administration, Finance & Accounting Department	R.O.C	Liang-Ching Tsai	Female	June 8, 2009	1,698	0.01%	-	-	-	-	Law School, University of Notre Dame, US	-	-	-	-	-
Assistant Vice President, Finance & Accounting Department	R.O.C	Hung-Jung Wang	Male	April 1, 2022	-	-	1,012	0.00%	-	-	Graduate Institute of Accounting, National Taipei University	-	-	-	-	-
Assistant Vice President, System Engineering Department	R.O.C	Bin-Ren Lai	Male	January 1, 2010	-	-	-	-	-	-	Graduate Institute of Earth Science, National Central University	-	-	-	-	-
Assistant Vice President, Mechanical Engineering Department	R.O.C	Wen-Chin Chu	Male	September 2, 2019	-	-	-	-	-	-	Graduate Institute of Industrial Design, Tatung University	-	-	-	-	-
Assistant Vice President, Procurement Department	R.O.C	Kun-Tsang Hsien	Male	January 1, 2010	-	-	-	-	-	-	Department of Economics, Chinese Culture University	President of a subsidiary	-	-	-	-
Deputy Assistant Vice President, Quality Assurance Department	R.O.C	Yu-Ting Liu	Male	June 27, 2022	-	-	-	-	-	-	EMBA, Graduate Institute of Industrial Engineering and Management, National Taipei University of Technology	-	-	-	-	-
Assistant Vice President, Manufacturing Department	R.O.C	Mao-Tsun Chen	Male	January 1, 2010	3	0.00%	-	-	-	-	Department of Engineering Science, National Cheng Kung University	-	-	-	-	-

Note 1: Disclosure is required on President, Vice Presidents, Assistant Vice Presidents, and managers of all divisions and branches and any position equivalent to President, Vice Presidents, Assistant Vice Presidents, regardless of titles.

Note 2: Experience related to the current position(s). In case of work experience with the accounting firm offering external audit services or its affiliated companies during the aforesaid period includes, it is necessary to describe job positions and responsibilities.

Note 3: The Company's Chairman and President are relatives within one degree. To enhance operational efficiency and implementation of decisions, Chairman sets the directions and oversees the management. Equipped with business management expertise, President leads the management in implementation in accordance with the management philosophy. Chairman and President fully communicate with directors regarding corporate operation, plans and guidelines. All is reasonable and essential. The Company has three independent directors and more than half of directors do not serve as an employee or manager. This fulfills the Board of Directors' responsibility in supervision and adheres to the spirit of corporate governance.

Note: The number of share consists of 498,532 shares and 11 preference shares.

Note 5: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.

III. Remuneration during the most recent fiscal year to Directors, President and Vice Presidents

(I) Remuneration to general directors and independent directors

Unit: Thousand New Taiwan Dollars

Title	Name	Directors' Remuneration								Sum of A, B, C and D to Net Income (%)		Relative remuneration received as an employee concurrently								Sum of A, B, C, E, F and G to Net Income (%)		Remuneration from ventures other than subsidiaries
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors Compensation (C) (Note 2)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Compensation (G) (Note 2)						
		The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company		All companies covered by the financial statements		The Company	All companies covered by the financial statements	
																Cash amount	Amount of shares	Cash amount	Amount of shares			
Chairman	Kaos Enterprise Co., Ltd. Representative：Yu-Jen Kao	240	240	-	-	254	254	30	30	0.66	0.66	7,030	7,030	-	-	-	-	-	-	9.49	9.49	None
Director	Kaos Enterprise Co., Ltd. Representative：Su-Fu Kao	240	240	-	-	254	254	30	30	0.66	0.66	6,371	6,371	108	108	400	-	400	-	9.30	9.30	6
Director	Kaos Enterprise Co., Ltd. Representative：Min-Kung Huang	240	240	-	-	254	254	30	30	0.66	0.66	-	-	-	-	-	-	-	-	0.66	0.66	None
Director	EUROC Investment Co., Ltd Representative：Mei-Li Tsai (June 2022 to December 2022)	133	133	-	-	143	143	20	20	0.37	0.37	-	-	-	-	-	-	-	-	0.37	0.37	None
Director	The 21st Century Foundation Representative：Cheng-Hu Chow	240	240	-	-	254	254	30	30	0.66	0.66	-	-	-	-	-	-	-	-	0.66	0.66	None
Director	Ri Yue Kao Investment Co., Ltd Representative: Shu-Huei Chang (Note 1)	240	240	-	-	254	254	30	30	0.66	0.66	-	-	-	-	-	-	-	-	0.66	0.66	None

Title	Name	Directors' Remuneration								Sum of A, B, C and D to Net Income (%)		Relative remuneration received as an employee concurrently								Sum of A, B, C, E, F and G to Net Income (%)		Remuneration from ventures other than subsidiaries
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors Compensation (C) (Note 2)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Compensation (G) (Note 2)						
		The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company		All companies covered by the financial statements		The Company	All companies covered by the financial statements	
																Cash amount	Amount of shares	Cash amount	Amount of shares			
Director	Chi Sheng Investment Co., Ltd Representative: Jian-Tsai you (Note 1)	240	240	-	-	254	254	30	30	0.66	0.66	-	-	-	-	-	-	-	-	0.66	0.66	None
Director	Protegas Futuro Holdings, LLC Representative： An Van Nguyen	240	240	-	-	254	254	30	30	0.66	0.66	-	-	-	-	-	-	-	-	0.66	0.66	None
Independent Director	Yuan-Chuan Lee	240	240	-	-	254	254	80	80	0.72	0.72	-	-	-	-	-	-	-	-	0.72	0.72	None
Independent Director	Tzu-Ping Jen	240	240	-	-	254	254	80	80	0.72	0.72	-	-	-	-	-	-	-	-	0.72	0.72	None
Independent Director	I-Hsiung Su	240	240	-	-	254	254	80	80	0.72	0.72	-	-	-	-	-	-	-	-	0.72	0.72	None

Note 1: Ri Yue Kao Investment Co., Ltd. and Chi Sheng Investment Co., Ltd. were elected as legal person directors.

Note 2: It is estimation.

(II) Remuneration of president and vice president

Unit: Thousand New Taiwan Dollars

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Remuneration Paid to Employees (D)				Sum of A, B, C and D to Net Income (%)		Remuneration from ventures other than subsidiaries
		The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company		All companies covered by the financial statements		The Company	All companies covered by the financial statements	
								Cash Amount (Note 2)	Amount of shares	Cash Amount (Note 2)	Amount of shares			
President	Su-Fu Kao	4,669	4,669	108	108	1,702	1,702	400	-	400	-	8.64	8.64	6
Vice President	Meng-Yang Lu	3,525	3,525	108	108	646	646	300	-	300	-	5.75	5.75	None

Note 1: Total salary and pensions for 2022 of the president’s driver were NT$762 thousand.
Note 2: It is estimation.

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, president, and vice president, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

Title	2021 Percentage of remuneration paid by the Company and by each other company included in the consolidated financial statements to directors, president, and vice president to net income		2022 Percentage of remuneration paid by the Company and by each other company included in the consolidated financial statements to directors, president, and vice president to net income	
	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements
Directors President and vice president	75.89%	75.89%	30.37%	30.37%

The remuneration paid to the above mentioned persons has been reviewed by the Company's Compensation Committee referring to the Articles of Incorporation, Guidelines for Performance Appraisal, Table of Grades of Salary of Job Level, and the typical pay levels adopted by peer companies, proposed to Board of Directors taking into consideration the following factors for performance appraisal, and resolved by the Board of Directors.

Title	Appraisal Items
Directors	1. Master in the goals and missions of the Company 2. Understanding of the responsibilities of a director 3. Degree of involvement in company operation 4. Management of internal relationship and communication 5. Proficiency of a director and continuing education 6. Internal control
President and vice president	1. Department management performance 2. Planning ability 3. Teamwork and cross departmental communication 4. Special contribution

IV. Functioning of corporate governance

(I) Functioning of the Board of Directors

The Board convened six meetings (A) during the most recent year. Attendance by Directors is shown below:

Title	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance rate in person (%) (B/A) (Note 2)	Remarks
Chairman	Kaos Enterprise Co., Ltd. Representative：Yu-Jen Kao	5	1	83.33%	-
Director	Kaos Enterprise Co., Ltd. Representative：Su-Fu Kao	6	0	100%	-
Director	Kaos Enterprise Co., Ltd. Representative：Min-Kung Hung	6	0	100%	-
Director	EUROC Investment Co., Ltd Representative：Mei-Li Tsai	4	0	100%	Assumed office on June 10, 2022.
Director	The 21st Century Foundation Representative：Cheng-Hu Chow	5	1	83.33%	-
Director	Ri Yue Kao Investment Co., Ltd	6	0	100%	-
Director	Protegas Futuro Holdings, LLC Representative：An Van Nguyen	0	6	0%	Directors of foreign corporate /juristic persons were unable to come to Taiwan due to the pandemic and appointed other directors to attend the meeting.
Director	Chi Sheng Investment Co., Ltd	6	0	100%	Resigned on March 14, 2023.
Independent Director	Yuan-Chuan Lee	6	0	100%	-
Independent Director	Tzu-Ping Jen	5	1	83.33%	-

Independent Director	I-Hsiung Su	6	0	100%	-

Other matters that should be noted:

I. In case of any of the following circumstances with the functioning of the Board of Directors, it is necessary to provide the board meeting dates, sessions, agendas, opinions from all Independent Directors and the ways the Company handles such opinions:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: Article 14-3 of the Securities and Exchange Act is not applicable as the Company has established Audit Committee. Please refer to the section “Functioning of Audit Committee” in this annual report.

(II) Other than the aforesaid circumstances, any resolutions passed by the Board of Director for which Independent Director(s) have expressed dissenting opinions or such dissenting opinions were recorded or prepared as a written declaration: none

II. For any recusal by directors from proposals due to conflict of interest, it is necessary to provide the names of directors, proposal contents, reasons for the required recusal and participating in voting: none

III. A TWSE/TPEx listed company should disclose the cycle, period, scope, method and contents of self-assessments (or peer assessments) of the Board of Directors and fill in Table 2 (2) for the implementation of Board assessments.

IV. Objectives in enhancement of Board functions (e.g., establishment of Audit Committee and improvement of information transparency) and assessment of implementation during the current year and the most recent year

(I) Independent directors, Audit Committee and Remuneration Committee are established as required to drive corporate governance policies by working with competent authorities. The purpose is to enhance internal oversight and management and strengthen the functioning of the Board of Directors.

(II) Information transparency, online reporting and disclosure of corporate governance information: The Company follows relevant laws on information transparency by reporting important information via Market Observation Post System (MOPS) to ensure timely disclosure of information that may influence the decisions by shareholders and stakeholders. The Company also discloses information regarding corporate governance within the year via its corporate website, in adherence to the spirit of corporate governance.

Note 1: If a director or supervisor is a legal person, it is necessary to disclose the name of the legal-person shareholder and the name of the representative.

Note 2:

(1) If any director or supervisor has departed before the year end, the departure date should be noted in the Remark column. The attendance rate (%) is calculated by dividing the number of meetings convened by the Board of Directors when the member was in service with the number of meetings attended.

(2) In case of any bi-election of any director or supervisor before the year end, the previous director/supervisor and the new director/supervisor should both be listed. Whether a director/supervisor was pre-existing or is new and the date of the new appointment or by-election should be noted in the Remark column. The attendance rate (%) is calculated by dividing the number of meetings convened by the Board of Directors when the member was in service with the number of meetings attended.

(II) Implementation of Board assessments

Assessment cycle	Assessment period	Assessment scope	Assessment method	Assessment content
Once a year	January 1, 2022 to December 31, 2022	Board of Directors	Internal self-assessment by the Board of Directors	Degree of involvement in company operation; quality enhancement of decisions by the Board of Directors; Board composition and structure; director election and continuing education and internal control
Once a year	January 1, 2022 to December 31, 2022	Individual directors	Self-assessment by directors	Understanding of company goals and missions; acknowledgement of a director’s responsibility; degree of involvement in company operation; management and communication of internal relations; a director’s professionalism and continuing education; and internal control

Note 1: Assessment cycle of assessments on the Board of Directors, such as once a year

Note 2: The period covered by the assessment on the Board of Directors, e.g., the assessment of the Board’s performance from January 1, 2019 to December 31, 2019.

Note 3: The scope of assessments includes performance reviews on the Board of Directors, individual directors and functional committees.

Note 4: The assessment methods include self-assessments by the Board of Directors, self-assessments by directors, peer assessment or performance review by commissioning external organizations, experts or in other appropriate means.

Note 5: Assessment content should at least include the following:

(1) Performance assessment on the Board of Directors: at least including the degrees of involvement in company operation, quality enhancement of decisions by the Board of Directors, Board composition and structure, director election and continuing education and internal control.

(2) Performance assessment on individual directors: at least including the understanding of company goals and missions; acknowledgement of a director's responsibility; degree of involvement in company operation; management and communication of internal relations the director's professionalism, continuing education and internal control

(3) Performance assessment on functional committees: degree of involvement in company operation; acknowledgement of a functional committee's responsibility; and decision quality of the functional committee composition, member appointment and internal control.

(III) Functioning of Audit Committee

1. Audit Committee convened four meetings (A) during the most recent year. Attendance by independent directors is shown below:

Title	Name	Attendance in person (B)	Attendance rate in person (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director	Yuan-Chuan Lee	4	100%	-
Independent Director	Tzu-Ping Jen	3	75%	-
Independent Director	I-Hsiung Su	4	100%	-

Other matters that should be noted:

I. In case of any of the following circumstances with the functioning of Audit Committee, it is necessary to provide the Audit Committee meeting dates; sessions; agendas; objections, reservations or significant suggestions from independent directors; decisions by Audit Committee, and the ways the Company handles such opinions.

(I) Matters specified in Article 14-5 of the Securities and Exchange Act

Sessions and dates of Audit Committee meetings	Proposals and responses in relation to the matters listed in Article 14-5 of the Securities and Exchange Act	Objections, reservations or significant suggestions from independent directors	Decisions by Audit Committee	The Company's responses to Audit Committee's opinions
First Session: 8th meeting March 17, 2022	Approval of the Company's 2021 Financial Statements (unconsolidated and consolidated)	None	Unanimous approval by all attending members	Not applicable
	Approval of the Company's design of 2021 internal control system and implementation of the effectiveness review	None	Unanimous approval by all attending members	Not applicable
	Approval of the amendment to the Company's Procedures for Asset Acquisitions/Disposals	None	Unanimous approval by all attending members	Not applicable
	Approval of the Company's appointment of external auditors and fees for 2022	None	Unanimous approval by all attending members	Not applicable
	Approval of the Company's change of accounting supervisor	None	Unanimous approval by all attending members	Not applicable
	Approval of the long-term receivables from the subsidiary Twinhead (Kunshan) Ltd. not in the nature of lending	None	Unanimous approval by all attending members	Not applicable
	Approval of the long-term receivables from the U.S. subsidiary Durabook Americas Inc. not in the nature of lending	None	Unanimous approval by all attending members	Not applicable
First Session: 9th meeting May 11, 2022	Approval of the long-term receivables from the subsidiary Twinhead (Kunshan) Ltd. not in the nature of lending	None	Unanimous approval by all attending members	Not applicable
	Approval of the long-term receivables from the U.S. subsidiary Durabook Americas Inc. not in the nature of lending	None	Unanimous approval by all attending members	Not applicable
First Session: 10th meeting August 10, 2022	Approval of the Company's public offering and trading of privately-placed ordinary shares	None	Unanimous approval by all attending members	Not applicable
	Approval of the long-term receivables from the subsidiary Twinhead (Kunshan) Ltd. not	None	Unanimous approval by all attending members	Not applicable

	in the nature of lending			
	Approval of the long-term receivables from the U.S. subsidiary Durabook Americas Inc. not in the nature of lending	None	Unanimous approval by all attending members	Not applicable
First Session: 11th meeting November 11, 2022	Approval of the long-term receivables from the subsidiary Twinhead (Kunshan) Ltd. not in the nature of lending	None	Unanimous approval by all attending members	Not applicable
	Approval of the long-term receivables from the U.S. subsidiary not in the nature of lending	None	Unanimous approval by all attending members	Not applicable

(II) In addition to the aforesaid matters, any matters not approved by Audit Committee but resolved by over two thirds of directors: none

II. For any recusal by independent directors from Audit Committee meetings and proposals due to conflict of interest, it is necessary to provide the names of independent directors, proposal contents, reasons for the required recusal and participating in voting: none

III. Independent directors' communication with internal auditing managers and external accountants (e.g., regarding the key issues, methods and outcomes of the Company's financials and business)

(1) Internal auditing managers present audit reports to independent directors each month, communicate and exchange views with independent directors about the reported content and company operation. If independent directors have any concern over corporate functioning, they seek explanations and answers from auditing managers.

(2) If independent opinions have any opinion about financial information, they contact external accountants directly for details.

Note 1: If any independent director has departed before the year end, the departure date should be noted in the Remark column. The attendance rate (%) is calculated by dividing the number of meetings convened by Audit Committee when the member was in service with the number of meetings attended.

Note 2: In case of any bi-election of any independent director before the year end, the previous independent director and the new independent director should both be listed. Whether an independent was pre-existing or is new and the date of the new appointment or by-election should be noted in the Remark column. The attendance rate (%) is calculated by dividing the number of meetings convened by Audit Committee when the member was in service with the number of meetings attended.

(IV) Assessments on Audit Committee

Assessment cycle	Assessment period	Assessment method	Assessment content	Assessment result	Date of reporting to Board of Directors
Once a year	January 1, 2022 to December 21, 2022	Internal self-assessment by Audit Committee	Degree of involvement in company operation	Meetings were convened periodically and the attendances were good. Notices and proposals were received before meetings. All members contributed to the meetings.	December 29, 2022
			Understanding of Audit Committee's responsibilities	All duties were clearly and appropriately defined. All existing and potential risks were properly assessed and monitored. Timely, professional and objective advice was provided to the Board of Directors for deliberation and decision-making. Full communication and sharing was carried out with external accountants.	
			Enhancement of Audit Committee's decision quality	The Company provided Audit Committee with comprehensive and timely information of certain quality, so that Audit Committee could perform duties smoothly. The Company's proposals submitted to Audit Committee for discussions and decisions were appropriate. There was ample time during meetings for discussion. If any member needed to recuse from a related proposal due to conflict of interest, the member did reuse. Details were recorded in meeting minutes. Periodical and efficient performance reviews were carried out.	

			Composition and member appointment of Audit Committee	The composition of members is appropriate and equipped with the professionalism required for decision-making. Members have maintained independence whilst in service.	
			Internal control	Effective assessment and monitoring of the effectiveness of all internal control systems and risk management. The approved internal control system consists of five elements/principles and covers the control process of all operating activities and transaction cycles. Understanding and supervision of the Company's accounting system, financial status, financial reporting, audit reports and follow-ups	

(V) Functioning of corporate governance, differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences:

Assessment items	Functioning status (Note)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences
	Yes	No	Summary and explanation	
I. Has the Company established and disclosed its practical guidelines on corporate governance, in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established its Practical Guidelines on Corporate Governance and disclosed accordingly on its website. Disclosed on the Company's website http://www.twinhead.com.tw/filebase/ecdb4dffa3cd.pdf	No significant difference
II. Ownership structure and shareholders' equity				No significant difference
(I) Has the Company established internal procedures for handling of suggestions/concerns from and disputes/litigations with shareholders, and implemented such procedures accordingly?		V	The Company has established Practical Guidelines on Corporate Governance. Legal Department is responsible for handling the suggestions and questions from shareholders, disputes and litigation matters with shareholders.	
(II) Does the Company have the list of ultimate controlling shareholders and the ultimate controllers of major shareholders?	V		The Company's shareholder services are outsourced to a stock transfer agency and the list of the relevant controllers is disclosed in the annual report.	
(III) Has the Company established and implemented risk control and firewalls with affiliated enterprises?	V		The Company has established a risk management policy and procedure to exercise strict control over internal and external risks. Meanwhile, Management Guidelines of Subsidiaries Management and the internal control mechanism have been put in practice.	
(IV) Has the Company established internal regulations to prohibit insiders from trading marketable securities by using non-public information?	V		The Company has put in place its management guidelines on prevention of insider trading.	
III. Composition and responsibility of Board of Directors				No significant difference
(I) Has the Board of Directors established a diversity policy, management targets and implemented accordingly?	V		The Company has established Practical Guidelines on Corporate Governance and implemented the board diversity policy. Management targets are set according to corporate functioning, operational patterns and development needs. At least the basic requirements, values, professional knowledge and skillsets are met.	
(II) In addition to Remuneration Committee and Audit Committee required by laws, has the Company voluntarily established other functional committees?		V	The Company has establishedRemuneration Committee and Audit Committee. Whilst there are no other functional committees yet, the Board of Directors can effectively monitor the company operation.	
(III) Has the Company established the Board performance assessment guidelines and methods, conducted performance reviews once a year and provided the assessment results to the Board, as a reference for remunerations and re-election nominations of individual directors?	V		The Company has established the guidelines on performance assessment of the Board of Directors and assessment methods. Legal Department is responsible for implementation. Performance assessments are conducted once per year. The 2022 assessment results have been submitted to the 17th meeting of the 13th Board, as the reference to the nomination and election of the next board.	

Assessment items	Functioning status (Note)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences
	Yes	No	Summary and explanation	
(IV) Has the Company periodically assessed the independence of external accountants?	V		Performance assessment results of individual directors also serve as a reference for remuneration. Independence of external accountants is assessed once a year.	
IV. Has the TWSE/TPEx listed company allocated a suitable number of qualified corporate governance officers and appointed Corporate Governance Supervisor to take charge of corporate governance matters (including but not limited to provision of data required for functioning of Directors and Supervisors; assistance to Directors and Supervisors in compliance; organization of board meetings and shareholders' meeting according to laws; and production of minutes for board meetings and shareholders' meeting)?	V		Legal Department is responsible for all corporate governance matters. Corporate Governance Officer has been appointed to organize board meetings and shareholders' meetings; produce minutes for board meetings and shareholders' meetings; assist the onboarding and continuing education of directors; provide data required for performance of directors; help directors in compliance; report to the Board of Directors whether the qualifications of independent directors nominated, elected and in service meet relevant laws and regulations; proceed with changes of directors and other matters according to the Articles of Incorporation or contracts. Corporate Governance Officer took office after approval by the 17th meeting of the 13th Board (December 29, 2022). Three hours of training has been undertaken as of the publication date of this annual report.	No significant difference
V. Has the Company established the communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), constructed a stakeholder section on the company website and appropriately responded to corporate social responsibility issues pertinent to stakeholders?	V		(一) The Company's spokesperson system is responsible. There is a stakeholder section on the company website to connect and communicate directly with stakeholders, so that they understand the Company's operation. (二) The Company has a letterbox for employees to email or write about their opinions.	No significant difference
VI. Whether the Company has commissioned a stock transfer agency to handle shareholders' meetings?	V		The Company has authorized Stock Transfer Agency Department of Grand Fortune Securities Co., Ltd. to handle shareholders' meetings.	No significant difference
VII. Information disclosure (I) Has the Company established a website to disclose financial and corporate governance information?	V		The Company discloses financial and business information via Market Observation Post System (MOPS) as required. A dedicated website has been established to provide company information and facilitate inquiries from investors. The Company's website: www.twinhead.com.tw	No significant difference
(II) Has the Company adopted other information disclose methods (such as English-language website; appointment of dedicated personnel for collection and disclosure of corporate information; the spokesperson system;	V		The Company has designated personnel for collection and disclosure of information, implemented the spokesperson system for external communication and organized capital market events according to laws.	

Assessment items	Functioning status (Note)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences
	Yes	No	Summary and explanation	
uploading capital market event presentations on the company website)? (III) Does the Company announce and file its annual financial reports within two months after the end of a financial year and announce and file its first, second and third quarterly financial reports and monthly revenues before deadlines?		V	According to the statutory rules and deadlines, the Company announces and files its annual financial reports before the end of March and announces and files its first, second and third quarterly financial reports and monthly revenues before deadlines.	
VIII. Is there any other important information that helps to understand the Company's corporate governance functioning (including but not limited to employees' rights; employees' care; investor relations; supplier relations; stakeholders' rights; continuing education of Directors and Supervisors; risk management policies, measurements and implementations; implementation of customer policies; and purchase of liability insurance for Directors and Supervisors)?	V		(I) Employees' rights and employee concern The Company has established Employees' Welfare Committee to provide a variety of benefits. The retirement system is implemented according to laws. Training and education is planned for employees. Regular health checks are arranged. Employees' Welfare Committee meetings and labor relations meetings are convened periodically to protect employees' rights. (II) Investor relations The Company discloses corporate information according to laws and organizes capital market events to protect the fundamental rights of investors and fulfills the duty to shareholders. (III) Supplier relations The Company has established Procurement Department to manage suppliers related matters. . (IV) Stakeholders' rights The Company has established a spokesperson system to handle this and fulfill our responsibility to stakeholders. . (V) Continuing education of directors The participation by the Company's directors in courses organized by professional institutions is disclosed on Market Observation Post System (MOPS). (VI) Implementation of risk management policy and risk measurements The Company has established a risk management policy and procedure. Each department comes up with countermeasures to address significant risks. Regular review meetings are	No significant difference

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Functioning status (Note)</th><th rowspan="2">Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary and explanation</th></tr>
<tr><td></td><td></td><td></td><td>convened.Implementation results and effectiveness of risk measures are examined, to ensure the Company has achieved its risk management targets. The outcome of risk measures indicates that risks have reached an acceptable level.
(VII) Implementation of customer policy
The Company maintains good communication and relations with customers. Hence, the customer policy is well implemented.
(VIII) Directors discuss and speak up at board meetings and recuse from proposals in presence of conflict of interest.
(IX) Purchase of liability insurance for directors
The Company renewed the liability insurance in June 2022 with coverage of US$1 million for directors and key employees.</td><td></td></tr>
<tr><td colspan="5">IX. Please describe the improvements to date and the measures to address priority issues outstanding according to the corporate governance evaluation results for the most recent year published by TWSE Corporate Governance Center. (not required if the company is not assessed)
Not assessed</td></tr>
</table>

Note: Summary and explanation should be provided whether Yes or No is selected for functioning status.

(VI) Composition, responsibility and functioning of Remuneration Committee:

1. Data on Remuneration Committee members

Identity (Note 1)	Requirement / Name	Professional qualifications and experience (Note 2)	Independence (Note 3)	No. of Audit Committee memberships with other public companies
Independent Director (Convener)	Yuan-Chuan Lee	Note 1	Note 2	0
Independent Director	I-Hsiung Su			0
Independent Director	Tzu-Ping Jen			1

Note 1: Please describe relevant work tenures, professional qualifications, experience and independence of individual Remuneration Committee members. Please refer to the contents in Table 1 Data of Directors and Supervisors (I) on Page OO and make a note for independent directors in the Remark section. In the Identity section, please indicate whether he/she is an independent director or not. (Please note if he/she is the convener.)

Note 2: Professional qualifications and experience: Please describe the professional qualifications and experience of individual Remuneration Committee members.

Note 3: Independence: Please describe the independence of each Remuneration Committee member, including but not limited to whether the member himself/herself, the spouse or a relative within two degrees of kinship serves as a director, supervisor or employee of the Company or its affiliated enterprises; the number of the Company shares and the percentage of shareholdings held by the member himself/herself, the spouse or a relative within two degrees of kinship (or under another person's name); whether the member himself/herself, the spouse or a relative within two degrees of kinship serves as a director, supervisor or employee of a company with specific relations with the Company (see Paragraphs 5 to 8 of Article 6-1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of compensations received for offering business, legal, finance and accounting services to the Company and its related enterprises during the past two years.

Note 4: Please refer to the best practice provided at the website of TWSE Corporate Governance Center.

Note 1: Please refer to Page 7 for Information on directors: work experience, education, and other roles with the Company and other companies.

Note 2: Please refer to Page 11 for Professional qualifications of directors and independence of independent directors.

2. Remuneration Committee's responsibility

(1) Design and regular performance assessments on directors, independent directors and managers, as well as remuneration policies, systems, standards and structures

(2) Periodical assessment and determination of remuneration for directors, independent directors and managers

Suggestions for (1)(2) forwarded to the Board of Directors for deliberation

3. Functioning of Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) Term of the current members: June 30, 2020 to June 29, 2023

Remuneration Committee convened three meetings (A) during the most recent year. Qualifications and attendance of members are is shown below:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate in person (%) (B/A) (Note)	Remarks
Convener	Yuan-Chuan Lee	3	0	100%	-
Committee member	I-Hsiung Su	3	0	100%	-
Committee member	Tzu-Ping Jen	3	0	100%	-

Other matters that should be noted:

I. If the Board of Directors did not adopt or amend the Remuneration Committee's suggestions, it is necessary provide the board meeting dates, sessions, agendas, the Board's resolutions and the ways the Company handles Remuneration Committee's opinions. (If the remuneration approved by the Board of Directors was better than what was advised by Remuneration Committee, it is necessary to describe the difference and the reason for such a difference.): none

II. If any member has expressed dissenting opinions or reservation for Remuneration Committee's decisions and there was a record or a written statement, it is necessary provide the Remuneration Committee meeting dates, sessions, agendas, opinions from all members and the ways these opinions were handled.

Notes:

(1) If any member of Remuneration Committee has departed before the year end, the departure date should be noted in the Remark column. The attendance rate (%) is calculated by dividing the number of meetings convened by Remuneration Committee when the member was in service with the number of meetings attended.

(2) In case of any bi-election of any Remuneration Committee member before the year end, the previous member and the new member should both be listed. Whether a member was pre-existing or is new and the date of the new appointment or by-election should be noted in the Remark column. The attendance rate (%) is calculated by dividing the number of meetings convened by Remuneration Committee when the member was in service with the number of meetings attended.

(VII) Assessments on Remuneration Committee

Assessment cycle	Assessment period	Assessment method	Assessment content	Assessment result	Date of reporting to Board of Directors
Once a year	January 1, 2022 to December 21, 2022	Self-assessment by Audit Committee members	Degree of involvement in company operation	Meetings were convened periodically and the attendances were good. Notices and proposals were received before meetings. All members contributed to the meetings.	December 29, 2022
			Understanding of Remuneration Committee's responsibilities	All duties were clearly and appropriately defined. Timely, professional and objective advice was provided to the Board of Directors for deliberation and decision-making. Design and implementation of regular performance assessments on directors, independent directors and managers, as well as remuneration policies, systems, standards and structures.	
			Enhancement of Remuneration Committee's decision quality	The Company provided Remuneration Committee with comprehensive and timely information of certain quality, so that Remuneration Committee could perform duties smoothly. The Company's proposals submitted to Remuneration Committee for discussions and decisions were appropriate. There was ample time during meetings for discussion. If any member needed to recuse from a related proposal due to conflict of interest, the member did reuse. Details were recorded in meeting minutes. Periodical and efficient performance reviews were carried out.	
			Composition and member appointment of Remuneration Committee	The composition of members is appropriate and equipped with the professionalism required for decision-making. Members have maintained independence whilst in service.	
			Internal control	Effective understanding and monitoring of Remuneration Committee's functioning	

(VIII) Advocacy and implementation of sustainable development, differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences:

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
I. Has the Company established a governance structure for sustainable development and put in place a dedicated (non-dedicated) sustainable development division? Has the Board of Directors authorized senior managers for handling and overseen the implementation? (A TWSE/TPEx listed company should provide the implementation status, not compliance or explanation.)		V	President's Office manages sustainable development issues.	No significant difference from the spirit of sustainable development
II. Has the Company conducted risk assessments in environmental, social and corporate governance issues, according to the materiality principle, and formulated relevant risk management policies or strategies? (Note 2) (A TWSE/TPEx listed company should provide the implementation status, not compliance or explanation.)	V		1. This disclosure only covers the Company and excludes subsidiaries. 2. The Company has established a risk policy and procedure and adopts responses or control measures in advance and according to risk assessment results, to mitigate losses due to risks. Routine assessments of environmental, social and corporate governance risks are conducted and appropriateness of such assessments is examined in annual business reviews. The results are tracked regularly and incorporated into operational activities of each department, to achieve the Company's business sustainability. 3. Relevant risk policies or strategies are defined as follows on the basis of assessed risks:	No significant difference

<table>
<tr><th rowspan="2">Initiative</th><th colspan="3">Implementation status (Note 1)</th><th rowspan="2">Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary and explanation</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Significant issues</th><th>Risk assessment items</th><th>Explanation</th></tr>
<tr><td>Environmental</td><td>Environmental impact and management</td><td>Compliance with all environmental regulations and formulation of environmental management procedures to confirm the effective implementation of the environmental management system</td></tr>
<tr><td>Social</td><td>Occupational safety</td><td>1. Deployment of access control facilities, routine inspections of fire prevention facilities and emergency response equipment
2. Organization of employees’ health checks and classes in relation to labor safety and health, to ensure employees’ safety during work</td></tr>
</table>
</td><td></td></tr>
</table>

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			<table><tr><td></td><td>Product safety</td><td>1. Products and services in adherence to relevant laws, regulations and international standards such as security requirements and applications in different countries, RoHS (Restriction of Hazardous Substances Directive) and WEEE (Waste Electrical and Electronic Equipment Directive) 2. The Company has established a customer care department, as a channel for customers to raise questions, complaints or suggestions. Proper responses are made in adherence to the principle of ethics to</td></tr></table>	

Initiative	Implementation status (Note 1)					Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation			
					protect customers' rights. 3. The Company has put in place "Operational Procedure for Suppliers Management" to ensure the stability of materials in use. Supplier assessments are regularly conducted, so that suppliers comply with regulations, green product requirements and company specifications. The Company terminates or cancels cooperation on a timely basis with the suppliers not in adherence to Operational Procedure for Suppliers Management.	
			Corporate governance	Social, economic and	1. Effective implementation of the	

<table>
<tr><th rowspan="2">Initiative</th><th colspan="3">Implementation status (Note 1)</th><th rowspan="2">Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary and explanation</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td>compliance</td><td>internal control system, to ensure employees and all operations in compliance with laws and regulations
2. The Company applies for patents and registers trade marks for its products, to ensure the protection of its rights.</td></tr>
<tr><td></td><td>Communication with stakeholders</td><td>1. Annual analysis of key stakeholder issues to protect their legal rights
2. Establishment of a variety of communication channels and the conduct window to respond to the messages from stakeholders</td></tr>
</table>
4. The responsible unit reported the 2022 risk management policy and procedural implementation to the 17th meeting of the 13th Board.</td><td></td></tr>
</table>

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
III. Environmental issues (I) Has the Company established a suitable environmental management system according to its industry characteristics?	V		Quality Assurance Department routinely updates the amendment of environmental regulations in Taiwan (including but not limited to Water Pollution Control Act; Waste Disposal Act; Drinking Water Management Act; Environmental Agents Control Act; and Restriction of the use of Hazardous Substance). Meanwhile, the Company has put in place environmental management processes such as Environmental Handbook; Education & Training Procedures; Documentation of Information Management Procedure; Management Procedure of Chemical Substances; Management Procedure of Energy Resources; Management Procedure of Waste; and Management Procedure of Wastewater, to ensure the effective implementation of the environmental management system. The Company has obtained the ISO14001:2015 environmental management system certification. This covers the design, development, marketing, sales, manufacturing, services and maintenance of notebook computers, industrial notebook computers and special-purpose notebook computers.	No significant difference
(II) Has the Company strived to enhance the efficiency of energy consumption and the use of recycled materials with a low environmental impact?	V		The Company implements garbage classifications and resource recycling and installs energy-efficiency equipment at offices. We continue to drive energy efficiency and carbon reduction, exercise rict control of waste with regular treatment and disposal, so as to minimize the environmental impact.	

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
(III) Has the Company assessed the potential risks and opportunities in climate change for now and the future and adopted countermeasures in relation to climate change?	V		Climate change has limited influence on the Company currently and in the future. That said, we are vigilant in the drive for energy efficiency and carbon reduction. We have implemented the following measures, including switching off lights whenever and wherever possible, to address climate issues. 1. The temperature for office air-conditioners is set at 26~28℃, with electric fans in use at the same time. 2. Computers are set to enter Hibernate mode for energy efficiency after 5-10 minutes of inactivity. 3. Reduce the number of times opening and closing the refrigerator door. 4. The last person that uses meal-box steamers is asked to shut down the electricity. 5. Lights are switched off during the lunch break. 6. Lights are switched off in sections after hours, to avoid the scenario where all lights are on with one or two people still at work. 7. Colleagues are encouraged to switch off electricity wherever and whenever possible and unplug electric appliances not to be in use for a long while. 8. The last person to leave the workplace is asked to turn off the water machine, inspect and switch off all the lights. 9. The central control room of the building where the Company is	

<table>
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<tr><th>Yes</th><th>No</th><th>Summary and explanation</th></tr>
<tr><td>
(IV) Has the Company calculated GHG emissions, water consumption and total waste weight during the past two years and formulated policies for energy efficiency, carbon and GHG emission reduction, lower water consumption and management of other waste?</td><td>
V</td><td></td><td>located turns off the central power after all people have left.

1. The Company calculates its GHG emissions, water consumption and waste weight during the past two years as follows: (data covering Taipei offices and Kaohsiung factory)
<table><tr><th></th><th>2020</th><th>2021</th></tr><tr><td>Water -Co2 emission/ (kg)；Scope 2</td><td>898</td><td>725</td></tr><tr><td>Water consumption (cubic meters)</td><td>6,884</td><td>6,038</td></tr><tr><td>Electricity - Co2 emission /(kg); Scope 2</td><td>698,391</td><td>664,891</td></tr><tr><td>Total waste weight /(ton)</td><td>29.078</td><td>26.16</td></tr></table>2. We replace and upgrade equipment, install energy-efficient facilities and implement measures to save water and electricity. The increase in the variety and the channels of resources recycling has significantly reduced the volume of waste.
3. As a result of stronger advocacy, the Company’s water consumption dropped by 12.28% in 2021 (vs. 2020 as the base year), higher than the 5% target set in 2020. This demonstrates the significant achievement of the water conservation program. Going</td><td></td></tr>
</table>

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			forward, we will continue our endeavor to lower water consumption by 5% p.a. 4. The Company's carbon emission associated with electricity consumption was reduced by 4.7% or so in 2021 (vs. 2020 as the base year). This showcases the significant effects of the electricity efficiency program. Going forward, we strive to reduce the carbon emission associated with electricity consumption by 1.5% p.a. by continuing with time management for electricity consumption and control of air-conditioning temperature. 5. The Company has obtained the ISO 14001:2015 certification and continues to drive improvements of its internal environment.	
IV. Social issues (I) Has the Company formulated management policies and procedures according to relevant laws and international human rights conventions?	V		The Company follows the standards put forth by the United Nations' Universal Declaration of Human Right and by International Labor Organization. We have established our human right policy specific to our operations and characteristics and implemented management programs such as the installation of access control facilities; routine inspections of fire prevention facilities and emergency response equipment; organization of free health checks for colleagues; deployment of lactation rooms according to laws; regular convening of labor relations meetings; and establishment of firewalls and email filtering systems provided by multinational vendors. The purpose is to achieve the goal of sustainable development and to protect the fundamental human rights of employees and stakeholders.	No significant difference

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
(II) Has the Company formulated and implemented reasonable employee benefits (including wages, holidays and other benefits) and reflected operating performance or results appropriately to employees' compensation?	V		The Company observes relevant laws and regulations such as the Labor Standards Act and has established a variety of salary and benefit schemes. Employees are offered health examinations each year and activities per quarter. Employees are entitled to a one-day birthday leave every year. Employee Welfare Committee administers benefit and subsidy programs. Meanwhile, employee performance reviews are conducted regularly and the results are reflected in employee remunerations.	
(III) Does the Company provide a safe and healthy work environment and implement regular education in safety and health for employees?	V		Organization of health checks for all employees and offering of classes on labor safety and health The Company reported zero occupational accident in 2022. The Company will continue to foster a culture with an emphasis on occupational safety and stay attentive to the mental and physical status of employees, to ensure employees' safety during work.	
(IV) Has the Company established an effective competence development programs for employees?	V		The Company organizes comprehensive competency training for all levels of managers and employees. This includes orientation training for new hires before onboarding, professional training for different functions, management and language training for supervisors. Information on external training programs is provided from time to time so that employees grow along with the Company.	No significant difference from the spirit of sustainable

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
(V) Has the Company complied with relevant laws, regulations and international standards and formulated relevant policies and complaints procedures to protect the rights of consumers or customers regarding products and services to address issues such as safety, health and privacy of customers, marketing and labeling? (VI) Has the Company formulated supplier management policies and asked suppliers to adhere to relevant regulations in environmental protection, occupational safety and health or labor rights?	V V		When it comes to marketing and labeling of products and services, the Company observes relevant laws, regulations and international standards such as security requirements and applications in different countries, RoHS (Restriction of Hazardous Substances Directive) and WEEE (Waste Electrical and Electronic Equipment Directive). No deception, misleading-ness, fraud or other activities detrimental to consumers' trust and rights are allowed. The customer care department is established as a channel for customers to raise questions, complaints or suggestions. Proper responses are made in adherence to the principle of ethics to protect customers' rights. The Company has put in place "Operational Procedure for Suppliers Management" to ensure the stability of materials in use. Supplier assessments are regularly conducted, so that suppliers comply with regulations, green product requirements and company specifications. The Company terminates or cancels cooperation on a timely basis with the suppliers not in adherence to Operational Procedure for Suppliers Management.	development
V. Has the Company prepared sustainability reports by following internationally accepted standards or guidelines in order to disclose non-financial information? Have the aforesaid reports assured or certified by a third party?		V	The Company has obtained the ISO 9001:2015 quality management system certification and the ISO 14001:2015 environmental management system certification. Other matters are in discussion.	Not produced yet.

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
VI. If the Company has established its principles in sustainable development by following the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe how its own principles are put into practice and whether there is deviation from the principles: none				
VII. Other important information that helps to understand the status of sustainable development: 1. Customer Care Department recovers, dissembles and repurposes testing equipment into work machines for employees, to reduce waste. 2. Employee Welfare Committee are established according to laws, to administer all benefits to employees. 3. Supplies for COVID-19 control were donated to the management committee of the local building, to contribute to the community during the pandemic and achieve the goal of sustainable development.				

Note 1: If "Yes" is selected for implementation status, please describe the important policies, strategies, measures and implementations in place. If "No" is selected for implementation status, please explain in the column "Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences" and provide relevant policies, strategies and measures under planning for the future. Regarding initiatives (1) and (2), TWSE/TPEx listed companies should describe the governance and oversight framework for sustainable development, including but not limited to management guidelines, strategies, goal-setting and review measures. Please describe the Company's risk management policies or strategies and risk assessments associated with environmental, social and corporate governance.

Note 2: The materiality principle refers to the significant influence of environmental, social and corporate governance issues on investors and other stakeholders.

Note 3: Please refer to the best practice provided at the website of TWSE Corporate Governance Center.

(IX) Implementation of business ethics, differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences

Assessment item	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
I. Formulation of business ethics policies and measures (I) Has the Company formulated and the Board of Directors approved business ethics policies? Are business ethics policies and measures specified in regulations and documents to external parties? Are the Board of Directors and senior managers committed to the implementation?	V		The Company's Principles of Business Code of Conduct has been established and approved by the Board. We prohibit our personnel from direct or indirect offering, accepting, promising or requesting any improper benefits during the conducting of business or engaging in any dishonest and illegal activities or breaching the fiduciary duties. Business activities shall be conducted in a fair and transparent way. When conducting business, the Company's board members and senior managers adhere to code of ethics in providing supervision and creating a sustainable business environment.	No significant difference
(II) Has the Company established a mechanism to assess the risks of unethical behavior, regularly analyzed and examined, within the scope of business, the operating activities with high risks of unethical behavior and designed schemes to avoid unethical behavior by covering at least the preventive measures prescribed in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed		V	Our employees sign Agreement for Employee's Duties when onboarding. We have established Principles of Business Code of Conduct to prevent any activities specified in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Management emphasizes the necessity of business ethics. Measures are put in place by managers of different	No significant difference

Assessment item	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
Companies?			functions according to nature of different operating activities in order to prevent unethical behavior. Any ethical problems are investigated by dedicated units and then reported to senior managers. Responsible units are required to adopt appropriate corrective measures, take disciplinary actions and follows up on a regular basis.	
(III) Has the Company formulated, implemented and periodically reviewed the operating procedures, behavioral guidelines, punitive measures and complaints system as part of the scheme to prevent unethical behavior?	V		The Company has established Principles of Business Code of Conduct. The Labor Standards Act, work rules and relevant laws shall apply in event of violations. The importance of business ethics is advocated to employees from time to time and training & education are organized. A letterbox for whistleblowers is set up at our company website to handle any unethical issues. Measures to address unethical behavior are routinely reviewed and amended to ensure implementation in operation activities.	

Assessment item	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
II. Implementation of business ethics (I) Does the Company assess the ethics record of counterparties in business dealings and specify business conduct in contractual clauses with counterparties?	V		Before establishing business relations, the Company assesses the lawfulness and codes of conduct of the agents, suppliers, customers and other business dealing counterparties. Business activities are conducted in an open and transparent way. Appropriate penalty clauses regarding breach of ethics are put in place according to the principle of freedom of contract.	No significant difference
(II) Has the Company established a dedicated business ethics unit under the Board of Directors and reported regularly (at least once a year) to the Board of Directors the implementation of business conduct policies and prevention of unethical behavior?	V		Legal Department is the Company's dedicated unit for handling of business ethics matters. Legal Department has reported the code of conduct, measures in preventing unethical behavior and the status of supervision to the 17th meeting of the 13th Board as follows: 1. 2022 annual training and education on business ethics have been provided. 2. The Company has established whistleblowing procedures and a letterbox for whistleblowers. No reporting has been received to date regarding violation of business ethics or conduct (e.g., business code of conduct, corruption, bribery or insider trading). 3. No penalty has been imposed by regulators due to breach of ethics.	

Assessment item	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
(III) Has the Company formulated policies to prevent conflict of interest and provided appropriate channels for voicing out and implementation?	V		The Company's Rule of Procedure for Board Meetings has put in place a recusal system in presence of conflict of interest. Directors may not join the discussion or voting for issues where the director or the legal person represented by the director has conflict of interest and such conflict may detriment the Company's interest. On these occasions, directors should recuse from discussion and voting and may not represent other directors for exercise of voting rights.	
(IV) Has the Company established an effective accounting system and internal control system to implement business ethics? Do the internal auditors formulate audit plans according to the assessment of risks for unethical behavior and inspect the compliance with the preventive measures or authorize external accountants for such inspections?	V		The Company observes the Company Act, the Securities and Exchange Act and Business Entity Accounting Act. The Guidelines for the Establishment of Internal Control Systems by Public Companies, relevant laws and regulations governing TWSE/TPEx listed companies serve as the basis of code of business conduct. To ensure the practice of business ethics, an effective and comprehensive control mechanism is established within both the accounting system and the internal control. Based on risk assessments, internal auditors include highly-risky operations into annual audit plans, conduct regular audits and enhance preventive measures. Meanwhile, the design and	

Assessment item	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
(V) Does the Company organize internal and external training and education on business ethics on a regular basis?	V		implementation effectiveness of the system is ensured via annual self-assessments and reviews on internal control. External accountants also review the Company's systems aforesaid each year. The Company sends its personnel to participate in external training and education on business ethics and organizes internal training programs from time to time.	
III. Functioning of whistleblowing system (I) Has the Company established a whistleblowing system with incentives and the channels to facilitate whistleblowing? Is appropriate personnel appointed to investigate the allegations?	V		The Company has establishedPrinciples of Business Code of Conduct and put in place Procedures of Reporting Illegal or Unethical Behavior. A letterbox is set up at the Company's website for whistleblowing and this is handed by a dedicated unit.	No significant difference
(II) Has the Company established the standard investigation procedure on allegations, the follow-up measures and the confidentiality mechanism post investigations?	V		The Company handles reports and complaints according to Procedures of Reporting Illegal or Unethical Behavior, records the process, and ensures confidentiality for whistleblowers and allegations.	
(III) Has the Company adopted measures to protect whistleblowers from improper treatment?	V		The Company protects whistleblowers from improper treatment by following Procedures of Reporting Illegal or Unethical Behavior.	

Assessment item	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
IV. Enhancement of information disclosure (I) Has the Company disclosed its ethics policy and implementation effectiveness via its own website and on Market Observation Post System (MOPS)?		V	The Company has disclosed its ethics policy and implementation effectiveness via its own website and on Market Observation Post System (MOPS). Disclosed on the Company's website at http://www.twinhead.com.tw/filebase/f63fccf03566.pdf	No significant difference
V. If the Company has established its principles in business ethics by following Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe how its own principles are put into practice and whether there is deviation from the principles: no significant difference				
VI. Other important information that helps to understand the status of ethics policy implementation (e.g., the Company's review and amendment of its business code of conduct):none				

Note 1: Summary and explanation should be provided whether Yes or No is selected for functioning status.

(X) If any corporate governance principles or relevant charters are put in place, it is necessary to disclose the inquiry methods: announced at the Company's website at http://www.twinhead.com.tw/filebase/ecdb4dffa3cd.pdf。

(XI) Other important information that helps to understand the functioning of corporate governance: omitted

(XII) Implementation of internal control system

1. Statement on Internal Control System

Twinhead International Corporation
Statement on Internal Control System

Date: March 16, 2023

According to the self-inspection results of the internal control system by the Company in 2022, we hereby state as follows:

I. The Company understands that the Board of Directors and managers are responsible for establishing, implementing, and maintaining an internal control system, and such a system has been established. The purpose is to reasonably assure the effectiveness and efficiency of operations (including profitability, performance and protection of assets); the reliability, timeliness and transparency of reports and the compliance of relevant laws and regulations.

II. Due to the inherent limitation of any internal control system, an effective internal control system (no matter how robust in design) can only provide reasonable assurance of the achievement of the above three objectives. In addition, the effectiveness of the internal control system could change over time due to change in the environment or the circumstance. That said, the Company's internal control system is equipped with a self-monitoring mechanism and the Company takes immediate actions to rectify any deficiencies identified.

III. The Company determines the effectiveness of design and implementation of the internal control system according to the Guidelines for the Establishment of Internal Control Systems by Public Companies (the Guidelines) for the items prescribed as the basis for the determination of the effectiveness of an internal control system. According to the items prescribed by the Guidelines as the basis for the determination of the effectiveness of an internal control system, the internal control system is divided into five components during the management and control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) supervision. Each component consists of several elements. Please refer to the Guidelines for the aforesaid items.

IV. The Company has examined the effectiveness of the design and the implementation of its internal control system by referring to the determination items mentioned above.

V. Based on the findings of the aforesaid examination, the Company believes that its internal control system as of December 31, 2022 (including the supervision and management of subsidiaries) was effective in the design and the implementation and able to provide reasonable assurance over the insight into the effectiveness and the efficiency of achievement of operational targets; reliability, timeliness and transparency of reporting; and compliance with applicable laws.

VI. This Statement is a significant part of the Company's annual report and prospectus available to the public. If any of the disclosed contents above contains false information or conceals unlawful matters, the Company will be legally liable under Article 20, Article 32, Article 171 and Article 174 of the Security and Exchange Act.

VII. The Statement has been adopted by the Company’s Board of Directors on March 16, 2023. Among the ten attending Directors, no one raised any objection and all consented to the content expressed in this Statement and issued the Statement accordingly.

Twinhead International Corporation

Chairman: Yu-Jen Kao (signature)

President: Su-Fu Kao (signature)

2. Audit reports issued by external accountants should be disclosed if the review of the internal control system is outsourced to external accountants: none

(XIII) Penalties imposed by law on the Company or its personnel, punitive measures imposed by the Company on its personnel due to breach of the internal control system; primary deficiencies and improvements during the most recent year and as of the publication date of this annual report: none

(XIV) Important resolutions by shareholders' meetings and board meetings during the most recent year and as of the publication date of this annual report

1. Important resolutions by 2022 shareholders' meetings

(1) Contents resolved

① Acknowledgment of the Company's 2021 Business Report

② Acknowledgment of the Company's 2021 Financial Statements (unconsolidated and consolidated)

③ Acknowledgment of the proposal for Company's 2021 earnings distribution

④ Approval of the amendment to the Company's Articles of Incorporation

⑤ Approval of the amendment to the Company's Procedures for Asset Acquisitions/Disposals

⑥ Approval of the by-election for one seat of the Company's 13th Board

⑦ Approval of the removal of non-compete clause on the by-elected director for the Company's 13th Board

(2) Implementation

The Company distributed earnings according to the proposal for earnings distribution resolved by the 2022 shareholders' meeting. According to the Articles of Incorporation, the Company should issue a total of NT$404,712 as dividends of Type A registered preference shares for the period 2008-2021, with the book closure date on July 22, 2022 and the dividend issuance date on July 29, 2022. The Company reported a net income of NT$28,182,384 for 2021. This was first used to offset prior losses of NT$8 according to the Company Act and the Company's Articles of Incorporation. Then 10% or NT$2,818,238 was allocated as legal reserve and followed with the issuance of due and accumulated preference dividends at NT$404,712 for the period 2008 to 2021. The remaining undistributed earnings was NT$24,959,426. A cash dividend of NT$1 per ordinary share, i.e., NT$24,799,360, was issued, with the book closure date on September 12, 2022 and the dividend issuance date on October 3, 2022.

2. Contents of important resolutions by board meetings in 2022 and the publication date of this annual report

(1) Approval of the Company's 2021 Business Report

(2) Approval of the Company's 2021 remuneration of employees and directors

(3) Approval of the Company's 2021 Financial Statements (unconsolidated and consolidated)

(4) Approval of the Company's proposal for 2021 earnings distribution

(5) Approval of the Company's 2021 Statement on Internal Control System

(6) Approval of the amendment to the Company's Articles of Incorporation

(7) Approval of the amendment to the Company's Procedures for Asset Acquisitions/Disposals

(8) Approval of the by-election for one seat of the Company's 13th Board and processing of candidate nomination

(9) Approval of the by-election for one seat of the Company's 13th Board and the list of candidates

(10) Approval of the removal of non-compete clause on the by-elected director for the Company's 13th Board

(11) Approval of the convening of 2022 shareholders' meeting

(12) Approval of the appointment and compensation of external accountants for 2022

(13) Approval of the Company's change of Accounting Head

(14) Approval of the long-term receivables from the subsidiary Twinhead (Kunshan) Ltd. not in the nature of lending

(15) Approval of the long-term receivables from the U.S. subsidiary Durabook Americas Inc. not in the nature of lending

(16) Approval of the salaries for the Company's directors (independent directors) and managers for 2022 and the distribution of directors' remuneration

(17) Approval of the suggestion by the Company's Remuneration Committee

(18) Approval of the public offering and trading of the Company's privately placed ordinary shares

(19) Approval of the amendment to the Company's Rule of Procedure for Board Meetings

(20) Approval of the Company's change of shareholder services agency

(21) Approval of the Company's 2023 budget

(22) Approval of the Company's 2023 audit plan

(23) Approval of the Company's change of registered address

(24) Approval of the Company's amendment of relevant corporate governance rules

(25) Approval of the assessment on the independence and suitability of the Company's external accountants

(26) Approval of the Company's establishment of Corporate Governance Officer

(27) Approval of the suggestion by the Company's Remuneration Committee

(28) Approval of the Company's 2022 Business Report

(29) Approval of the Company's 2022 remuneration of employees and directors

(30) Approval of the Company's 2022 Financial Statements (unconsolidated and consolidated)

(31) Approval of the Company's proposal for 2022 earnings distribution

(32) Approval for the Company's 2022 capitalization of retained earnings

(33) Approval of the Company's design of 2022 internal control system and statement of the internal control effectiveness

(34) Approval of the amendment to the Company's "Articles of Incorporation"

(35) Approval for the amendment to the "Rules and Procedures of Shareholders' Meeting"

(36) Approval for the amendment to the "Rules Governing Transactions with Related Parties, Specific Companies and Enterprises within the Group"

(37) Approval for amendment to "Rules Governing Internal Control System" and "Internal Audit Implementation Rules"

(38) Approval for elections and candidates nomination of directors (including independent directors) of the 14th Board.

(39) Approval for the by-election of the Company's 14th Board and the list of candidates

(40) Approval for the removal of the prohibition on directors from participation in competitive business.

(41) Approval of the convening of 2023 shareholders' meeting

(42) Approval of the appointment and compensation of external accountants for 2023

(43) Approval of the salaries for the Company's directors (independent directors) and managers for 2023

(XV) Different opinions from directors or supervisors on important resolutions by the Board of Directors and such opinions were recorded or stated in writing during the most recent year and as of the publication date of this annual report: none

(XVI) Summary of resignations and dismissals of the Company's Chairman, President, accounting/finance directors, internal auditing supervisors and R&D head during the most recent year and as of the publication date of this annual report: none

Summary of resignation and departures of the Company's relevant personnel

May 3, 2023

Title	Name	Onboarding date	Departure date	Reason for resignation or dismissal
Accounting Head	Chien-Kuo Yang	March 1, 2013	March 31, 2022	Retirement

V. External accountants' fees

(I) External accountants' fees

Unit: NT$1,000

Name of the accounting firm	Names of Certified Public Accountants	Audit period	Auditing fees	Non-auditing fees	Total	Remarks

KPMG Taiwan	Stella Huang Jason Yin	January 1, 2022 to December 31, 2022	3,485	720	4,205	Non-audit fees consist of NT$500 thousand for tax compliance audits and NT$220,000 for a report on transfer pricing.

Please provide the details of non-audit fees: (e.g., tax compliance audit, assurance or other financial consultation)

Note: If the Company has changed external accountants or accounting firms during the year, please provide the auditing periods and specify in the Comment column the reason for change. Audit fees and non-audit fees paid should be disclosed accordingly. Please describe the details of non-audit fees in the Note section.

VI. Change of external accountants

(I) The Board's assessment in 2022 on the independence and suitability of external accountants

1. In reference to Article 47 of the Certified Public Accountant Act and Bulletin No. 10 of the Code of Ethics for Certified Public Accountant in the R.O.C. regarding integrity, fairness, objectivity and independence, the Company has set up the following assessment criteria: (1) External accountants do not have any direct or material financial relationship with the Company. (2) External accountants do not have any significant business relationship with the Company. (3) External accountants do not have any potential employment relationship with the Company when auditing on the Company. (4) External accountants do not have any lending/borrowing relationship with the Company. (5) External accountants have not accepted presents or gifts of a significant value (above the general standards for social occasions) from the Company, the Company's directors, supervisors or managers. (6) External accountants have not provided the Company with audit services for seven consecutive years. (7) External accountants do not own the Company's shares. (8) External accountants, their spouses or dependents and members of the audit teams have not served as the Company's directors, supervisors or managers or positions that have significant influence on audits during the audit period or over the most recent two years and can also be sure not to serve any of the aforesaid roles during future audit periods. (9) Whether external accountants have met the requirements for independence specified in Bulletin No. 10 of the Code of Ethics for Certified Public Accountant and whether Statement of Independence issued by external accountants has been obtained (10) Whether external accountants interact with management (managers, independent directors and internal auditors) and such interactions are recorded (11) Regularly informing the Company of updated tax and securities regulations and amended IFRS standards
2. The assessment based on Statement of Independence issued by external accountants and made by the Company's financial and accounting managers suggests that the Company's external accountants are independent and suitable. Subsequently, the 11th meeting of the Company's 13th Board resolved that the external accountants are independent and suitable.

(II) Based on the abovementioned assessment results, the Company did not change external accountants during the aforesaid audit periods.

VII. Information on the Company's Chairman, President, or any finance or accounting managers holding a position during the most recent year at accounting firm where external accountants work or a company affiliated to the accounting firm

None

VIII. Any transfer of shareholdings or change to pledges on shares owned by Directors, managers or any shareholder with a more than 10% stake during the most recent year or as of the publication date of this annual report

(I) Change of shareholdings by directors, managers and major shareholders

Title	Name	2022		As of the publication date of this annual report in 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Director	Kaos Enterprise Co., Ltd.	---	---	---	---
Director	EUROC Investment Co., Ltd	---	---	---	---
Director	The 21st Century Foundation	---	---	---	---
Director	Ri Yue Kao Investment Co., Ltd	---	---	---	---
Director	Chi Sheng Investment Co., Ltd(Note 1)	---	---	---	---
Director	Protegas Futuro Holdings, LLC	---	---	---	---
Independent Director	Yuan-Chuan Lee	---	---	---	---
Independent Director	Tzu-Ping Jen	---	---	---	---
Independent Director	I-Hsiung Su	---	---	---	---
President	Su-Fu Kao	---	---	---	---
Technical Director	Meng-Yang Lu	---	---	---	---
Assistant Vice President	Heng-Chia Wang	(2,000)	---	---	---
Assistant Vice President	Hsiao-Chien Chang	---	---	---	---
Assistant Vice President	Tao-Ming Chang	---	---	---	---
Assistant Vice President	Liang-Ching Tsai	---	---	---	---
Assistant Vice President	Chien-Kuo Yang	---	---	---	---

Assistant Vice President	Bin-Ren Lai	---	---	---	---
Assistant Vice President	Wen-Chin Chu	---	---	---	---
Assistant Vice President	Kun-Tsang Hsien	---	---	---	---
Assistant Vice President	Mao-Tsun Chen	(29)	---	---	---
Finance Supervisor	Shu-Ling Chen	---	---	---	---
Accounting Head	Hung-Jung Wang	---	---	---	---

Note: Not applicable if no previous roles served, considering the tenures and personnel changes
Chi Sheng Investment Co., Ltd., resigned on March 14, 2023.
Assistant Manager, Chien-Kuo Yang, retired on March 31, 2022.

(II) Shareholding transfers: none

(III) Shareholding pledged: none

IX. Relationship among the Company's 10 largest shareholders, including spouses or relatives within two degrees of kinship

April 15, 2023; Unit: shares; ％

Name	Shares held by the person		Shares held by the spouse and minor children		Shares held under other's names		Name and relationship between the Company's 10 largest shareholders who are related parties, spouses, or relatives within two degrees of kinship with each other		Remarks
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	Name	Relation	
Kaos Enterprise Co., Ltd Representative: Ming-Luan Kao-Chang	3,973,315 33,078	16.02% 0.13%	- 286,174	- 1.15%	- -	- -	- Yu-Jen Kao Su-Fu Kao	- Spouse Relatives within two degrees of kinship	
Protegas Futuro Holdings,LLC Representative: An Van Nguyen	3,802,355 -	15.33% -	- -	- -	- -	- -	- -	- -	
Outstanding International Co., Ltd. Representative: Tung-Hsin Tseng	1,644,480 -	6.63% -	- -	- -	- -	- -	- -	- -	
Kang Eel Shiuan Co., Ltd. Representative: Yu-Ling You	1,391,327 -	5.61% -	- -	- -	- -	- -	- -	- -	
Ting Ching Investment Limited Representative: Outstanding International Co., Ltd.	1,075,393 1,644,480	4.34% 6.63%	- -	- -	- -	- -	- -	- -	
Bai-Da Investment Co., Ltd. Representative: Yao-Bin Ding	718,893 -	2.82% -	- 2,323	- 0.01%	- -	- -	- -	- -	
Su-Fu Kao	498,543 (Note 4)	2.01% (Note 5)	11,417	0.05%	-	-	Yu-Jen Kao Ming-Luan Kao-Chang	Relatives within two degrees of kinship	

								Relatives within two degrees of kinship	
Hsi-Ming Chen	375,000	1.51%	-	-	-	-	-	-	
Cheng-Hu Chow	316,441	1.28%	-	-	-	-	-	-	
Yu-Jen Kao	286,174	1.15%	33,078	0.13%	-	-	Ming-Luan Kao-Chang Su-Fu Kao	Spouse Relatives within two degrees of kinship	

Note 1: All of the Company's 10 largest shareholders shall be listed. For a corporate shareholder, the name of the corporate shareholder and its representative shall be listed separately.

Note 2: Shareholding percentage shall be calculated based on the shares held by the shareholder, spouse, children of minor age, and held through nominees.

Note 3: The relationship between the abovementioned shareholders, including corporate shareholders and individual shareholders, shall be disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Note 4: The number of share consists of 498,532 ordinary shares and 11 preference shares.

Note 5: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.

X. Shareholdings of the Company, the Company's directors and managers in the same investee directly or indirectly controlled and the percentage of shareholdings in total

Unit: shares; ％

Investees (Note)	The Company's investments		Investees directly or indirectly controlled by directors, supervisors and managers		Overall investment	
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage
Durabook Americas Inc.	769,230	80%	-	-	769,230	80%
Twinhead (Asia)	5,872,420	100%	-	-	5,872,420	100%
Twinhead (Kunshan) Ltd.	-	-	-	100%	-	100%
Twinhead Enterprises (B.V.I.) Ltd.	-	-	50,000	100%	50,000	100%
Kunshan Lun Teng	-	-	-	100%	-	100%

Note: Investments accounted for using the equity method

Four. Fundraising

I. Capitalization and shares

(I) Sources of share capital

Month/ Year	Issuance price	Authorized capital		Paid-in capital		Remarks		
		No. of shares	Amount	No. of shares	Amount	Sources of capital	Contribution-in-kind	Others
December 1991	NT$10	100,000,000	NT$1 billion	66,732,145	667,321,450	Conversion of capital surplus into paid-in capital by NT$60,602,950	None	Note 1
June 1992	NT$10	100,000,000	NT$1 billion	78,379,000	783,790,000	Conversion of retained earnings into paid-in capital by NT$45,804,490 Conversion of capital surplus into paid-in capital by NT$70,664,060	None	Note 2
July 1993	NT$10	100,000,000	NT$1 billion	86,152,647	861,526,470	Conversion of capital surplus into paid-in capital by NT$77,736,470	None	(Note 3)
August 1994	NT$10	100,000,000	NT$1 billion	98,855,130	988,551,300	Equity raise by NT$101,356,050 Conversion of capital surplus into paid-in capital by NT$25,668,780	None	Note 4
March 1996	NT$10	160,000,000	1,600,000,000	160,000,000	1,600,000,000	Equity raise by NT$611,448,700	None	(Note 5)
May 1997	NT$10	300,000,000	NT$3 billion	204,000,000	2,040,000,000	Conversion of retained earnings into paid-in capital by NT$280,510,680 Conversion of capital surplus into paid-in capital by NT$159,489,320	None	Note 6
October 1997	NT$10	300,000,000	NT$3 billion	264,000,000	2,640,000,000	Equity raise by NT$600,000,000	None	Note 7
May 1998	NT$10	600,000,000	NT$6 billion	363,500,000	3,635,000,000	Conversion of retained earnings into paid-in capital by NT$467,270,960 Conversion of capital surplus into paid-in capital by NT$527,729,040	None	Note 8
April 1999	NT$10	600,000,000	NT$6 billion	363,740,565	3,637,405,650	Conversion of convertible bonds by NT$2,405,650	None	Note 9
August 1999	NT$10	700,000,000	NT$7 billion	478,480,936	4,784,809,360	Conversion of retained earnings into paid-in capital by NT$637,901,669 Conversion of capital surplus into paid-in capital by NT$509,098,331 Conversion of convertible bonds by NT$403,710	None	Note 10
March 2000	NT$10	700,000,000	NT$7 billion	480,418,920	4,804,189,200	Conversion of convertible bonds by NT$19,379,840	None	Note 11
September 2000	NT$10	700,000,000	NT$7 billion	528,450,942	5,284,509,420	Conversion of capital surplus into paid-in capital by NT$ 480,320,220	None	Note 12
March 2004	NT$10	700,000,000	NT$7 billion	554,561,723	5,545,617,230	Conversion of convertible bonds by NT$276,382,960	None	Note 13
November 2004	NT$10	700,000,000	NT$7 billion	277,303,712	2,773,037,120	Capital reduction by NT$2,772,580,110	None	Note 14
December 2011	NT$10	700,000,000	NT$7 billion	255,867,547	2,558,675,470	Consolidated capital reduction by NT$ 214,361,650	None	Note 15
August 2012	NT$10	700,000,000	NT$7 billion	190,161,531	1,901,615,310	Capital reduction by NT$657,060,160	None	Note 16
October 2016	NT$10	700,000,000	NT$7 billion	93,939,797	939,397,970	Capital reduction by NT$962,217,340	None	Note 17
December 2016	NT$10	700,000,000	NT$7 billion	118,939,797	1,189,397,970	Equity raise by NT$250,000,000	None	Note 18
February	NT$10	700,000,000	NT$7 billion	143,939,797	1,439,397,970	Equity raise by NT$250,000,000	None	Note 19

2017								
September 2017	NT$10	700,000,000	NT$7 billion	198,939,797	1,989,397,970	Equity raise by NT$550,000,000	None	Note 20
April 2020	NT$10	700,000,000	NT$7 billion	195,932,433	1,959,324,330	Consolidated capital reduction by NT$ 30,073,640 元	None	Note 21
October 2021	NT$10	700,000,000	NT$7 billion	24,800,422	248,004,220	Capital reduction by NT$1,711,320,110	None	Note 22

Note 1: Approved by Official Letter Tai-Finance-Securities (I) No. 03483 by Securities & Exchange Commission, Ministry of Finance dated December 23, 1991

Note 2: Approved by Official Letter Tai-Finance-Securities (I) No. 01228 by Securities & Exchange Commission, Ministry of Finance dated June 1, 1992

Note 3: Approved by Official Letter Tai-Finance-Securities (I) No. 30694 by Securities & Exchange Commission, Ministry of Finance dated July 19 1993

Note 4: Approved by Official Letter Tai-Finance-Securities (I) No. 32527 by Securities & Exchange Commission, Ministry of Finance dated August 2, 1994

Note 5: Approved by Official Letter Tai-Finance-Securities (I) No. 21571 by Securities & Exchange Commission, Ministry of Finance dated March 26, 1996

Note 6: Approved by Official Letter Tai-Finance-Securities (I) No. 33862 by Securities & Securities and Futures Commission, Ministry of Finance dated May 1, 1997

Note 7: Approved by Official Letter Tai-Finance-Securities (I) No. 73902 by Securities & Securities and Futures Commission, Ministry of Finance dated October 14, 1997

Note 8: Approved by Official Letter Tai-Finance-Securities (I) No. 35078 by Securities & Securities and Futures Commission, Ministry of Finance dated April 23, 1998

Note 9: Approved by Official Letter Tai-Finance-Securities (I) No. 81707 by Securities & Securities and Futures Commission, Ministry of Finance dated October 1, 1998

Note 10: Approved by Official Letter Tai-Finance-Securities (I) No. 59109 by Securities & Securities and Futures Commission, Ministry of Finance dated June 29, 1999

Note 11: Approved by Official Letter Tai-Finance-Securities (I) No. 81707 by Securities & Securities and Futures Commission, Ministry of Finance dated October 1, 1998

Note 12: Approved by Official Letter Tai-Finance-Securities (I) No. 47857 by Securities & Securities and Futures Commission, Ministry of Finance dated June 3, 2000

Note 13: Approved by Official Letter Tai-Finance-Securities (I) No. 81707 by Securities & Securities and Futures Commission, Ministry of Finance dated October 1, 1998

Note 14: 1. Approved by Official Letter FSC-Securities (I) No. 0930131683 by Financial Supervisory Commission, Executive Yuan dated July 16, 2004
2. Approved by Official Letter FSC-Securities (I) No. 0930145974 by Financial Supervisory Commission, Executive Yuan dated October 8, 2004

Note 15: Approved by Official Letter MOEA-Authorization-Business No. 10101029410 by Ministry of Economic Affairs dated February 22, 2012

Note 16: Approved by Official Letter FSC-Securities-Issuance No. 1010030730 by Financial Supervisory Commission, Executive Yuan dated July 18, 2012

Note 17: Approved by Official Letter FSC-Securities-Issuance No. Approved by Official Letter FSC-Securities-Issuance (I) No. 1050029056 by Financial Supervisory Commission, Executive Yuan dated August 8, 2016

Note 18: Approved by Official Letter MOEA-Authorization-Business No. 10601017830 by Ministry of Economic Affairs dated February 9, 2017

Note 19: Approved by Official Letter MOEA-Authorization-Business No. 10601023470 by Ministry of Economic Affairs dated February 22, 2017

Note 20: Approved by Official Letter MOEA-Authorization-Business No. 10601137980 by Ministry of Economic Affairs dated September 28, 2017

Note 21: Approved by Official Letter MOEA-Authorization-Business No. 10901047870 by Ministry of Economic Affairs dated April 15, 2020

Note 22: Approved by Official Letter Government-Industry-Business No. 11052818400 by Taipei City Government dated August 30, 2021

April 15, 2023

Type of shares	Authorized capital stock				
	Outstanding shares			Unissued shares	Total
	Listed	Not listed	Total		
Registered Ordinary share	11,508,838	13,290,522	24,799,360	675,199,578	700,000,000
Special share	-	1,062	1,062	0	

Information on the general reporting system: None

(II) Shareholder Composition

April 15, 2023

Shareholder Composition / Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	0	4	153	33,327	20	33,504
No. of shares held	0	2,191	9,209,292	11,381,215	4,207,724	24,800,422
Shareholding percentage	0.00%	0.01%	37.14%	45.89%	16.96%	100.00%

Note: Primary TWSE and TPEx listed companies and Emerging Stock companies should disclose the shareholding ratio of Mainland Chinese investors. "Mainland Chinese investors" means citizens, legal entities, groups, or other institutions of the Mainland China area, or a company in which the same have invested in a third jurisdiction as provided in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.

(III) Status of shareholding distribution

1. Ordinary shares April 15, 2023; Face value of NT$10 per share

Range of no. of shares held	No. of shareholders	Shareholding	Shareholding percentage
1 to 999	30,401	1,609,877	6.49%
1,000 to 5,000	2,831	4,575,756	18.45%
5,001 to 10,000	133	1,049,600	4.23%
10,001 to 15,000	40	514,084	2.07%
15,001 to 20,000	27	492,418	1.99%
20,001 to 30,000	16	414,057	1.67%
30,001 to 40,000	7	258,129	1.04%
40,001 to 50,000	1	44,000	0.18%
50,001 to 100,000	8	519,486	2.10%
100,001 to 200,000	4	480,587	1.94%
200,001 to 400,000	6	1,737,071	7.00%
400,001 to 600,000	1	498,532	2.01%
600,001 to 800,000	1	718,893	2.90%
800,001 to 1,000,000	0	0	0.00%
Over 1,000,001	5	11,886,870	47.93%
Total	33,481	24,799,360	100.00%

2. Preference shares April 15, 2023; Face value of NT$10 per share

Range of no. of shares held	No. of shareholders	Shareholding	Shareholding percentage
1 to 999	23	1,062	100.00%
Total	23	1,062	100.00%

(IV) List of major shareholders: the 10 largest shareholders

April 15, 2023

Shares / Names of major shareholders	Shareholding	Shareholding percentage
Kaos Enterprise Co., Ltd	3,973,315	16.02%
Protegas Futuro Holdings, LLC	3,802,355	15.33%
Outstanding International Co., Ltd.	1,644,480	6.63%
Kang Eel Shiuan Co., Ltd.	1,391,327	5.61%
Ting Ching Investment Limited	1,075,393	4.34%
Bai-Da Investment Co., Ltd.	718,893	2.9%
Su-Fu Kao	498,543 (Note 1)	2.01% (Note 2)
Hsi-Ming Chen	375,000	1.51%
Cheng-Hu Chow	316,441	1.28%
Yu-Jen Kao	286,174	1.15%
Total of 10 shareholders	14,081,921	56.78%

Note 1: The number of share consists of 498,532 ordinary shares and 11 preference shares.
Note 2: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.

(V) Market price per share, net value, earnings, dividends, and relative information during the past 2 fiscal years

unit: New Taiwan Dollars; thousand shares

Year / Item			2021	2022	Year to date as of March 31, 2023
Market price per share	The highest		24.15	165	120.5
	The lowest		2.81	15.8	89.5
	Average		7.41	60.88	104.16
Net value per share	Before appropriation		12.15	13.74	14.70-
	After appropriation		11.14	Note 1	-
Earnings per share	weighted average number of shares		24,799	24,799	24,799
	Earnings per share	Before adjustment	1.14	3.2	0.76
		After adjustment	1.14	Note 1	-
Dividends per share	Cash dividends		Ordinary share: 1 Special share: 2	Ordinary share: 0 Special share: 2	-

	Stock dividends	Dividends from retained earnings	-	2.5	-
		Dividends from capital surplus	-	-	-
	Accumulated undistributed dividends		404,712	2,124	-
Analysis for return on investment	Price earning ratio		6.50	19.03	-
	Price dividends ratio		7.41	-	-
	Cash dividend yield rate		13.50	-	-

Note 1: Distribution of 2022 earnings is to be presented for approval in the Shareholders' Meeting.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy

According to the Articles of Incorporation, 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.

2. Proposal to the Shareholders' Meeting for dividend distribution: The dividends distribution for 2022 has been proposed by the 13th Board of Directors in the 18th meeting and submitted for acknowledgement of the Shareholders' Meeting on June 13, 2023. (1) According to the Articles of Incorporation, the Company should issue a total of NT$2,124 as dividends of Type A registered preference shares for the year of 2022. (2) 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 NT$7,959,803 shall be set aside, and 2022 dividends on preference shares of NT$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.

3. When the dividend policy is expected to have significant changes, explanation shall be provided: There are no significant changes to the dividend policy of the Company.

(VII) Impact to Business Performance and EPS of Stock Dividend Distribution:

According to the regulation of interpretation tai-cai-jheng-yi-zih No.00371, the Company did not disclose the financial forecast, therefore, this regulation shall not apply.

(VIII) Compensation of Employees, Directors and Supervisors:

1. The percentage or range for compensation to employees, directors, supervisors stated in the Articles of Incorporation:

   If there is a profit for the year, compensation to employees and directors shall be distributed according to the following procedures:

   (1) Not less than 5% shall be taken for employee compensation, the rules shall be established by the Board of Directors.

   (2) Not more than 4% shall be taken for director compensation.

   However, the profit should be reserved first for offsetting of accumulated losses if any.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure: The amount of 2022 employee and director compensation was estimated based on net income before tax and employee and director compensation multiplied by the distribution percentage stipulated by the Articles of Incorporation and recognized as operating expense. If the actual amounts subsequently paid differ from the estimated amounts, the differences will be recorded as profit or loss in the upcoming year as a change in accounting estimate.

3. Approval of the Board of Directors Meeting for distribution of compensation:

   The compensation distribution for 2022 has been proposed by the 13th Board of Directors in the 18th meeting. The employee compensation was NT$7,154,879, and the director compensation was NT$2,683,080, both of which are to be distributed in cash.

4. Information of distribution of compensation of employees, directors and supervisors (with an indication of the number of shares and monetary amount and stock price of the shares distributed) for the previous year and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: None.

(IX) Share Repurchases by the Company: None.

II. Issuance of corporate bonds: none

III. Issuance of preference shares

Item	Issuance date	December 15, 1990
Face value		NT$10 per share
Issuance price		NT$20 per share
No. of shares		9,745,000 shares
Total value		NT$97,450,000
Rights and obligations	Dividends	- 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 after the date of approval by the annual shareholders' meeting. Dividends for the previous year are calculated according to the number of days in issue. However, dividends are calculated up to the end of the previous year in case of conversion to ordinary shares. - 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.
	Distribution of remaining assets	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.
	Exercise of voting rights	No voting rights
	Others	Type A registered preference shares have no rights or obligations other than those described in this Article of Incorporation.
No. of preference shares outstanding	Amount redeemed or converted	NT$96,993,000 converted into ordinary shares
	Outstanding amount not redeemed or converted	NT$10,620 (Note 1)
	Redemption or conversion clause	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.
Market price per share (Note 2)		-
Other rights attached	Amount converted or subscribed to shares as of the publication date of this annual report	NT$96,993,000
	Regulations governing issuance, conversion or subscription	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.
Impact of issuance terms and conditions on preference		None

shareholders' equity, potential dilution and impact on existing shareholders' equity	

Note 1: Capital reduction by NT$228,480 in 2004, by NT$58,680 in 2012, by NT$85,940 in 2016, by NT$73,280 in 2021

Note 2: Trading of preference shares on the gray market

Preference shares with warrants: none

IV. Issuance of GDRs (global depository receipts): none

V. Subscription of employee share warrants: none

VI. Issuance of restricted employee shares: none

VII. Issuance of new shares in connection with M&As or receipt of shares of other companies: none

VIII. Implementation of capital utilization plans: none

Five. Operations

I. Business

(I) Scope of business

1. Main areas of business operations

(1) Electronics components design and relative electronic products (LAN system) design and manufacturing

(2) Electronic products (telephone, answering machine, modem, electronic telephone switching machine, fax machine) design (for office administrative business only and no retail store on site)

(3) Computer, components, and peripheral equipment (multi-function interface card) design and manufacturing

(4) Computer equipment (power supply unit, keyboard, printer, floppy and hard disk driver) and computer software equipment design (excluding business of video games and on-site operation)

(5) Computer motherboard, workstation, and its system design and manufacturing

(6) Integrated circuit for specific use design and manufacturing

(7) Home video game console design and manufacturing

(8) International trade

(9) Warehousing

(10) Controlled telecommunications radio-frequency devices and materials manufacturing

(11) Regulated telecommunications radio-frequency equipment imports

(12) All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution

The revenue distribution of the Company's main products for 2022 are as follows:

Item	Revenue distribution
Portable computers (including finished board)	88 %
Others	12 %
Total	100 %

3. The Company's current main products

The Company is a manufacturer of Mil-Spec and industrial portable computers. The main business is the R&D, manufacturing and maintenance of Mil-Spec and industrial computers/tablet computers and relative products, including (1) Mil-Spec/industrial computers/tablet computers (2) Mil-Spec/industrial motherboard (3) components and peripheral products (4) after-sales service of the abovementioned products.

4. New products planned for development

Our product strategy is aimed at vertical integration of market demands, establish special functions of products to meet customers' needs. Different industries, such as military, industry, medical, and transportation, all have to follow the special regulation on the reliable environment and communication function of the system. Our objective is to create profitable niche products and establish complete product lines.

(II) Industry Overview

1. Structure and current status of industry:

The Company's main business is the design and manufacturing of portable devices for special industries like military and industry, and takes private labelling as our main business model. For the value chain, the Company is a vendor of system assembly and brand. Our upstream is the supplier of general and Mil-Spec/industrial components for computer products. Our downstream is the distributor and the systems integrator.

For current status of the industry, the terminal demand in the main sales areas of the Company's products turned out to be stable, the brand and channels became mature gradually. With the increase in the number of sales countries and the expansion of application field, the sales of products are expected to grow year after year.

2. The Company's main products:

The Company's main products are industrial computers, which are customized and high-mix low-volume products. The key point of design focuses on the functions to meet customers' special needs.

Due to the characteristics of high R&D expenses and difficulties for mass production, the barriers to entry are pretty high. Also, the sales markets are too dispersed for common IPC vendors to significantly influence the Company's market power.

(III) An overview of the company's technologies and its research and development work

In order to meet the special needs of vertical market and enhance product competitiveness, the Company continues dedicating to R&D of Mil-Spec/industrial rugged note computers and technologies in fields of special application, such as rugged computer case, cooling technology, and wireless communication. In addition, we actively cultivate internal talents, attracts excellent engineers with professions to join our R&D team, master domestic and international trends of products and technology development, develop niche products efficiently, and stay ahead of the curve for product launch to meet needs of the future market.

In order to enhance the R&D ability, we explore application for new materials and development of new technology. The Company's R&D expenditure for the year of 2022 and the first quarter of this year totaled NT$112,681 thousand.

(IV) The company's long- and short-term business development plans.

The Company's core of business development is the private brand Durabook and self-developed products. In short-term, we still take the long-cultivated application fields of military defense, public safety, and energy as our mainly targeted market, and strive for market share maximization with the expansion of channel partners and the improvement of brand awareness. In long-term, the Company will continue launching more diverse applicants and resolutions with our brand. Through the collaboration with the existing strategic partners and systems integrators in specific fields, we will expand the coverage of the vertical market to become a more comprehensive system supplier.

II. Markets, production and sales

(I) Market analysis

1. Sales region of the Company's main products

   The Company's sales of products are mainly in Europe, America, and China. Local bases for sales and maintenance are established to provide service to our widely spread customers.

2. Market share, demand and supply conditions for the market in the future, and the market's growth potential

   The quantity of sales of portable computers (including finished boards) for 2022 was 34,790 pieces. The Company gains a foothold in product R&D, design, manufacturing, and sales, and is one of the rare Mil-Spec/industrial portable computer manufacturer in the country. Our developed Mil-Spec/industrial portable computer products has been adopted by major system integrators in the market gradually.

   During the second half of 2022, the Russo-Ukrainian War showed no sign of stopping, and the inflation soared. In order to moderate the inflation, various countries raised the interest rate in succession, which resulted in higher cost of capital and sluggish economy. Business users became conservative and imposed strict control over capital expenditure, which led to weak demand in private sector. Fortunately, because of the timely budget unfreeze in public sector and the restart of postponed programs, there was no significant impact on the Company's overall shipments. Looking forward to the future, as the unfavorable environmental factors weaken, the inflation moderates, and interest rate tends to be stable, the market is expected to return to steady growth.

3. The company's competitive niche, SWOT analysis for future development, and the company's responsive strategies

(1) Strength

A. Strong product design ability: With comprehensive design ability for software, hardware, and mechanism, the Company is able to develop and produce independently the Mil-Spec/industrial products with special functions to meet the needs for high-mix low-volume, and moves towards the goal of "boutique."

B. Strong productivity: Kaohsiung plant has focused on the Mil-Spec/industrial products for many years. The manufacturing flexibility has achieved the requirement for high-mix low-volume production.

(2) Weakness

A. Long lead time of the components supplier and increasing minimum order quantity
Responsive strategies:
Establish buffer stock and make the most of the stocking cycle system to avoid the condition that the demand exceeds the supply.

B. High-mix low-volume characteristic of the Mil-Spec/industrial computers and the relatively high R&D resources investment.
Responsive strategies:
Establish modular design of components with different types of products using the same modularized components. Serve customer according to their needs for high-mix low-volume products to reduce the resources needed for R&D, inventories, and costs; and further, obtain higher profit from it.

(3) Opportunity

A. Application of Mil-Spec/industrial portable computers are growing in popularity not only for military use, but also expand and cultivate fields of industry, agriculture, gambling industry, automation, and safety control.

B. The Company is one of the rare vendors that are able to produce Mil-Spec/industrial note/tablet computers in the country. With thigh entry barriers and the high gross profit, it is a niche market for Mil-Spec/industrial note computers.

(4) Threat

A. The slow-down in market scale growth, price war among vendors, and sales erosion in Mil-Spec/industrial market due to large business-spec vendors leads to increasing pressure from price competition and significant shrinkage of space for profit.
Responsive strategies:
(a) Cultivate R&D ability, strengthen sensitivity to marketing. Develop products with different levels, functions, and styles according to customer's needs. With an objective to develop high value-added products in vertical market, maintain expected profit.
(b) Explore chances to cooperate with world-renowned corporations. With their influence, lower the cost of purchasing.

B. Reliance on import for key components. Markets are mainly in U.S. and Europe. Risk arising from changes in exchange rates influences the Company's profit as well.
Responsive strategies:
(a) Enhance value added to product design to lower the ratio of components purchasing costs to sales price.
(b) Strengthen financial staff's concept of foreign exchange hedge. Judge the trends of exchange at all times to timely evaluate the use of hedge tools for foreign exchange.

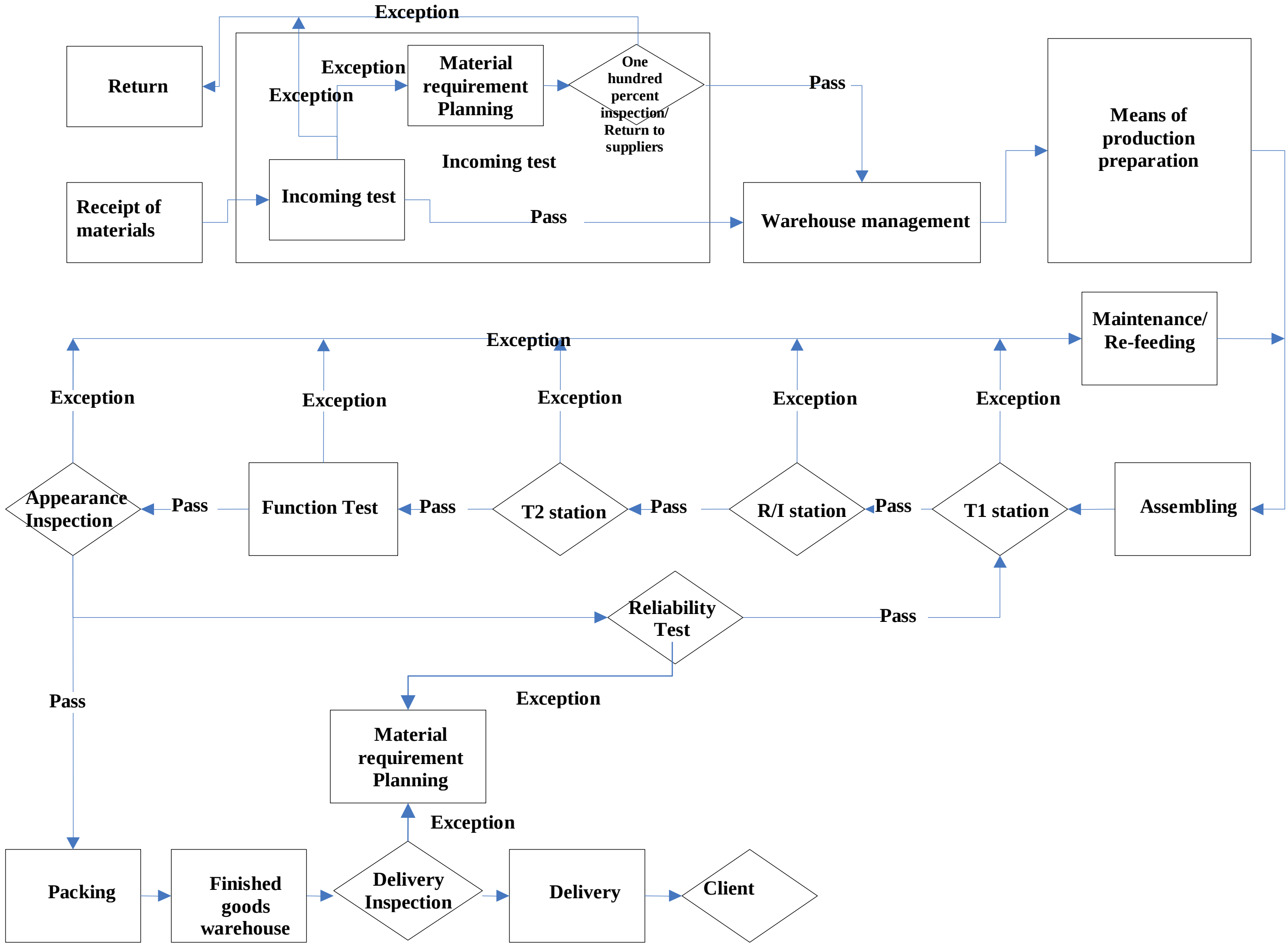
(II) Application and Manufacturing Process of Main Products

1. Main application of products

Depending on the models, rugged laptops and rugged tablets apply to in different fields, including personal, family, office, and outdoor workers, such as military, police, firefighting, warehouse, and logistic. The applications include national defense, public safety, public utilities, field services, telecommunication, transportation, petroleum and natural gas, and numerous special applications.

2. Manufacturing Process

Flow Chart for systematic assembling technique



(III) Supply of the main materials

Item	Solid-state disk driver	Battery	CPU	LCD
Supplier	Synnex Technology International Corporation Solid State Storage Technology Corporation	J.S. Power Co., Ltd. Japone Technology Inc.	Synnex Technology International Corporation World Peace Industrial Co., Ltd.	Emerging Display Technologies Corp. Taiwan Sanshin Electronics Co., Ltd.

(IV) Name and Procurement (Sales) Amount and Percentage of Suppliers Accounting for at Least 10% of Annual Consolidated Net Procurement in Either of the Preceding 2 Fiscal Years

Information on Major Suppliers for the Most Recent 2 Years

Unit: thousand New Taiwan Dollars

	2021				2022				As of the end of the preceding quarter of 2023			
Item	Name	Amount	As percentage of total net procurement for the year (%)	Relation with the issuer	Name	Amount	As percentage of total net procurement for the year (%)	Relation with the issuer	Name	Amount	As percentage of total net procurement as of the end of the preceding quarter (%)	Relation with the issuer
1	Others	561,637	100	-	Others	623,322	100	-	Synnex Technology International Corporation	26,262	13	-
2	-	-	-	-	-	-	-	-	Others	176,432	87	-
	Net purchase	561,637	100		Net purchase	623,322	100		Net purchase	202,694	100	

Note: There were no suppliers accounting for at least 10% of annual procurement in the most recent two years

Information on Major Suppliers for the Most Recent Two Years

Unit: thousand New Taiwan Dollars

	2021				2021				As of the end of the preceding quarter of 2023			
Item	Name	Amount	As percentage of total net sales for the year (%)	Relation with the issuer	Name	Amount	As percentage of total net sales for the year (%)	Relation with the issuer	Name	Amount	As percentage of total net sales as of the end of the preceding quarter (%)	Relation with the issuer
1	Company D	130,997	15	-	Company D	106,163	11	-	Company D	45,320	18	-
2	Others	736,896	85	-	Company P	95,129	10	-	Others	212,342	82	-
3		-	-	-	Others	732,845	79	-	-	-	-	-
	Net sales	867,893	100		Net sales	934,137	100		Net sales	257,662	100	

Note: Setting forth the names of any clients that have supplied (sold) 10% or more of the company's procurements (sales) in either of the preceding 2 fiscal years, and the monetary amount and the proportion of such procurements (sales) as a percentage of total procurements (sales); however, if the company is prohibited by contract from revealing the name of a trading counterpart, or the trading counterpart is an individual person who is not a related party, a code may be used in place of such trading counterpart's actual name.

(V) Production in the Most Recent 2 Years

Unit: pieces/thousand New Taiwan Dollars

Year / Production / Main products (or by department)	2021			2022		
	Capacity	Yield	Output value	Capacity	Yield	Output value
Note computer	30,000	17,002	474,848	30,000	17,044	506,027
Finished boards and electronic components	Note	39,459	101,510	Note	50,364	113,437
Total	30,000	56,461	576,358	30,000	67,408	619,464

Note: The Company outsourced the production of finished board to OEMs.

(VI) Sales quantity and monetary amount in the Most Recent Two Years

Unit: pieces/thousand New Taiwan Dollars

Year / Sales quantity and amount / Main products (or by department)	2021				2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Note computers and finished boards	517	3,856	37,197	772,231	73	3,500	34,717	819,296
Others	-	16,581	-	75,225	-	9,241	-	102,099
Total	517	20,437	37,197	847,456	73	12,741	34,717	921,396

III. No. of employees, average tenure, average age and distribution of education backgrounds of employees in the parent company and subsidiaries during the most recent two years and as of the publication date of this annual report

May 3, 2023

Year		2021	2022	Year to date May 3, 2023(Note)
No. of employees	Direct employees	22	23	24
	Indirect employees	156	161	163
	Total	178	184	187
Average age		44.77	45.10	45.38
Average tenure		10.75	11.00	10.99
Distribution of education background	PhD	0.0%	0.0%	0.0%
	Master's degree	19.7%	19.0%	19.3%
	College	58.4%	58.7%	57.8%
	Senior high school	20.2%	20.7%	21.9%
	Below senior high school	1.7%	1.60000 %	1.0%

Note: Please provide data during the current year as of the publication date of this annual report (Excluding temp workers)

IV. Spending on environmental protection

(I) Losses and penalties due to environmental pollution during the most recent year and as of the publication date of this annual report: none

(II) Countermeasures and possible expenditures going forward: compliance with the most updated laws and no expenditures foreseeable

(III) Response to the implementation of the RoHS (Restriction of Hazardous Substances Directive) in the European Union: The Company has always observed the laws relevant to the industry and has put in place environmental protection measures and lead-free manufacturing processes. We are confident with the quality of our products for all markets in the world. Hence, the effectiveness of the Directives should not have material adverse influence on the Company.

V. Labor relations

(I) The Company's employee benefit schemes, training & education, retirement system and implementation, labor agreements and measures to protect employees' rights

1. Benefit schemes and implementations

(1) Employees' remuneration

(2) Gift vouchers for three major holidays
(3) Year-end bonus
(4) Bonuses and incentives: incentives for product sales; bonuses for product development projects; incentives for employees' performance; incentives for employees' proposals of patents, creation and invention; incentives for innovation proposals
(5) Education and training
(6) Discounts for employees to purchase computers manufactured by the Company
(7) Subsidies offered by Employee Welfare Committee: birthday, wedding, childbirth, death, severe disease/injury, disaster and major events
(8) Annual leaves and birthday leave
(9) Employee travels, get-togethers and eating outs and quarterly activities
(10) Annual health examinations

2. Training and education programs

To develop the right work attitude and methods and to inspire employees to realize potential, the Company has put in place the procedures for training and education. New hires are given orientation training when onboarding. Professional training is provided based on department needs, employees' skillsets and job functions. Personnel unit also arrange management and language training for supervisors according to corporate operation guidelines and annual budgets. Information on external training programs is provided from time to time for the development of high-caliber professionals. This boosts operational performance and fully utilizes human resources.

3. Retirement system and implementation

The Company's retirement scheme adheres to the Enforcement Rules of the Labor Pension Act. The old tenure system was all completed before or on August 31, 2007. The new system is applicable to all current employees.

The new retirement system is as follows:

(1) New retirementrequirements: Any employee at the full age of 60 can apply for retirement.
(2) The new pension system is based on the employee's total monthly wage. A monthly contribution of 6% to the employee's person pension account according to the tiered wage criteria issued by the central competent authority.

4. Labor agreements and measures to protect employees' rights

To promote the harmony between the employer and the employees and to boost work effectiveness, the Company meets and discuss with employees from time to time. Quarterly labor relation meetings are convened so that employees can express opinions and provide suggestions. This maintains a smooth communication with employees and fosters mutual trust and cooperation.

The Company has also established Employee Welfare Committee as required by regulations. Employees elect committee representatives in an open way. Regular health checks are arranged. Both the employer and employees' representatives express views on benefits offered and such full communication protects employees' rights.

(II) Losses due to labor disputes during the most recent year and as of the publication date of this annual report, estimated current and potential amounts and countermeasures: none

VI. Information and communication security management

(I) Information and communication security management structure, information and communication security policy, management measures and resources invested on information and communication security management

1. Information and communication security management structure

The Company inspects information and communication security each year, reviews digitalization and info processing and reports to the Board of Directors after year end. The highlights are the review of overall information architecture; backup integrity and availability; comprehensiveness of information security measures; robustness of the internal security protection mechanism; and implementation of improvement measures.

2. Information and communication security policy

(1) Compliance with ISO9001 information requirements and standards

Relevant information requirements and standards are based on the ISO9001 information service management procedures.

(2) Information and communication security management policy

Formulation of Twinhead standards on information use, covering employees' work machines, emails and Internet browsing management. The purpose is to effectively maintain the Company's internal information environment.

3. Management measures

(1) External information audit system

External audit service providers are commissioned each year or ad-hoc to inspect the information system and internal / external network architectures and review important plans and projects of the year. The purpose is to ensure the reasonableness of information security related activities.

(2) Internal information audit system

Internal audits are conducted each year on information security, to inspect user accounts and passwords, the functioning of anti-virus software, the security of external websites and webpage browsing and relevant control measures.

(3) Physical firewall management

Physical firewall management is adopted, in conjunction with active directory servers. User authorization of Internet browsing is set up to avoid internal data from theft or virus infection. During the pandemic, VPN features of the firewalls were put into use, so that users can access the Company's internal resources anytime and anywhere.

(4) Mail security control measures

The first layer of the email filtering system is the filtering of emails by type, to avoid the attacks from files containing viruses or links. The second layer is to filter out junk mails. The emails classified as junk are scanned and isolated.

(5) Anti-virus management mechanism

Endpoint anti-virus software is installed on work machines. Any unusual files accessed are immediately isolated or deleted. Virus codes on servers are also updated from time to time.

(6) Management of systems, files and documents authorization

Important files are stored on NAS (Network Attached Storage) file servers and backed up periodically. Users must have required authorization to access relevant systems or browse files.

4. Resource investment in information and communication security management

(1) Budgeting

Implementation results are reviewed at the year end in order to scope improvement measures and budgets for the following year.

(2) Systems and functions outsourcing to enhance maintenance capabilities

Phone exchanges and GMP green supply chain management system are jointly maintained with vendors.

(3) Human resources of IT department

Responsible for requirements integration and analysis; ERP system planning, management and maintenance; telecom networks and cybersecurity equipment management and maintenance; signoff procedure management and maintenance; management and maintenance of production lines and customization and telecom/networking hardware

(II) Any loss and potential effects due to major information and communication security events and countermeasures during the most recent year and as of the publication date of this annual report

If reasonable estimates cannot be reached, please explain the facts that render reasonable estimates impossible: none

VII. Important contracts

Nature of the contract	Contract party	Contract start date	Main contents	Restrictive clause
Sales contract	Company M	September 22, 2022 to September 21, 2025	Purchase of the Company's products Model types, product specifications, shipment dates, orders, volumes, warranty periods and capacities	Documents and data Confidentiality

Note: Coded as the contract prohibits the disclosure of the client's name

Six. Financials

I. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

(I) Condensed Balance Sheet and Statement of Comprehensive Income

Condensed Balance Sheet and Statement of Comprehensive Income (consolidated under TIFRSs)

Unit: Thousand New Taiwan Dollars

Item \ Year		Financial information during the most recent five years					Year to date as of March 31, 2023
		2018	2019	2020	2021	2022	Financial Information (Note 1)
Current assets		507,724	461,706	538,129	534,324	585,907	655,141
Property, plant and equipment		298,540	294,685	285,778	278,146	272,693	268,696
Intangible assets		-	-	-	-	-	-
Other assets		323,118	387,273	344,744	314,429	297,727	292,251
Total assets		1,129,382	1,143,664	1,168,651	1,126,899	1,156,327	1,216,088
Current liabilities	Before appropriation	784,758	824,403	864,481	810,270	812,537	854,118
	After appropriation	Note 2	Note 2	Note 2	835,474	874,537	Note 3
Non-current liabilities		14,044	66,243	47,742	31,108	18,048	18,571
Total liabilities	Before appropriation	798,802	890,646	912,223	841,288	830,585	872,689
	After appropriation	Note 2	Note 2	Note 2	866,492	892,585	Note 3
Equity attributable to parent company		328,888	274,761	270,217	301,396	345,403	364,433
Share capital		1,989,398	1,989,398	1,959,324	248,004	248,004	248,004
Paid-in-capital		-	-	-	-	35	35
Retained earnings	Before appropriation	(1,476,960)	(1,535,036)	(1,711,320)	28,182	82,576	101,377
	After appropriation	Note 2	Note 2	Note 2	2,978	20,576	Note 3
Other equity		18,509	22,458	22,213	25,210	14,788	15,017
Treasury stocks		(202,059)	(202,059)	-	-	-	-
Non-controlling interest		1,692	(21,743)	(13,789)	(15,785)	(19,661)	(21,034)
Total equity	Before appropriation	330,580	253,018	256,428	285,611	325,742	343,399
	After appropriation	Note 2	Note 2	Note 2	260,407	263,742	Note 3

Note 1: The financial information for the 1st quarter of 2023 has not been reviewed by the independent auditors.
Note 2: No earnings distribution
Note 3: To be resolved by the board of directors.

Condensed Statement of Comprehensive Income (consolidated under TIFRSs)

Unit: Thousand New Taiwan Dollars

Item \ Year	2018	2019	2020	2021	2022	Financial Information for the year to date as of March 31, 2023 (Note 1)
Operating revenue	919,537	829,029	863,359	867,893	934,137	257,662
Gross profit	234,154	226,678	257,172	259,744	298,856	88,126
Operating profit or loss	(45,413)	(80,877)	2,229	9,278	21,345	14,669
Non-operating revenue and expense	(39,550)	(1,307)	13,540	16,740	57,141	2,596
Net income before tax	(84,963)	(82,184)	15,769	26,018	78,486	17,265
Current net income from continuing operations	(84,926)	(82,200)	15,432	25,772	77,509	17,265
Loss from discontinuing operations	-	-	-	-	-	-
Current net income (loss)	(84,926)	(82,200)	15,432	25,772	77,509	17,265
Current other comprehensive income (net of tax)	(2,061)	4,638	(3,875)	3,411	(12,209)	392
Current total comprehensive income	(86,987)	(77,562)	11,557	29,183	65,300	17,657
Net income attributable to parent company	(69,344)	(58,076)	21,387	28,182	79,598	18,801
Net income attributable to non-controlling interest	(15,582)	(24,124)	(5,955)	(2,410)	(2,089)	(1,536)
Comprehensive income attributable to parent company	(72,040)	(54,127)	18,602	31,179	69,176	19,030
Comprehensive income attributable to non-controlling interest	(14,947)	(23,435)	(7,045)	(1,996)	(3,876)	(1,373)
Earnings per share	(0.35)	(0.30)	0.11	1.14	3.21	0.76

Note 1: The financial information for the 1st quarter of 2023 has not been reviewed by the independent auditors.

Condensed Balance Sheet (consolidated under TIFRSs)

Unit: Thousand New Taiwan Dollars

Item \ Year		Financial information during the most recent five years				
		2018	2019	2020	2021	2022
Current assets		474,012	471,352	522,245	515,439	586,244
Property, plant and equipment		295,049	291,649	282,946	276,227	271,122
Intangible assets		-	-	-	-	-
Other assets		327,109	376,003	343,129	318,875	298,889
Total assets		1,096,170	1,139,004	1,148,320	1,110,541	1,156,255
Current liabilities	Before appropriation	760,301	804,462	840,215	784,970	795,024
	After appropriation	Note 1	Note 1	Note 1	810,174	857,024
Non-current liabilities		6,981	59,781	37,888	24,175	15,828
Total liabilities	Before appropriation	767,282	864,243	878,103	809,145	810,852
	After appropriation	Note 1	Note 1	Note 1	834,349	872,852
Equity attributable to parent company		328,888	274,761	270,217	301,396	345,403
Share capital		1,989,398	1,989,398	1,959,324	248,004	248,004
Paid-in-capital		-	-	-	-	35
Retained earnings	Before appropriation	(1,476,960)	(1,535,036)	(1,711,320)	28,182	82,576
	After appropriation	Note 1	Note 1	Note 1	2,978	20,576
Other equity		18,509	22,458	22,213	25,210	14,788
Treasury stocks		(202,059)	(202,059)	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before appropriation	328,888	274,761	270,217	301,396	345,403
	After appropriation	Note 1	Note 1	Note 1	276,192	283,403

Note 1: No earnings distribution.

Condensed Statement of Comprehensive Income (individual under TIFRSs)

Unit: Thousand New Taiwan Dollars

Item \ Year	2018	2019	2020	2021	2022
Operating revenue	842,375	766,292	819,143	825,287	892,509
Gross profit	182,034	194,934	231,160	230,208	267,064
Operating profit or loss	(11,940)	(26,874)	35,067	29,172	38,650
Non-operating revenue and expense	(57,404)	(31,202)	(13,680)	(990)	40,948
Net income before tax	(69,344)	(58,076)	21,387	28,182	79,598
Current net income from continuing operations	(69,344)	(58,076)	21,387	28,182	79,598
Loss from discontinuing operations	-	-	-	-	-
Current net income (loss)	(69,344)	(58,076)	21,387	28,182	79,598
Current other comprehensive income (net of tax)	(2,696)	3,949	(2,785)	2,997	(10,422)
Current total comprehensive income	(72,040)	(54,127)	18,602	31,179	69,176
Net income attributable to parent company	(69,344)	(58,076)	21,387	28,182	79,598
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to parent company	(72,040)	(54,127)	18,602	31,179	69,176
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	(0.35)	(0.30)	0.86	1.14	3.21

(II) Names of external accountants and audit opinions during the past five years

Year	Name of the accounting firm	Names of Certified Public Accountants	Audit opinions	Remarks
2018	KPMG Taiwan	Jason Yin Victor Wang	Unqualified opinion	
2019	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	Change of CPAs due to internal rotation of the accounting firm
2020	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	
2021	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	
2022	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	

II. Financial analysis on the most recent five financial years

Financial Analysis (consolidated under TIFRS)

Analysis items \ Year		Financial Information for the most recent five financial years 2018	2019	2020	2021	2022	Year to date as of March 31, 2023 (Note 1)
Financial structure (%)	Debts to assets ratio	70.73	77.88	78.06	74.66	71.83	71.76
	Long-term capital to property, plant and equipment ratio	115.44	108.34	106.44	113.84	126.07	134.71
Solvency ratio (%)	Current ratio	64.70	56.00	62.25	65.94	72.11	76.70
	Quick ratio	33.90	28.93	36.55	38.09	39.51	39.28
	Times interest earned	(7.05)	(5.34)	2.35	3.40	7.86	6.64
Operating Performance	Receivable turnover (times)	9.49	8.35	11.56	12.92	11.56	12.63
	Days of sales outstanding	38.46	43.71	31.57	28.25	31.57	28.89
	Inventory turnover (times)	3.15	2.78	2.93	2.90	2.72	2.42
	Payable turnover (times)	6.45	5.05	4.66	5.91	6.84	4.85
	Days sales of inventory	115.87	131.29	124.57	125.86	134.19	150.82
	Property, plant and equipment Turnover (times)	2.53	2.79	2.97	3.08	3.39	3.81
	Total asset turnover (times)	0.81	0.73	0.75	0.76	0.82	0.87
Profitability	Return on asset (%)	(6.70)	(6.32)	2.14	3.00	7.59	6.65
	Return on equity (%)	(22.99)	(28.17)	6.06	9.51	25.36	20.64
	Pre-tax income to paid-in capital (%)	(4.27)	(4.13)	0.80	10.49	31.65	27.85
	Net profit margin	(9.24)	(9.92)	1.79	2.97	8.30	6.70
	Earnings per share (dollars) (Note 4)	(0.35)	(0.30)	0.11	1.14	3.21	0.76
Cash flows	Cash flow ratio (%)	Note 2	4.07	10.60	0.10	12.86	4.59
	Cash flow adequacy ratio (%)	Note 3	72.38	227.07	204.11	169.93	165.13
	Cash reinvestment ratio (%)	Note 2	3.87	10.63	0.09	8.63	4.19
Leverage ratio	Degree of operating leverage	Note 3	Note 3	132.22	31.90	15.88	6.78
	Degree of financial leverage	Note 3	Note 3	Note 2	Note 2	2.16	1.26

Note 1: The financial information for the 1st quarter of 2023 has not been reviewed by the independent auditors.
Note 2: Because the ratio was negative, there were no disclosures provided.
Note 3: Because there was a operating loss, there were no disclosures provided.
Note 4: There was a retrospective adjustment in earnings per share for 2020 due to the capital reduction in August, 2021 to offset the accumulated losses.

Analysis of financial ratios with deviation over 20% for the most recent 2 years:

1. Times interest earned: The increase was mainly due to profit of this year.
2. Return on asset (%): The increase was mainly due to increase in profit of this year.
3. Return on equity (%): The increase was mainly due to increase in profit of this year.
4. Pre-tax income to paid-in capital (%): The increase was mainly due to increase in profit of this year.
5. Net profit margin (%): The increase was mainly due to increase in profit of this year.
6. Earnings per share (dollars): The increase was mainly due to increase in profit of this year.
7. Cash flow ratio (%): The increase was mainly due to increase in operating cash inflows of this year.
8. Cash reinvestment ratio (%): The increase was mainly due to increase in operating cash inflows of this year.
9. Degree of operating leverage: The increase was mainly due to increase in operating profit of this year.

Financial Analysis (parent company only under TIFRS)

Analysis items \ Year		Financial Information for the most recent five financial years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debts to assets ratio	70.00	75.88	76.47	72.86	70.13
	Long-term capital to property, plant and equipment ratio	113.83	114.71	108.89	117.86	133.24
Solvency ratio (%)	Current ratio	62.35	58.59	62.16	65.66	73.74
	Quick ratio	34.46	32.89	37.70	38.96	42.80
	Times interest earned	(5.57)	(3.79)	2.89	3.65	8.07
Operating Performance	Receivable turnover (times)	3.63	3.31	4.07	4.42	4.19
	Days of sales outstanding	100.55	110.27	89.68	82.57	87.11
	Inventory turnover (times)	3.46	2.91	3.04	3.03	2.86
	Payable turnover (times)	7.07	4.96	4.69	5.98	6.89
	Days sales of inventory	105.49	125.42	120.06	120.46	127.62
	Property, plant and equipment Turnover (times)	2.84	2.61	2.85	2.95	3.26
	Total asset turnover (times)	0.77	0.69	0.72	0.73	0.79
Profitability	Return on asset (%)	(5.55)	(4.33)	2.66	3.25	7.82
	Return on equity (%)	(18.81)	(19.24)	7.85	9.86	24.61
	Pre-tax income to paid-in capital (%)	(3.49)	(2.92)	1.09	11.36	32.10
	Net profit margin	(8.23)	(7.58)	2.61	3.41	8.92
	Earnings per share (dollars) (Note 3)	(0.35)	(0.30)	0.86	1.14	3.21
Cash flows	Cash flow ratio (%)	Note 1	5.45	11.71	Note 1	12.35
	Cash flow adequacy ratio (%)	Note 1	34.97	108.26	103.80	172.94
	Cash reinvestment ratio (%)	Note 1	5.49	12.68	Note 1	8.64
Leverage ratio	Degree of operating leverage	Note 2	Note 2	7.87	9.06	7.88
	Degree of financial leverage	Note 2	Note 2	1.48	1.57	1.41

Note 1: Because the ratio was negative, there were no disclosures provided.
Note 2: Because there was a operating loss, there were no disclosures provided.
Note 3: There was a retrospective adjustment in earnings per share for 2020 due to the capital reduction in August, 2021 to offset the accumulated losses.

Analysis of financial ratios with deviation over 20% for the most recent 2 years:

1. Times interest earned: The increase was mainly due to profit of this year.

2. Return on asset (%): The increase was mainly due to increase in profit of this year.

3. Return on equity (%): The increase was mainly due to increase in profit of this year.

4. Pre-tax income to paid-in capital (%): The increase was mainly due to increase in profit of this year.

5. Net profit margin (%): The increase was mainly due to increase in profit of this year.

6. Earnings per share (dollars): The increase was mainly due to increase in profit of this year.

7. Cash flow ratio (%): The increase was mainly due to increase in operating cash inflows of this year.

8. Degree of operating leverage: The increase was mainly due to increase in operating profit of this year.

Financial ratios are calculated as follows:

1. Financial structure
   (1) Liabilities to assets ratio＝total liabilities ／total assets
   (2) Long-term capital as a percentage of property, plant and equipment = (total equity＋non-current liabilities)／ net property, plant and equipment
2. Solvency
   (1) Current ratio = current assets／current liabilities
   (2) Quick ratio＝(current assets－inventory－prepayments)／current liabilities
   (3) Interest coverage ratio ＝ earnings before interest and tax／interest expenses
3. Operation
   (1) Receivable (including accounts receivable and notes receivable for operating activities) turnover＝ net sales／average receivable balance (including accounts receivable and notes receivable for operating activities)
   (2) Average collection days＝365／receivable turnover
   (3) Inventory turnover＝cost of goods sold／average inventory
   (4) Payable (including accounts payable and notes payable for operating activities) turnover ＝ cost of goods sold／average balance of payables (including accounts payable and notes payable for operating activities
   (5) Days sales of inventory＝365／inventory turnover
   (6) Property, plant and equipment turnover＝net sales ／average balance of property, plant and equipment
   (7) Asset turnover＝net sales／average assets balance
4. Profitability
   (1) Return on assets＝〔net income＋interest expense ×（１－tax rate）〕／ average assets balance
   (2) Return on equity ＝net income／average equity balance
   (3) Net margin＝net income／net sales
   (4) Earnings per share＝（ profit or loss attributable to owners of the parent －preference dividends)／weighted average number of shares in issue
5. Cash flows
   (1) Cash flow ratio (%)＝net cash flows from operating activities／current liabilities
   (2) Cash flow adequacy ratio (%)＝net cash flows from operating activities／(capital expenditures＋increase in inventory＋cash dividends) of the most recent five years
   (3) Cash reinvestment ratio＝(net cash flows from operating activities－cash dividends)／(gross property, plant and equipment ＋long-term investments＋other non-current assets ＋working capital)
6. Leverage
   (1) Operating leverage＝(net sales－net operating costs and expenses) ／ operating profits
   (2) Financial leverage = operating profits ／ (operating profits－interest expenses)

III.2022 Audit Report by Audit Committee

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.

2023 Shareholders' Meeting

Convener of Audit Committee: Yuan-Chuan Lee

March 20, 2023

安侯建業聯合會計師事務所
KPMG
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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.

(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)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 193,170	17	189,417	17
1151	Notes receivable, net (notes 6(b) and 6(q))	-	-	116	-
1170	Accounts receivable, net (notes 6(b) and 6(q))	82,589	7	59,452	5
1180	Accounts receivable－related parties, net (notes 6(b), 6(q) and 7)	64,491	6	56,860	5
130x	Inventories (note (c))	239,197	21	197,783	18
1410	Prepayments	6,356	-	9,538	1
1470	Other current assets	441	-	2,273	-
	Total current assets	586,244	51	515,439	46
	Non-current assets:				
1520	Financial assets measured at fair value through other comprehensive income-non-current (note 6(d))	679	-	1,803	-
1600	Property, plant and equipment (notes (f), (j) and 8)	271,122	23	276,227	25
1755	Right-of-use assets (note 6(g))	14,748	1	29,259	3
1760	Investment property, net (notes 6(h), (l) and 8)	141,360	12	142,763	13
1840	Deferred income tax assets (note 6(n))	32,874	3	32,874	3
1920	Refundable deposits	5,810	1	5,806	1
1942	Long-term accounts receivable- related parties (notes 6(b), (q) and 7)	80,292	7	82,129	7
1995	Other non-current assets	23,126	2	24,241	2
	Total non-current assets	570,011	49	595,102	54
	Total assets	$ 1,156,255	100	1,110,541	100

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(i) and 8)	$ 579,000	50	620,000	56
2150	Notes payable	221	-	177	-
2170	Accounts payable	108,352	9	72,679	7
2200	Other payables	63,877	6	53,087	5
2220	Other payables-related parties (notes 6(m) and (r))	437	-	814	-
2250	Provisions－current (note 6(j))	7,843	1	6,215	1
2280	Current lease liabilities (note 6(k))	15,069	1	14,782	1
2300	Other current liabilities	20,225	2	17,216	1
	Total current liabilities	795,024	69	784,970	71
	Non-Current liabilities:				
2550	Provisions－non-current (note 6(j))	6,908	1	5,669	1
2580	Non-current lease liabilities (note 6(k))	230	-	15,299	1
2670	Other non-current liabilities (notes 6(e) and 7)	8,690	-	3,207	-
	Total non-current liabilities	15,828	1	24,175	2
	Total liabilities	810,852	70	809,145	73
	Equity (note 6(o)):				
	Share capital:				
3110	Ordinary shares	247,993	21	247,993	22
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
	Total equity	345,403	30	301,396	27
	Total liabilities and equity	$ 1,156,255	100	1,110,541	100

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	**Operating revenues (notes 6(q) and 7)**	$ 892,509	100	825,287	100
5000	**Operating costs (notes 6(c), (f), (j), (k), (m) and 7)**	625,445	70	595,079	72
	Gross profit (loss) from operations	267,064	30	230,208	28
5910	Less: Unrealized gain (loss) on affiliated transactions (note7)	1,126	-	922	-
5900	**Gross profit**	265,938	30	229,286	28
6000	**Operating expenses (notes 6(f), (g), (k), (m) and 7):**				
6100	Selling expenses	40,832	5	34,055	4
6200	Administrative expenses	96,631	11	89,071	11
6300	Research and development expenses	89,825	10	76,988	9
	Total operating expenses	227,288	26	200,114	24
6900	**Net operating income**	38,650	4	29,172	4
7000	**Non-operating income and expenses (notes 6(d), (h), (k), (l) and (s)):**				
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	(16,159)	(2)	7,427	1
	Total non-operating income and expenses	40,948	5	(990)	-
	Income from continuing operations before tax	79,598	9	28,182	4
7950	**Less: Income tax expense (note 6(n))**	-	-	-	-
	Net income	79,598	9	28,182	4
8300	**Other comprehensive income (loss) (note 6(o)):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
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	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(1,124)	-	508	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
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	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(9,298)	(1)	2,489	-
8300	**Other comprehensive income (loss), net**	(10,422)	(1)	2,997	-
	Total comprehensive income (loss)	**$ 69,176**	**8**	**31,179**	**4**
9750	**Basic earnings per share (in New Taiwan dollar) (note 6(p))**	**$**	**3.21**		**1.14**
9850	**Diluted earnings per share (in New Taiwan dollar) (note 6(p))**	**$**	**3.20**		**1.13**

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				Retained earnings			Total other equity interest			
	Ordinary shares	Preference share	Total share capital	Capital surplus	Legal reserve	Retained earnings (accumulated deficits)	Total 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	Total equity
Balance at January 1, 2021	$ 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	-	-	-	-
Balance at December 31, 2021	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
Balance at December 31, 2022	**$ 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
Cash flows from (used in) operating activities:			
Net income before tax	$	79,598	28,182
Adjustments:			
Adjustments to reconcile profit (loss):			
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
Net cash flows from (used in) operating activities		98,157	(14,650)
Cash flows from (used in) investing activities:			
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	-
Net cash flows used in investing activities		(12,970)	(2,871)
Cash flows from (used in) financing activities:			
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)
Net cash flows used in financing activities		(81,434)	(15,230)
Net increase (decrease) in cash and cash equivalents		3,753	(32,751)
Cash and cash equivalents at beginning of period		189,417	222,168
Cash and cash equivalents at end of period	$	**193,170**	**189,417**

See accompanying notes to parent company only financial statements.

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

TWINHEAD INTERNATIONAL CORP.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

TWINHEAD INTERNATIONAL CORP. (the Company) was incorporated on February 27, 1984, as a company limited by shares under the laws of the Republic of China (ROC). The Company is mainly engaged in the design, manufacture, sale and development of computers, computer components, peripherals, software, ASIC chips and workstations, and operation of telecommunication-related business.

(2) Approval date and procedures of the financial statements

The parent company only financial statements were approved by the Board of Directors and issued on March 16, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

(c) The IFRSs issued by International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’ s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

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

(Continued)

(4) Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the parent company only financial statements.

(a) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except otherwise specified in the notes to the accounting policies.

(ii) Functional and presentation currency

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

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are

(Continued)

recognized in other comprehensive income.

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

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

1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is expected to be realized within twelve months after the reporting period; or

4) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1) It is expected to be settled in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is due to be settled within twelve months after the reporting period; or

4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(Continued)

(f) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) equity investment and FVTPL.

The Company shall reclassify all affected financial assets on the first day of the first reporting period only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

(Continued)

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables(including related parties) and guarantee deposit paid).

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

(Continued)

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

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognized as distributions within equity upon approval by the Company's shareholders.

(Continued)

Preferred share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

The Company classifies preferred share capital with the characteristics of a financial liability issued before January 1, 2006, as equity in accordance with Rule No. 10000322083 issued by the FSC.

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

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

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

Interest, gains, or losses related to financial liabilities are recognized in profit or loss and recorded under non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

(Continued)

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

5) Offsetting of financial assets and liabilities

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

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The costs of finished goods and work in progress adopt the standard cost method. The difference between standard and actual costing is fully classified as operating cost and allocated to the ending balance of inventories.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(h) Investment in subsidiaries

When preparing the parent company only financial statements, the investments in subsidiaries which are controlled by the Company are accounted using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the parent company only financial statements are equivalent to those attributable to the shareholders of the parent company in the parent company only financial statements.

Changes in the Company's ownership interest in subsidiaries that do not result in the Company losing control over its subsidiaries are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

(ii) Reclassification to investment property

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent expenditure

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

(iv) Depreciation

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

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	4~62 years
2)	Machinery	2~12 years
3)	Other equipment	4~9 years

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

(j) Leases

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

(i) As a lessee

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

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

(Continued)

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets; or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

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

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

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

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

(Continued)

(ii) As a lessor

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

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(l) Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

(n) Revenue

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

(i) Sale of goods

The Company is mainly engaged in the manufacture, sale and development of computers, computer components, and peripherals, and operation of telecommunication-related business. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

(ii) Short-term employee benefits

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

(p) Income taxes

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

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

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

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

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

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

(Continued)

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

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. An increase in ordinary shares which is from appropriation of retained earnings or capital surplus, or a decrease in ordinary shares which is to offset accumulated deficit, is added to or deducted from the shares outstanding retroactively. The shares outstanding are also adjusted retroactively if the recording date of the appropriation or share-based payment transaction is within the subsequent period. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The potentially diluted ordinary shares of the Company are convertible preference shares.

(r) Segment information

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

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

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

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Inventory measurement

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

(Continued)

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash	$ 140	140
Checking and demand deposits	131,610	189,277
Time deposits	61,420	-
Cash and cash equivalents per statements of cash flows	**$ 193,170**	**189,417**

The Company's exposure to interest rate risk and the sensitivity analysis for the financial instruments held by the Company are disclosed in note 6(t).

(b) Notes receivable, accounts receivable and long-term receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable	$ -	116
Accounts receivable	82,589	59,452
Accounts receivable－related parties	64,491	56,860
Long-term accounts receivable－related parties	80,292	82,129
	$ 227,372	**198,557**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes receivable, accounts receivables (including related parties) and long-term accounts receivable. To measure the expected credit losses, notes receivable, accounts receivables and long-term accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

(i) Normal customers

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 63,795	-	-
1 to 30 days past due	18,793	-	-
181 to 365 days past due	1	-	-
	$ 82,589		**-**

(Continued)

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 38,483	-	-
1 to 30 days past due	21,083	-	-
31 to 60 days past due	2	-	-
	$ 59,568		**-**

(ii) Related parties

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 11,507	-	-
1 to 30 days past due	7,396	-	-
31 to 60 days past due	14,361	-	-
61 to 90 days past due	7,041	-	-
91 to 180 days past due	24,186	-	-
Past due over 365 days	80,292	-	-
	$ 144,783		**-**

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 23,196	-	-
1 to 30 days past due	12,243	-	-
31 to 60 days past due	4,571	-	-
61 to 90 days past due	4,668	-	-
91 to 180 days past due	12,182	-	-
Past due over 365 days	82,129	-	-
	$ 138,989		**-**

The Company did not hold any collateral for the collectible amounts.

(Continued)

(c) Inventories

The components of the Company's inventories were as follows:

	December 31, 2022	December 31, 2021
Finished goods	$ 63,131	52,527
Work in progress	13,351	4,572
Raw materials and supplies	160,262	138,781
Goods in transit	2,453	1,903
Total	**$ 239,197**	**197,783**

As of December 31, 2022 and 2021, the Company's inventories were not provided as pledged assets.

Except for operating costs arising from the ordinary sale of inventories, other losses directly recorded under operating costs were as follows:

	2022	2021
Loss on decline in market value of inventory	**$ 11,331**	**6,800**

(d) Non-current financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Unlisted stocks (domestic)	$ 622	1,744
Unlisted stocks (overseas)	57	59
Total	**$ 679**	**1,803**

(i) Equity investments at fair value through other comprehensive income

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

EUROC Venture Capital Corp. reduced its capital by cash based on the resolutions approved during the its shareholders’ meeting held on June 29, 2021, resulting in the Company to receive the refunds of $5,186 thousand in August 2021. In addition, EUROC Venture Capital Corp. was dissolved on May 10, 2022 by a resolution decided during its shareholders' meeting, with the base date set on May 31, 2022 and as of December 31, 2022, the liquidation process is not yet completed. The dividend income from the company amounted to $480 thousand and $0 for the years ended December 31, 2022 and 2021.

No strategic investments were disposed for the years ended December 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss related to these investments within equity.

(Continued)

(ii) For credit risk and market risk, please refer to note 6(t).

(iii) The Company did not provide the financial assets as collateral.

(e) Credit balance of investments accounted for under the equity method

The details of the credit balance of investments accounted for under the equity method (recognized under other non-current liabilities) at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Subsidiary	$ 5,483	-

(i) Subsidiary

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Collateral

As of December 31, 2022 and 2021, the Company did not pledge any collateral on its investments accounted for under the equity method.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	Land	Buildings	Machinery	Other equipment	Total
Cost or deemed cost:					
Balance at January 1, 2022	$ 118,425	430,730	178,467	104,948	832,570
Additions	-	112	1,060	1,195	2,367
Disposal	-	-	(151)	(74)	(225)
Balance at December 31, 2022	$ 118,425	430,842	179,376	106,069	834,712
Balance at January 1, 2021	$ 118,425	430,538	177,863	104,672	831,498
Additions	-	192	764	670	1,626
Disposal	-	-	(160)	(394)	(554)
Balance at December 31, 2021	$ 118,425	430,730	178,467	104,948	832,570
Depreciation and impairment loss:					
Balance at January 1, 2022	$ 10,593	269,594	175,064	101,092	556,343
Depreciation	-	4,634	796	2,042	7,472
Disposal	-	-	(151)	(74)	(225)
Balance at December 31, 2022	$ 10,593	274,228	175,709	103,060	563,590
Balance at January 1, 2021	$ 10,593	264,932	174,458	98,569	548,552
Depreciation	-	4,662	766	2,917	8,345
Disposal	-	-	(160)	(394)	(554)
Balance at December 31, 2021	$ 10,593	269,594	175,064	101,092	556,343
Carrying value:					
December 31, 2022	$ 107,832	156,614	3,667	3,009	271,122
December 31, 2021	$ 107,832	161,136	3,403	3,856	276,227
January 1, 2021	$ 107,832	165,606	3,405	6,103	282,946

(Continued)

(i) Impairment loss and subsequent reversal

As of December 31, 2022 and 2021, the accumulated property impairment amounted to $10,593 thousand. The above accumulated asset impairment was recognized based on the carrying value of the factory land at Da Fa Industrial exceeding its estimated recoverable amount. After assessment, no additional impairment loss should be recognized for the years ended December 31, 2022 and 2021.

(ii) Collateral

As of December 31, 2022 and 2021, the Company's property, plant and equipment were provided as pledged assets; please refer to note 8.

(g) Right-of-use assets

The Company leases assets including, buildings and transportation equipment. Information about leases, for which the Company is the lessee, is presented below:

	Building	Transportation equipment	Total
Cost:			
Balance at December 31, 2022 (Balance at January 1, 2022)	$ 69,914	2,641	72,555
Balance at December 31, 2021 (Balance at January 1, 2021)	$ 69,914	2,641	72,555
Accumulated depreciation:			
Balance at January 1, 2022	$ 41,949	1,347	43,296
Depreciation	13,983	528	14,511
Balance at December 31, 2022	$ 55,932	1,875	57,807
Balance at January 1, 2021	$ 27,966	819	28,785
Depreciation	13,983	528	14,511
Balance at December 31, 2021	$ 41,949	1,347	43,296
Carrying value:			
December 31, 2022	$ 13,982	766	14,748
December 31, 2021	$ 27,965	1,294	29,259
January 1, 2021	$ 41,948	1,822	43,770

(h) Investment property

	Land and improvements	Buildings	Total
Cost or deemed cost:			
Balance at December 31, 2022 (Balance at January 1, 2022)	$ 95,830	87,010	182,840
Balance at December 31, 2021 (Balance as at January 1, 2021)	$ 95,830	87,010	182,840

(Continued)

		Land and improvements	Buildings	Total
Depreciation and impairment loss:				
Balance at January 1, 2022	$	-	40,077	40,077
Depreciation		-	1,403	1,403
Balance at December 31, 2022	**$**	**-**	**41,480**	**41,480**
Balance at January 1, 2021	$	-	38,674	38,674
Depreciation		-	1,403	1,403
Balance at December 31, 2021	**$**	**-**	**40,077**	**40,077**
Carrying value:				
Balance at December 31, 2022	**$**	**95,830**	**45,530**	**141,360**
Balance at December 31, 2021	**$**	**95,830**	**46,933**	**142,763**
Balance at January 1, 2021	**$**	**95,830**	**48,336**	**144,166**
Fair value:				
Balance at December 31, 2022				**$ 419,218**
Balance at December 31, 2021				**$ 419,218**
Balance at January 1, 2021				**$ 419,218**

Investment property is commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~3 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(l) for further information.

The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation is based on market price. The parameters used by the fair value valuation technique belong to the third hierarchy.

The investment properties of the Company are located at Xindian Dist., New Taipei City, Taiwan. The range of yields applied to the net annual rentals to determine the fair value of the property for which the current prices in an active market are unavailable was 1.58% for the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Company's investment properties were provided as pledged assets; please refer to note 8.

(i) Short-term borrowings

The details of the Company's short-term borrowings were as follows:

	December 31, 2022			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	2.05~2.10	2023	$ 140,000
Secured bank loans	TWD	1.92~2.16	2023	439,000
Total				**$ 579,000**

(Continued)

	December 31, 2021			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Unsecured loans	TWD	1.51~1.65	2022	$ 210,000
Secured bank loans	TWD	1.41~1.50	2022	410,000
Total				**$ 620,000**

As of December 31, 2022 and 2021, the unused credit facilities amounted to $394,240 thousand and $496,120 thousand, respectively.

Please refer to note 6(t) for the Company's risk exposures relating to interest rate, currency, and liquidity risk.

The Company has pledged certain assets against the loans; please refers to note 8 for additional information.

(j) Provisions

	Decommissioning liabilities	**Other**	**Total**
Balance at January 1, 2022	$ 3,729	8,155	11,884
Provisions made during the year	-	4,971	4,971
Provisions used during the year	-	(1,917)	(1,917)
Provisions reversed during the year	-	(187)	(187)
Balance at December 31, 2022	**$ 3,729**	**11,022**	**14,751**
Current	$ -	7,843	7,843
Non-current	3,729	3,179	6,908
	$ 3,729	**11,022**	**14,751**
Balance at January 1, 2021	$ 3,729	6,499	10,228
Provisions made during the year	-	4,603	4,603
Provisions used during the year	-	(2,407)	(2,407)
Provisions reversed during the year	-	(540)	(540)
Balance at December 31, 2021	**$ 3,729**	**8,155**	**11,884**
Current	$ -	6,215	6,215
Non-current	3,729	1,940	5,669
	$ 3,729	**8,155**	**11,884**

(i) Decommissioning liabilities

The provision was the estimation for removing, moving and restoring the lease assets according to the lease contract, which were recognized as long-term liabilities. The future cost shall result in an uncertainty of provision due to the long-term lease of the office. Related costs are expected to occur after the lease term reaches its maturity.

(ii) Other provisions

Provisions were estimated based on the historical data on warranties on merchandise and services, which are mainly associated with the Company's business products. The Company expects to settle the majority of the liability over the next one to three years.

(k) Lease liabilities

The Company's lease liabilities were as follow:

	December 31, 2022	December 31, 2021
Current	$ 15,069	14,782
Non-current	$ 230	15,299

For the maturity analysis, please refer to note 6(t) financial instruments.

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	$ 448	729
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 490	395

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

	2022	2021
Total cash outflow for leases	$ 15,720	15,625

(i) Real estate leases

The Company leases buildings for its office space. The leases of its office space typically run for a period of 5 years.

(ii) Other leases

The Company leases vehicles, with lease terms of three years. The Company has options to purchase the assets at the end of the contract term.

The Company also leases office and dormitory with contract terms of 1 to 2 years. These leases are leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(l) Operating leases

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(h) for the information of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

		December 31, 2022	December 31, 2021
Less than one year	$	10,032	10,032
One to two years		9,196	10,032
Two to three years		-	9,196
Total undiscounted lease payments	$	**19,228**	**29,260**

Rental income from investment properties was $10,032 thousand and $9,655 thousand for the years ended December 31, 2022 and 2021, respectively. The direct expenses from investment properties were $606 thousand and $608 thousand for the years ended December 31, 2022 and 2021, respectively.

(m) Employee benefits

(i) Defined contribution plans

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

The Company's pension costs under the defined contribution plan were $6,655 thousand and $6,407 thousand for the years ended December 31, 2022 and 2021, respectively. Payments were made to the Bureau of Labor Insurance

(ii) Short-term employee benefit liabilities

		December 31, 2022	December 31, 2021
Compensated absence liabilities	$	**7,998**	**7,375**

(n) Income taxes

(i) Income tax expenses

The amount of the Company's income tax for the years ended December 31, 2022 and 2021, was as follows:

		2022	2021
Current income tax expense	$	-	-
Deferred tax expense		-	-
Income tax expense from continuing operations	$	**-**	**-**

(Continued)

Reconciliations of the Company's income tax expenses and the income before tax for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Income before tax	$ 79,598	28,182
Income tax using the Company's domestic tax rate	$ 15,920	5,637
Adjustment under tax laws	(5,769)	2,154
Change in unrecognized deductible temporary differences	2,134	978
Loss (gain) from equity investments under the equity method	3,232	(1,485)
Dividend income	(96)	-
Overestimate of previous deferred tax assets	1,544	20
Change in unrecognized deferred tax assets for tax losses	(16,965)	(7,304)
Income tax expense	$ -	-

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 154,955	144,281
The carryforward of unused tax losses	1,236,489	1,321,315
	$ 1,391,444	1,465,596

Tax losses of a company can be carried forward to offset its future taxable income for a period of ten years in accordance with the Income Tax Act of the ROC. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2022, the information of the Company's unutilized business losses for which no deferred tax assets were recognized is as follows:

Year of tax loss occurred	Amount	Year of expiration
2014	$ 66,628	2024
2015	95,026	2025
2016	298,592	2026
2017	71,323	2027
2019	25,418	2029
2020	679,502	2030
	$ 1,236,489	

(Continued)

2) Recognized deferred tax assets

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

Deferred tax assets:

	Allowance for inventory valuation	Impairment loss	Others	Total
Balance at January 1, 2022	$ 18,866	11,200	2,808	32,874
Recognized in profit or loss	(799)	-	799	-
Balance at December 31, 2022	**$ 18,067**	**11,200**	**3,607**	**32,874**
Balance at January 1, 2021	$ 19,381	11,200	2,293	32,874
Recognized in profit or loss	(515)	-	515	-
Balance at December 31, 2021	**$ 18,866**	**11,200**	**2,808**	**32,874**

(iii) Income tax assessment

The ROC income tax authorities have examined the Company's income tax returns for all years through 2020.

(o) Capital and other equity

The total value of authorized ordinary shares amounted to $7,000,000 thousand, with par value of $10 per share, divided into 700,000 thousand shares. The number of authorized shares included ordinary shares and preference shares, of which 24,799 thousand ordinary shares were issued. In addition, 1 thousand preference shares were issued. All issued capital was fully paid in. The preference shares were classified under equity.

For the years ended December 31, 2022 and 2021, the reconciliation of outstanding shares of the Company was as follows:

(Express in thousand shares)

	Ordinary shares		Preference shares	
	2022	**2021**	**2022**	**2021**
Beginning balance on January 1	24,799	195,924	1	8
Capital reduction to offset accumulated deficits	-	(171,125)	-	(7)
Balance at December 31	**24,799**	**24,799**	**1**	**1**

(i) Capital stock

According to the Company's Articles of Incorporation, the rights and obligations of the 20% cumulative convertible preference shareholders are as follows:

1) Annual earnings, after making up accumulated deficits and appropriating legal reserve, are distributed, at 20% of par value, as dividends and bonus to the cumulative convertible preference shareholders.

(Continued)

2) Dividends and bonus are paid annually after being approved and declared in the annual ordinary shareholders' meeting. Dividends are calculated based on the prior year's days outstanding; however, upon conversion of their preference shares into ordinary shares, the cumulative convertible preference shareholders waive their rights to the current year's profit distribution.

3) Dividends and bonus in arrears must be made up in a later year before profits are distributed to ordinary shareholders. Upon conversion of preference shares into ordinary shares, dividends and bonus in arrears should be paid in full, and a cumulative convertible preference shareholders is precluded from sharing in the prior years' profit distribution with the ordinary shareholders. Except for the differences in dividend distribution, a 20% cumulative convertible preference shareholder shares the same rights or obligations as the ordinary stockholders.

4) One year after issuance, the cumulative convertible preference shareholders may, at their option, in June of every year, exchange their convertible preference shares for ordinary shares at a 1:1 ratio.

5) A cumulative convertible preference shareholder has a higher claim than the ordinary shareholders to the remaining assets in the event of the Company's liquidation, and is limited to the issuance amount of the cumulative convertible preference shares. Unless otherwise stipulated in the Articles of Incorporation, a cumulative preference shareholder has no other rights or obligations.

6) In order to build up a sound financial structure, the Company offset its capital against its accumulated deficits based on a resolution approved during the shareholders' meeting held on July 15, 2021, resulting in its share capital to reduce by 171,125 thousand ordinary shares and 7 thousand preference shares, approximately 87.34% of the total shares, amounting to $1,711,320 thousand. Thereafter, the numbers of issued shares were 24,799 thousand ordinary shares and 1 thousand preference shares. The above transaction has been approved by the Financial Supervisory Commission, with August 13, 2021 set as the base date of capital reduction. All relevant statutory registration procedures have been completed.

(ii) Capital sarplus

The Company's capital surplus were as follows:

	December 31, 2022	December 31, 2021
Donation from shareholders	$ 35	-

(Continued)

(iii) Retained earnings－Distribution of retained earnings

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or distributing cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed.

2) Special earnings reserve

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

3) Distribution of retained earnings

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

The remainder can be distributed as dividends in consideration of the overall industry circumstances, the Company's financial structure, and the investors' best interests, but at least 50% of the remainder should be distributed. Such distribution, considering the capital surplus, retained earnings, future profitability, and maintenance of the dividend distribution level, shall be no more than 40% in cash and the rest in stock dividends.

(Continued)

The appropriation of 2021 earnings as dividends to ordinary shareholders that was approved by the Company's shareholders during their meetings on June 10, 2022 was as follows:

	2021	
	Amount per share (NT dollars)	**Amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 1.00	**24,799**
Dividends distributed to preference shareholders:		
Cash	$ 2.00	**405**

As of December 31, 2020, the Company had incurred accumulated deficits. Therefore, no dividends were distributed. Related information would be available at the Market Observation Post System Website.

The Company's accumulated undistributed dividends for preference shares amounted to $2 thousand and $405 thousand as of December 31, 2022 and 2021, respectively. The dividends to preference shares in 2021 were accumulated from 2008 to 2021.

On March 16, 2023, the Company's Board of Directors resolved to appropriate the 2021 earnings as follows:

	2022	
	Amount per share (NT dollars)	**Amount**
Dividends distributed to ordinary shareholders:		
Stock	$ 2.50	**61,998**
Dividends distributed to preference shareholders:		
Cash	$ 2.00	**2**

(Continued)

(iv) Other equities (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	$ 42,201	(16,991)	25,210
Foreign exchange differences arising from foreign operation	(9,298)	-	(9,298)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(1,124)	(1,124)
Balance at December 31, 2022	**$ 32,903**	**(18,115)**	**14,788**
Balance at January 1, 2021	$ 39,712	(17,499)	22,213
Foreign exchange differences arising from foreign operation	2,489	-	2,489
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	508	508
Balance at December 31, 2021	**$ 42,201**	**(16,991)**	**25,210**

(p) Earnings per share

The calculations of the Company's basic earnings per share and diluted earnings per share were as follows:

(i) Basic earnings per share

	2022	2021
Net income of the Company	$ 79,598	28,182
Dividends on non-redeemable preference shares	(2)	(2)
Net income attributable to ordinary shareholders of the Company	**$ 79,596**	**28,180**
Weighted average number of ordinary shares	**24,799**	**24,799**
Basic earnings per share (in NTD)	**$ 3.21**	**1.14**

(Continued)

(ii) Diluted earnings per share

		2022	2021
Net income attributable to ordinary shareholders of the Company (basic)	$	79,596	28,180
Dividends on non-redeemable preference shares		2	2
Net income attributable to ordinary shareholders of the Company (diluted)	**$**	**79,598**	**28,182**
Weighted average number of ordinary shares outstanding (basic)		24,799	24,799
Effect of dilutive potential ordinary shares			
Effect of remuneration to employees		108	171
Effect of convertible preference shares		1	1
Weighted average number of shares outstanding (diluted)		**24,908**	**24,971**
Diluted earnings per share (in NTD)	**$**	**3.20**	**1.13**

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

		2022	2021
Primary geographical markets:			
Taiwan	$	107,728	77,818
United States		273,620	248,658
France		65,162	57,013
Germany		130,722	132,297
Others		315,277	309,501
	$	**892,509**	**825,287**
Major products/services lines:			
Laptop	$	716,461	668,379
Mainboard		74,176	72,138
Sales of materials and others		101,872	84,770
	$	**892,509**	**825,287**

(Continued)

(ii) Contract Balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	$ -	116	-
Accounts receivable	82,589	59,452	57,183
Accounts receivable－related parties	64,491	56,860	37,419
Long-term accounts receivable－related parties	80,292	82,129	80,644
Total	**$ 227,372**	**198,557**	**175,246**

Please refer to the note 6(b) for the details on notes receivable, accounts receivables, long-term accounts receivable (including related parties) and allowance for impairment.

(r) Remunerations to employees and directors

In accordance with the Articles of Incorporation before the amendment, the Company should contribute no less than 10% of the profit as employee remuneration and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of remuneration for employees entitled to receive the abovementioned employee remuneration is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's controlling or affiliated companies who meet certain conditions.

In accordance with the Articles of Incorporation amended on June 10, 2022 the Company should contribute no less than 5% of the profit as employee remuneration and less than 4% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of remuneration for employees entitled to receive the abovementioned employee remuneration is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's controlling or affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the estimated employee remuneration amounted to $7,155 thousand and $3,203 thousand and the estimated directors' remuneration amounted $2,683 thousand and $640 thousand. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and expensed under operating expenses, the related information would be available at the Market Observation Post System Website. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be recognized in profit or loss in the following year. The amounts, as stated in the parent company only financial statements, were identical to those of the actual distributions for 2022 and 2021.

(s) Non-operating income and expenses

(i) Interest income

	2022	2021
Interest income from bank deposits	**$ 1,242**	**113**

(Continued)

(ii) Other income

	2022	2021
Rental income	$ 13,512	13,135
Dividend income	480	-
Other income－other	990	6,370
Total other income	**$ 14,982**	**19,505**

(iii) Other gains and losses

	2022	2021
Foreign exchange gain (loss), net	$ 56,241	(16,015)
Others	(4,092)	(1,404)
Other gains and losses, net	**$ 52,149**	**(17,419)**

(iv) Finance costs

	2022	2021
Interest expense	**$ (11,266)**	**(10,616)**

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount. As of December 31, 2022 and 2021, the maximum credit risk exposure amounted to $427,031 thousand and $395,583 thousand, respectively.

2) Concentration of credit risk

As of December 31, 2022 and 2021, 23% and 13%, respectively, of the accounts receivable were from the sales to one customer. In addition, for the years ended December 31, 2022 and 2021, 73% and 75%, respectively, of the sales of the Company were concentrated in the Americas and Europe.

(Continued)

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	$ 579,000	583,185	583,185	-	-	-
Notes payable	221	221	221	-	-	-
Accounts payable	108,352	108,352	108,352	-	-	-
Other payables (including related parties)	64,314	64,314	64,314	-	-	-
Lease liabilities	15,299	15,461	15,230	231	-	-
Guarantee deposits received	3,207	3,207	-	3,107	100	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	$ 770,404	**774,753**	**771,315**	**3,338**	**100**	**-**
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	$ 620,000	623,179	623,179	-	-	-
Notes payable	177	177	177	-	-	-
Accounts payable	72,679	72,679	72,679	-	-	-
Other payables (including related parties)	53,901	53,901	53,901	-	-	-
Lease liabilities	30,081	30,691	15,230	15,230	231	-
Guarantee deposits received	3,207	3,207	100	-	3,107	-
Preference shares (including preference shares dividends)	11	416	416	-	-	-
	$ 780,056	**784,250**	**765,682**	**15,230**	**3,338**	**-**

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's financial assets and financial liabilities exposed to significant currency risk were as follows:

	Foreign currency	Exchange rate	TWD
December 31, 2022			
Financial assets:			
Monetary assets:			
USD	$ 19,547	30.71	600,288
Financial liabilities:			
Monetary liabilities:			
USD	$ 1,814	30.71	55,708

(Continued)

		Foreign currency	Exchange rate	TWD
December 31, 2021				
Financial assets:				
Monetary assets:				
USD	$	19,846	27.68	549,337
Financial liabilities:				
Monetary liabilities:				
USD	$	1,291	27.68	35,735

2) Sensitivity analysis

The Company's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of December 31, 2022 and 2021, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the years ended December 31, 2022 and 2021 by $5,446 thousand and $5,136 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant.

3) Foreign exchange gain and loss on monetary item

Due to the numerous types of functional currency of the Company, the Company aggregately discloses its exchange gains and losses on monetary items. The Company's exchange losses, including realized and unrealized, were $56,241 thousand and $(16,015) thousand for the years ended December 31, 2022 and 2021, respectively.

(iv) Interest rate risk analysis

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

The following sensitivity analysis is based on the risk exposure to interest rates of the derivative and non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the liabilities with a floating rate as of the reporting date are outstanding for the whole year.

If the interest rate had increased/decreased by 1%, the Company's net income before tax would have decreased/increased by $5,790 thousand and $6,200 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowings at floating rates.

(Continued)

(v) Fair value

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, such disclosure of fair value information is not required for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured.

	December 31, 2022				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	$ 622	-	-	622	622
Unlisted stocks (overseas)	57	-	-	57	57
Subtotal	679	-	-	679	679
Financial assets measured at amortized cost					
Cash and cash equivalents	193,170	-	-	-	-
Accounts receivable and long-term accounts receivable (including related parties)	227,372	-	-	-	-
Refundable deposits	5,810	-	-	-	-
Subtotal	426,352	-	-	-	-
Total	**$ 427,031**	**-**	**-**	**679**	**679**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 579,000	-	-	-	-
Notes and accounts payable	108,573	-	-	-	-
Other payables (including related parties)	64,314	-	-	-	-
Lease liabilities	15,299	-	-	-	-
Guarantee deposits received	3,207	-	-	-	-
Preference shares	11	-	-	-	-
Total	**$ 770,404**	**-**	**-**	**-**	**-**

(Continued)

	December 31, 2021				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	$ 1,744	-	-	1,744	1,744
Unlisted stocks (overseas)	59	-	-	59	59
Subtotal	1,803	-	-	1,803	1,803
Financial assets measured at amortized cost					
Cash and cash equivalents	189,417	-	-	-	-
Notes and accounts receivable and long-term accounts receivable (including related parties)	198,557	-	-	-	-
Refundable deposits	5,806	-	-	-	-
Subtotal	393,780	-	-	-	-
Total	**$ 395,583**	**-**	**-**	**1,803**	**1,803**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 620,000	-	-	-	-
Notes and accounts payable	72,856	-	-	-	-
Other payables (including related parties)	53,901	-	-	-	-
Lease liabilities	30,081	-	-	-	-
Guarantee deposits received	3,207	-	-	-	-
Preference shares	11	-	-	-	-
Total	**$ 780,056**	**-**	**-**	**-**	**-**

2) Valuation techniques for financial instruments measured at fair value－Non-derivative financial instruments

If there are quoted prices in active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks used for the fair value of equity instruments and liability instruments traded in active markets.

If the quoted prices from stock exchanges, brokers, underwriters, industry associations, pricing agencies or authorities are timely and frequently, and that the price fairly presents the market transaction, the financial instrument is regarded to have a quoted price in an active market. If the aforementioned conditions are not fulfilled, the market is regarded as inactive. Generally, large or significantly widen bid-ask spread, or significantly low trading volume are indications of an inactive market.

(Continued)

If the financial instrument held by the Company is an equity investment without an active market, its fair value will have to be derived using the market approach. The fair value can be estimated based on the valuation of the comparable company and the quoted price provided by third parties, as well as the equity value of the comparable company and its operating performances. Whereas the liquidity discount is a significant unobservable input in valuing equity investment, its potential changes will not cause material impact on financial figures, and therefore, its quantitative information need not be disclosed.

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2022	$ 1,803
Total loss recognized:	
In other comprehensive income	(1,124)
Balance at December 31, 2022	**$ 679**
Balance at January 1, 2021	$ 6,481
Total gain recognized:	
In other comprehensive income	508
Return of capital for the period	(5,186)
Balance at December 31, 2021	**$ 1,803**

The aforementioned total income (loss) was included in unrealized gains and losses from financial assets at fair value through other comprehensive income.

(Continued)

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Comparative listed company	· Multiplier of price-to-book ratio (As of December 31, 2022 and 2021 were 0.08~1.00) · Market illiquidity discount rate (As of December 31, 2022 and 2021 were 20%)	The estimated fair value would increase (decrease) if · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

5) Fair value measurements in Level 3－ sensitivity analysis of reasonably possible alternative assumptions.

The Company's measurement of the fair value of financial instruments is reasonable, but the use of different evaluation models or parameters may result in different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Assumptions	Other comprehensive income Favorable	Other comprehensive income Unfavorable
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	$ 42	(42)
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	113	(113)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(Continued)

(u) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Company's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes the history of transactions with the counter-party, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

(Continued)

The Company has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since those who transact with the Company are banks and other external parties with good credit standing, there is no significant credit risk.

3) Guarantees

The Company's policy allows it to provide financial guarantees to companies which it has business relationship with, as well as those companies who hold more than 50% of the voting rights of the company, either directly or indirectly. As of December 31, 2022 and 2021, the Company did not provide any financial guarantees to its subsidiaries.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in currencies other than the respective functional currencies of the Company. The currencies used in these transactions are the USD.

The Company relies on foreign exchange transactions at spot rate to ensure the net exposure to foreign exchange risk is maintained within prescribed limits in order to manage market risk.

The Company's foreign currency assets and liabilities are influenced by foreign exchange rates. However, the amount is not significant after offsetting the assets against the liabilities. Therefore, market risk is maintained within prescribed limits.

The Company does not hedge against investments in subsidiaries.

(Continued)

2) Interest rate risk

The interest rates of the Company's short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate and the future cash flow of the aforementioned loans. Because of the stable financial environment in which the Company operates and the stable fluctuating range of the market interest rate, it should not cause significant risks due to the changes in interest rate.

(v) Capital management

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

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment capital reduction, issuance of new shares or disposal of assets to settle liabilities.

The Company uses the debt ratio to manage capital. This ratio is debt divided by total assets. Debt is derived from the total liabilities on the balance sheet. Total assets include share capital, capital surplus, retained earnings, other equity, and non-controlling interests plus debt.

The Company's debt ratio at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ **810,852**	**809,145**
Total assets	$ **1,156,255**	**1,110,541**
Debt ratio	**70** %	**73** %

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

The Company did not have any non-cash flow transactions on its investing activities for the years ended December 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes Other	December 31, 2022
Short-term borrowings	$ 620,000	(41,000)	-	579,000
Lease liabilities	30,081	(14,782)	-	15,299
Total liabilities from financing activities	$ **650,081**	**(55,782)**	**-**	**594,299**

	January 1, 2021	Cash flows	Non-cash changes Other	December 31, 2021
Short-term borrowings	$ 620,000	-	-	620,000
Lease liabilities	44,582	(14,501)	-	30,081
Total liabilities from financing activities	$ **664,582**	**(14,501)**	**-**	**650,081**

(Continued)

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and the Company's subsidiaries.

(b) Name and relationship with related party

The following are entities that have had transactions with the Company during the periods covered in the parent company only financial statements:

Name of related party	Relationship with the Company
Durabook Americas Inc.	Subsidiary
Twinhead (Asia) Pte Ltd.	Subsidiary
Twinhead Enterprises (BVI) Ltd.	Subsidiary
Twinhead Kunshan Technology Co., Ltd.	Subsidiary
Kunshan Lun Teng System Co., Ltd.	Subsidiary
NCS Technologies, Inc. (NCS)	Other related parties (The president of NCS is the director of the Company)

(c) Significant transactions with related party

(i) Operating revenue

The amounts of significant sales transaction between the Company and its related parties were as follows:

	2022	2021
Subsidiaries		
Durabook Americas Inc.	$ 91,514	77,648
Kunshan Lun Teng System Co., Ltd.	45,023	44,842
Other related parties		
NCS	1,101	1,546
	$ 137,638	**124,036**

The sales price with subsidiaries and other related parties was not significantly different from normal transaction. The payment term granted to the subsidiaries was 60 days after sales or netted against payables from purchases. In addition, before the operation of Durabook Americas Inc. reaches economic of scale and becomes profitable, Durabook Americas Inc. may make payments according to its funding status without abiding the agreed payment term in order for it to maintain the function that the Company allocated to it. The payment terms granted to other related parties were 30 days after sales, which were not significantly different from that of other customers.

(Continued)

(ii) Purchases

The amounts of significant purchase by the Company from its related parties was as follows:

	2022	2021
Subsidiaries		
Durabook Americas Inc.	$ 667	351

The purchase price is determined by cost plus a certain margin, as the specifications of products purchased from the related parties were different comparing with those purchased from other suppliers, the pricings were not comparable. The payment terms to non-related parties depend on agreed conditions; while the payment terms to the related parties ranges from 30~60 days after purchase or offsetting the receivables for the sales.

(iii) Accounts receivable-related parties

The details of the Company's accounts receivable from related parties was as follows:

Accounts	Type of related partues	December 31, 2022	December 31, 2021
Accounts receivable－related parties	Subsidiaries		
	Durabook Americas Inc.	$ 60,146	46,439
	Kunshan Lun Teng System Co., Ltd.	4,345	10,421
		$ 64,491	56,860

As of December 31, 2022 and 2021, the offsetting of long term accounts receivable against the investment of Durabook Americas Inc., accounted for using the equity method amounted to $77,944 thousand and $66,251 thousand, respectively.

(iv) Purchase of supplies on behalf

As of December 31, 2022 and 2021, the net amount of accounts receivable derived from the purchase of supplies on behalf of Twinhead Kunshan Technology Co., Ltd. and the accounts payable derived from purchase of goods from Twinhead Kunshan Technology Co., Ltd. in prior years after offsetting against the investment of Twinhead Kunshan Technology Co., Ltd. accounted for using the equity method amounted to $80,292 thousand and $82,129 thousand, respectively (recorded under long-term receivables – related party).

(v) Others

The inventory that the Company sold to the investees but not yet been sold to the external parties by the investees includes unrealized sales margin. For the years ended December 31, 2022 and 2021, the unrealized sales margin increased by $1,126 thousand and $922 thousand, respectively. As of December 31, 2022 and 2021, the unrealized sales margin was $7,370 thousand and $6,244 thousand, respectively, and was recorded under investments accounted for using the equity method.

(Continued)

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2022	2021
Short-term employee benefits	$ 23,809	21,122
Post-employment benefits	216	216
	$ 24,025	**21,338**

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Land	Short-term borrowings	$ 107,832	107,832
Buildings	Short-term borrowings	155,542	159,997
Investment property	Short-term borrowings	141,360	142,763
		$ 404,734	**410,592**

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

The employee benefit expenses, depreciation, and amortization, categorized by function, were as follows:

By function	Years ended December 31, 2022			Years ended December 31, 2021		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	29,488	121,015	150,503	28,029	110,696	138,725
Labor and health insurance	3,204	9,093	12,297	3,049	8,660	11,709
Pension	1,579	5,076	6,655	1,504	4,903	6,407
Remuneration of directors	-	5,686	5,686	-	3,776	3,776
Others	1,889	3,400	5,289	1,866	3,244	5,110
Depreciation (note)	4,931	17,052	21,983	4,863	17,993	22,856
Amortization	-	12,194	12,194	-	11,578	11,578

Note: Depreciation expenses for investment property recognized under other income and expenses amounted to $1,403 thousand and for the years ended December 31, 2022 and 2021, respectively.

(Continued)

The Company's number of employees for the years ended December 31, 2022 and 2021 and additional information on employee benefits are as follows :

	2022	2021
Number of employees	171	167
Number of directors who were not employees	9	9
The average employee benefit	$ 1,079	1,025
The average salaries and wages	$ 929	878
The adjustments to the average salaries and wages	5.81 %	
Supervisor remuneration	$ -	-

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

(a) Director', independent director' and supervisors' remuneration policy

The remuneration of the directors, independent director' and supervisors' of the Company is in accordance with the Articles of Incorporation. The remuneration of directors is determined by the Board of Directors based on the directors' participation and contribution to the Company's operations, as well as the standards of the industry.

(b) Managers' and employees' remuneration policy

The salary remuneration policy for managers and employees shall be in accordance with the Articles of Incorporation and with reference to the usual standards of the industry, and taking into account the reasonableness of their duties, personal performance, the Company's operating performance and future risks, the salaries shall be appointed and adjusted from time to time in accordance with the Company's "Salary Grade Table". The year-end bonuses is based on the annual performance.

(Continued)

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the years ended December 31, 2022:

(i) Loans extended to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(in Thousands of New Taiwan Dollars / in thousands of sharers)

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	EUROC Venture Capital Corp.	-	Non-current financial assets at fair value through other comprehensive income	80	622	10.000 %	622	
The Company	I1, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	57	0.691 %	57	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	
The Company	Durabook Federal, Inc	-	Non-current financial assets at fair value through other comprehensive income	19	-	19.000 %	-	

(iv) Accumulated holding amount of a single security in excess of NT$300 million or 20% of the Company's issued share capital: None.

(v) Acquisition of real estate in excess of NT$300 million or 20% of the Company's issued share capital: None.

(vi) Disposal of real estate in excess of NT$300 million or 20% of the Company's issued share capital: None.

(vii) Sales to and purchases from related parties in excess of $100 million or 20% of the Company's issued share capital:

(in Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Durabook Americas Inc.	Subsidiary	(Sale)	(91,514)	(10) %	The receivables can be offset with accounts payable from purchase or be O/A 60 days	No significant differences	The receivables can be offset with accounts payable from purchase or be O/A 60 days	60,146 (Note 1)	26 %	
Durabook Americas Inc.	The Company	Parent company	Purchase	91,514	96 %	The payables can be offset with accounts receivables from sales or be O/A 60 days	No significant differences	The payables can be offset with accounts receivables from sales or be O/A 60 days	(138,090)	(99) %	

Note 1: As of December 31, 2022 , the Company's accounts receivable was offset against the investments of Durabook Americas Inc., accounted for using the equity method.

(viii) Receivables from related parties in excess of NT$100 million or 20% of the Company's issued share capital:

(in Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Notes 1 and 5)	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
The Company	Twinhead Kunshan Technology Co., Ltd.	Subsidiary	325,811 (Note 3)	-	325,811 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	-	-
The Company	Durabook Americas Inc.	Subsidiary	138,090 (Note 4)	0.73	77,944 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	4,459	-

Note 1: Includes the amount recorded under long-term accounts receivables.

Note 2: Until March 16, 2023.

(Continued)

Note 3: It represents the net amount of accounts receivable of the Company derived from the purchase of supplies on behalf of Twinhead Kunshan Technology Co., Ltd. and accounts payable derived from purchase of goods from Twinhead Kunshan Technology Co., Ltd. in prior years. Twinhead Kunshan Technology Co., Ltd. pays the Company with the rental income according to the capital plan.

Note 4: As of December 31, 2022, the Company's accounts receivable from Durabook Americas Inc. were $138,090 thousand. The overdue receivables of $77,944 thousand were reclassified to long-term receivables.

(ix) Information regarding trading in derivative financial instruments: None.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(in Thousands of New Taiwan Dollars / in Thousands of shares)

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income (loss) of investee	Investment income (losses)	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value			
The Company	Durabook Americas Inc.	U.S.A.	The trading of computers and computer peripheral equipment	73,442	73,442	769	80.000 %	(5,483) (Note 2)	(10,443)	(8,354)	Subsidiary
The Company	Twinhead (Asia) Pte Ltd.	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (Note 3)	(7,805)	(7,805)	Subsidiary
Twinhead (Asia) Pte Ltd.	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,265	69	69	Subsidiary

Note 1: The exchange rate as of December 31, 2022 : USD1=TWD30.71.

Note 2: The Compnay's accounts receivable was offset against the investments of Durabook Americas Inc., accounted for using the equity method.

Note 3: The Company's accounts receivable and accounts payable were derived from the purchasing of supplies on behalf of, and the purchasing of goods from, Twinhead Kunshan Technology Co., Ltd. resulting in the net accounts receivable, which was offset against the investment, accounted for using the equity method of Twinhead Kunshan Technology Co., Ltd.

(c) Information on investment in Mainland China:

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

(in Thousands of New Taiwan Dollars / in thousands of USD)

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of December 31, 2022	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Twinhead Kunshan Technology Co., Ltd.	Sales and production of PDAs, calculators and their parts, and computer keyboards	383,875 (USD12,500)	(2)	383,875 (USD12,500)	-	-	383,875 (USD12,500)	(8,989)	100.00 %	(8,989)	(265,830)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	122,840 (USD4,000)	(2)	61,420 (USD2,000)	-	-	61,420 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng System Co., Ltd.	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,449 (USD210)	(2)	6,449 (USD210)	-	-	6,449 (USD210)	1,321	100.00 %	1,321	20,711	-

Note 1: The method of investment is divided into the following four categories:

(1) Remittance from third-region companies to invest in Mainland China.

(2) Through transferring the investment to third-region existing companies then investing in Mainland China (Through Twinhead (Asia) Ptd Ltd. invest in Mainland china).

(3) Through the establishment of third-region companies then investing in Mainland China.

(4) Other methods: EX: delegated investments.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The exchange rate as of December 31, 2022 : USD1=TWD30.71.

(ii) Limitation on investment in Mainland China:

Accumulated investment amount in Mainland China as of December 31, 2022 (Note 1)	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
491,667 (USD16,010)	491,667 (USD16,010)	- (Note 3)

Note 1: Including the amount of USD1,300 thousand wired to Twinhead Beijing Technology Co., Ltd.

Note 2: The exchange rate as of December 31, 2022: USD1=TWD30.71.

(Continued)

Note 3: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau Ministry of Economic Affairs, on June 12, 2020. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from June 9, 2020 to June 8, 2023.

(iii) Significant transactions with investees in Mainland China:

As of December 31, 2022, the net amount of accounts receivable derived from the purchase of supplies on behalf of Twinhead Kunshan Technology Co., Ltd. and the accounts payable derived from purchase of goods from Twinhead Kunshan Technology Co., Ltd. in prior years after offsetting against the investment of Twinhead Kunshan Technology Co., Ltd. accounted for using equity method amounted to $80,292 thousand (recognized under long term receivable －related parties). As the net receivables were outstanding for a period exceeding the normal payment term, the Company reclassified them under long term accounts receivable.

(d) Major shareholders:

Unit: share

Shareholding / Shareholder’s Name	Shares	Percentage
Kaos Enterprise Co., Ltd.	3,973,315	16.02 %
Protegas Futuro Holdings, LLC	3,802,355	15.33 %
Outstanding Corporation	1,644,480	6.63 %
KANG EEL SHIUAN Co., Ltd.	1,391,327	5.61 %

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2022.

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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.

(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)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 230,416	20	236,489	21
1150	Notes receivable, net (notes 6(b) and 6(p))	-	-	116	-
1170	Accounts receivable, net (notes 6(b) and 6(p))	89,909	8	70,836	6
1180	Accounts receivable－related parties, net (notes 6(b), 6(p) and 7)	701	-	-	-
1200	Other receivables	-	-	1,222	-
130x	Inventories (note 6(c))	255,455	22	212,209	19
1470	Prepayments and other current assets	9,426	1	13,452	1
	Total current assets	585,907	51	534,324	47
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	679	-	1,803	-
1600	Property, plant and equipment (notes 6(e) and 8)	272,693	23	278,146	25
1755	Right-of-use assets (note 6(f))	30,269	2	43,142	4
1760	Investment property, net (notes 6(g), (k) and 8)	192,916	17	194,842	17
1840	Deferred income tax assets (note 6(m))	43,378	4	43,045	4
1920	Refundable deposits	7,202	1	7,071	1
1995	Other non-current assets	23,283	2	24,526	2
	Total non-current assets	570,420	49	592,575	53
	Total assets	**$ 1,156,327**	**100**	**1,126,899**	**100**

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(h) and 8)	$ 579,000	50	620,000	55
2150	Notes payable	221	-	177	-
2170	Accounts payable	109,894	10	75,461	7
2200	Other payables (notes 6(l) and 6(q))	71,483	6	61,523	5
2250	Provisions－current (note 6(i))	8,663	1	7,389	1
2280	Current lease liabilities (note 6(j))	17,066	1	16,774	1
2300	Other current liabilities (notes 6(e) and 7)	26,210	2	28,946	3
	Total current liabilities	812,537	70	810,270	72
	Non-Current liabilities:				
2550	Provisions－non-current (note 6(i))	6,908	1	5,669	1
2580	Non-current lease liabilities (note 6(j))	3,812	-	17,148	1
2645	Guarantee deposits received	6,731	1	6,676	1
2670	Other non-current liabilities	597	-	1,525	-
	Total non-current liabilities	18,048	2	31,018	3
	Total liabilities	830,585	72	841,288	75
	Equity attributable to owners of parent (note 6(n)):				
	Share capital:				
3110	Ordinary shares	247,993	22	247,993	22
3120	Preference shares	11	-	11	-
		248,004	22	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)	(2)	(16,991)	(3)
		14,788	1	25,210	1
	Total equity attributable to owners of parent	345,403	30	301,396	26
36xx	**Non-controlling interests**	(19,661)	(2)	(15,785)	(1)
	Total equity	325,742	28	285,611	25
	Total liabilities and equity	**$ 1,156,327**	**100**	**1,126,899**	**100**

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	**Operating revenues (notes 6(p) and 7)**	$ 934,137	100	867,893	100
5000	**Operating costs (notes 6(c), 6(e), 6(f), 6(i), 6(j) and 6(l))**	635,281	68	608,149	70
5900	**Gross profit**	298,856	32	259,744	30
6000	**Operating expenses (notes 6(b), 6(e), 6(f), 6(j), 6(l), 6(q) and 7):**				
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	71	-	-	-
	Total operating expenses	277,511	30	250,466	29
6900	**Net operating income**	21,345	2	9,278	1
7000	**Non-operating income and expenses (notes 6(d), 6(g), 6(j), 6(k) and 6(r)):**				
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	(11,446)	(1)	(10,847)	(1)
	Total non-operating income and expenses	57,141	6	16,740	2
	Income from continuing operations before tax	78,486	8	26,018	3
7950	**Less: Income tax expense (note 6(m))**	977	-	246	-
	Net income	77,509	8	25,772	3
8300	**Other comprehensive income (loss) (note 6(n)):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
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	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(1,124)	-	508	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
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	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(11,085)	(1)	2,903	-
8300	**Other comprehensive income (loss), net**	(12,209)	(1)	3,411	-
	Total comprehensive income (loss)	**$ 65,300**	**7**	**29,183**	**3**
	Net income (loss) attributable to:				
8610	Owners of parent	$ 79,598	8	28,182	3
8620	Non-controlling interests	(2,089)	-	(2,410)	-
		$ 77,509	**8**	**25,772**	**3**
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 69,176	7	31,179	3
8720	Non-controlling interests	(3,876)	-	(1,996)	-
		$ 65,300	**7**	**29,183**	**3**
9750	**Basic earnings per share (in New Taiwan dollar) (note 6(o))**	**$**	**3.21**		**1.14**
9850	**Diluted earnings per share (in New Taiwan dollar) (note 6(o))**	**$**	**3.20**		**1.13**

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												
	Share capital				Retained earnings			Total other equity interest					
	Ordinary shares	Preference share	Total share capital	Capital surplus	Legal reserve	Retained earnings (accumulated deficits)	Total 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	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2021	$ 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	-	-	-	-	-	-
Balance at December 31, 2021	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
Balance at December 31, 2022	**$ 247,993**	**11**	**248,004**	**35**	**2,818**	**79,758**	**82,576**	**32,903**	**(18,115)**	**14,788**	**345,403**	**(19,661)**	**325,742**

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
Cash flows from (used in) operating activities:		
Net income before tax	$ 78,486	26,018
Adjustments:		
Adjustments to reconcile profit (loss):		
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)
Net cash flows from operating activities	104,491	785
Cash flows from (used in) investing activities:		
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	-
Net cash flows used in investing activities	(13,536)	(2,971)
Cash flows from (used in) financing activities:		
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)
Net cash flows used in financing activities	(83,719)	(17,488)
Effect of exchange rate changes on cash and cash equivalents	(13,309)	3,595
Net decrease in cash and cash equivalents	(6,073)	(16,079)
Cash and cash equivalents at beginning of period	236,489	252,568
Cash and cash equivalents at end of period	**$ 230,416**	**236,489**

See accompanying notes to consolidated financial statements.

(1) Company history

TWINHEAD INTERNATIONAL CORP. (the Company) was incorporated on February 27, 1984, as a company limited by shares under the laws of the Republic of China (ROC). The consolidated financial statements comprise the Company and its subsidiaries (the Group). The Group is mainly engaged in the design, manufacture, sale and development of computers, computer components, peripherals, software, ASIC chips and workstations, and operation of telecommunication-related business.

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

The consolidated financial statements were approved by the Board of Directors and issued on March 16, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability' s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

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

(Continued)

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise specified in the notes to accounting policies.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollar, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup transactions and balances, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies to align with those used by the Group.

(ii) List of subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Name of investor	Name of subsidiary	Principal activity	Percentage of ownership December 31, 2022	Percentage of ownership December 31, 2021	Remarks
The Company	Durabook Americas Inc. (Durabook)	The trading of computers and computer peripheral equipment	80.000 %	80.000 %	
The Company	Twinhead (Asia) Pte Ltd. (Twinhead (Asia))	Investment holding	100.000 %	100.000 %	
Twinhead (Asia) Pte Ltd.	Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	
Twinhead (Asia) Pte Ltd.	Twinhead Kunshan Technology Co., Ltd. (Twinhead Kunshan)	Sales and production of PDAs, calculators and their parts, and computer keyboards	100.000 %	100.000 %	
Twinhead (Asia) Pte Ltd.	Kunshan Lun Teng System Co., Ltd. (Kunshan Lun Teng)	Import and export of computers, electronic components, and digital cameras, and technical consultant services	100.000 %	100.000 %	

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

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

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

(Continued)

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

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

1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is expected to be realized within twelve months after the reporting period; or

4) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1) It is expected to be settled in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is due to be settled within twelve months after the reporting period; or

4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Group’ s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(Continued)

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) equity investment and FVTPL.

The Group shall reclassify all affected financial assets on the first day of the first reporting period only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

(Continued)

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

(Continued)

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

Preferred share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

The Group classifies preferred share capital with the characteristics of a financial liability issued before January 1, 2006, as equity in accordance with Rule No. 10000322083 issued by the FSC.

(Continued)

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

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

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

Interest, gains, or losses related to financial liabilities are recognized in profit or loss and recorded under non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

(Continued)

5) Offsetting of financial assets and liabilities

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

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The costs of finished goods and work in progress adopt the standard cost method. The difference between standard and actual costing is fully classified as operating cost and allocated to the ending balance of inventories.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent expenditure

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

(iv) Depreciation

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

Land has an unlimited useful life and therefore is not depreciated.

(Continued)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	4~62 years
2)	Machinery	2~15 years
3)	Other equipment	2~10 years

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets; or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

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

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

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

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

(ii) As a lessor

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

(Continued)

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(l) Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

(Continued)

(n) Revenue

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

(i) Sale of goods

The Group is mainly engaged in the manufacture, sale and development of computers, computer components, and peripherals, and operation of telecommunication-related business. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(o) Government grants

The Group recognizes an unconditional government grant related to the U.S. Paycheck Protection Program in profit or loss as non-operating income.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

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

(Continued)

(q) Income taxes

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

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

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

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

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

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

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

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

(Continued)

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. An increase in ordinary shares which is from appropriation of retained earnings or capital surplus, or a decrease in ordinary shares which is to offset accumulated deficit, is added to or deducted from the shares outstanding retroactively. The shares outstanding are also adjusted retroactively if the recording date of the appropriation or share-based payment transaction is within the subsequent period. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The potentially diluted ordinary shares of the Group are convertible preference shares.

(s) Operating segments

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

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

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

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

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Inventory measurement

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash	$ 291	289
Checking and demand deposits	168,705	236,200
Time deposits	61,420	-
Cash and cash equivalents per consolidated statements of cash flows	**$ 230,416**	**236,489**

The Group's exposure to interest rate risk and the sensitivity analysis for the financial instruments held by the Group are disclosed in note 6(s).

(b) Accounts receivables and notes receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable	$ -	116
Accounts receivable	89,909	70,836
Accounts receivable－related parties	774	-
Less: loss allowance	73	-
	$ 90,610	**70,952**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all accounts receivables and notes receivable. To measure the expected credit losses, accounts receivable and notes receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

(i) Normal customers

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 69,115	-	-
1 to 30 days past due	20,482	-	-
31 to 60 days past due	60	-	-
181 to 365 days past due	1	-	-
Past due over 365 days	251	-	-
	$ 89,909		**-**

(Continued)

	December 31, 2021		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 47,745	-	-
1 to 30 days past due	22,323	-	-
31 to 60 days past due	884	-	-
	$ 70,952		**-**

(ii) Related parties

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
31 to 60 days past due	**$ 774**	9.44	**73**

As of December 31, 2021, the Group had no accounts receivable－related parties.

The movement in the allowance for accounts receivable was as follows:

	2022	**2021**
Beginning balance on January 1	$ -	-
Impairment losses recognized	71	-
Effect of changes in exchange rate	2	-
Ending balance on December 31	**$ 73**	**-**

The Group did not hold any collateral for the collectible amounts.

(c) Inventories

The components of the Group's inventories were as follows:

	December 31, 2022	**December 31, 2021**
Merchandise	$ 3,714	4,660
Finished goods	71,391	57,960
Work in progress	13,351	4,572
Raw materials and supplies	164,439	143,114
Goods in transit	2,560	1,903
Total	**$ 255,455**	**212,209**

As of December 31, 2022 and 2021, the Group's inventories were not provided as pledged assets.

(Continued)

Except for operating costs arising from the ordinary sale of inventories, other losses directly recorded under operating costs were as follows:

		2022	2021
Loss on decline in market value of inventory	$	**10,712**	**8,016**

(d) Non-current financial assets at fair value through other comprehensive income

		December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	$	622	1,744
Unlisted stocks (overseas)		57	59
Total	$	**679**	**1,803**

(i) Equity investments at fair value through other comprehensive income

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

EUROC Venture Capital Corp. reduced its capital by cash based on the resolutions approved during the its shareholders' meeting held on June 29, 2021, resulting in the Group to receive the refunds of $5,186 thousand in August 2021. In addition, EUROC Venture Capital Corp. was dissolved on May 10, 2022 by a resolution decided during its shareholders' meeting, with the base date set on May 31, 2022 and as of December 31, 2022, the liquidation process is not yet completed. The dividend income from the company amounted to $480 thousand and $0 for the years ended December 31, 2022 and 2021.

No strategic investments were disposed for the years ended December 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss related to these investments within equity.

(ii) For credit risk and market risk, please refer to note 6(s).

(iii) The Group did not provide the financial assets as collateral.

(Continued)

(e) Property, plant and equipment

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

	Land	Buildings	Machinery	Other equipment	Total
Cost or deemed cost:					
Balance at January 1, 2022	$ 118,425	430,730	182,372	113,257	844,784
Additions	-	112	1,060	1,757	2,929
Disposal	-	-	(151)	(74)	(225)
Effect of changes in exchange rates	-	-	61	489	550
Balance at December 31, 2022	**$ 118,425**	**430,842**	**183,342**	**115,429**	**848,038**
Balance at January 1, 2021	$ 118,425	430,538	181,789	113,097	843,849
Additions	-	192	764	772	1,728
Disposal	-	-	(160)	(477)	(637)
Effect of changes in exchange rates	-	-	(21)	(135)	(156)
Balance at December 31, 2021	**$ 118,425**	**430,730**	**182,372**	**113,257**	**844,784**
Depreciation and impairment loss:					
Balance at January 1, 2022	$ 10,593	269,594	178,561	107,890	566,638
Depreciation	-	4,634	799	3,054	8,487
Disposal	-	-	(151)	(74)	(225)
Effect of changes in exchange rates	-	-	55	390	445
Balance at December 31, 2022	**$ 10,593**	**274,228**	**179,264**	**111,260**	**575,345**
Balance at January 1, 2021	$ 10,593	264,932	177,972	104,574	558,071
Depreciation	-	4,662	768	3,886	9,316
Disposal	-	-	(160)	(477)	(637)
Effect of changes in exchange rates	-	-	(19)	(93)	(112)
Balance at December 31, 2021	**$ 10,593**	**269,594**	**178,561**	**107,890**	**566,638**
Carrying value:					
December 31, 2022	**$ 107,832**	**156,614**	**4,078**	**4,169**	**272,693**
December 31, 2021	**$ 107,832**	**161,136**	**3,811**	**5,367**	**278,146**
January 1, 2021	**$ 107,832**	**165,606**	**3,817**	**8,523**	**285,778**

(i) Impairment loss and subsequent reversal

As of December 31, 2022 and 2021, the accumulated property impairment amounted to $10,593 thousand. The above accumulated asset impairment was recognized based on the carrying value of the factory land at Da Fa Industrial exceeding its estimated recoverable amount. After assessment, no additional impairment loss should be recognized for the years ended December 31, 2022 and 2021.

(ii) Collateral

As of December 31, 2022 and 2021, the Group's property, plant and equipment were provided as pledged assets; please refer to note 8.

(Continued)

(f) Right-of-use assets

The Group leases many assets including its land, buildings and transportation equipment. Information about leases, for which the Group is the lessee, is presented below:

		Land	Building	Transportation equipment	Total
Cost:					
Balance at January 1, 2022	$	10,809	77,926	2,641	91,376
Additions		-	3,433	-	3,433
Effect of changes in exchange rates		169	813	-	982
Balance at December 31, 2022	$	**10,978**	**82,172**	**2,641**	**95,791**
Balance at January 1, 2021	$	10,867	78,117	2,641	91,625
Effect of changes in exchange rates		(58)	(191)	-	(249)
Balance at December 31, 2021	$	**10,809**	**77,926**	**2,641**	**91,376**
Accumulated depreciation:					
Balance at January 1, 2022	$	772	46,115	1,347	48,234
Depreciation		262	16,069	528	16,859
Effect of changes in exchange rates		11	418	-	429
Balance at December 31, 2022	$	**1,045**	**62,602**	**1,875**	**65,522**
Balance at January 1, 2021	$	518	30,262	819	31,599
Depreciation		257	15,923	528	16,708
Effect of changes in exchange rates		(3)	(70)	-	(73)
Balance at December 31, 2021	$	**772**	**46,115**	**1,347**	**48,234**
Carrying value:					
December 31, 2022	$	**9,933**	**19,570**	**766**	**30,269**
December 31, 2021	$	**10,037**	**31,811**	**1,294**	**43,142**
January 1, 2021	$	**10,349**	**47,855**	**1,822**	**60,026**

(g) Investment property

		Land and improvements	Buildings	Total
Cost or deemed cost:				
Balance at January 1, 2022	$	95,830	172,938	268,768
Effect of changes in exchange rates		-	1,344	1,344
Balance at December 31, 2022	$	**95,830**	**174,282**	**270,112**
Balance as at January 1, 2021	$	95,830	173,400	269,230
Effect of changes in exchange rates		-	(462)	(462)
Balance at December 31, 2021	$	**95,830**	**172,938**	**268,768**
Depreciation and impairment loss:				
Balance at January 1, 2022	$	-	73,926	73,926
Depreciation		-	2,744	2,744
Effect of changes in exchange rates		-	526	526
Balance at December 31, 2022	$	**-**	**77,196**	**77,196**
Balance at January 1, 2021	$	-	71,381	71,381
Depreciation		-	2,719	2,719
Effect of changes in exchange rates		-	(174)	(174)
Balance at December 31, 2021	$	**-**	**73,926**	**73,926**

(Continued)

		Land and improvements	Buildings	Total
Carrying value:				
Balance at December 31, 2022	$	95,830	97,086	192,916
Balance at December 31, 2021	$	95,830	99,012	194,842
Balance at January 1, 2021	$	95,830	102,019	197,849
Fair value:				
Balance at December 31, 2022				$ 589,920
Balance at December 31, 2021				$ 589,920
Balance at January 1, 2021				$ 589,920

Investment property is commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~3 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(k) for further information.

The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation is based on market price. The parameters used by the fair value valuation technique belong to the third hierarchy.

The investment properties of the Group are located at Kunshan City, Jiangsu Province, China and Xindian Dist., New Taipei City, Taiwan. The range of yields applied to the net annual rentals to determine the fair value of the property for which the current prices in an active market are unavailable was 1.58%~6.60% for the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Group's investment properties were provided as pledged assets; please refer to note 8.

(h) Short-term borrowings

The details of the Group's short-term borrowings were as follows:

	December 31, 2022			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	2.05~2.10	2023	$ 140,000
Secured bank loans	TWD	1.92~2.16	2023	439,000
Total				$ 579,000

	December 31, 2021			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.51~1.65	2022	$ 210,000
Secured bank loans	TWD	1.41~1.50	2022	410,000
Total				$ 620,000

(Continued)

As of December 31, 2022 and 2021, the unused credit facilities amounted to $394,240 thousand and $496,120 thousand, respectively.

Please refer to note 6(s) for the Group's risk exposures relating to interest rate, currency, and liquidity risk.

The Group has pledged certain assets against the loans; please refers to note 8 for additional information.

(i) Provisions

	Decommissioning liabilities	Other	Total
Balance at January 1, 2022	$ 3,729	9,329	13,058
Provisions made during the year	-	5,981	5,981
Provisions used during the year	-	(3,396)	(3,396)
Provisions reversed during the year	-	(187)	(187)
Effect of changes in exchange rates	-	115	115
Balance at December 31, 2022	**$ 3,729**	**11,842**	**15,571**
Current	$ -	8,663	8,663
Non-current	3,729	3,179	6,908
	$ 3,729	**11,842**	**15,571**
Balance at January 1, 2021	$ 3,729	7,894	11,623
Provisions made during the year	-	6,557	6,557
Provisions used during the year	-	(4,545)	(4,545)
Provisions reversed during the year	-	(540)	(540)
Effect of changes in exchange rates	-	(37)	(37)
Balance at December 31, 2021	**$ 3,729**	**9,329**	**13,058**
Current	$ -	7,389	7,389
Non-current	3,729	1,940	5,669
	$ 3,729	**9,329**	**13,058**

(i) Decommissioning liabilities

The provision was the estimation for removing, moving and restoring the lease assets according to the lease contract, which were recognized as long-term liabilities. The future cost shall result in an uncertainty of provision due to the long-term lease of the office. Related costs are expected to occur after the lease term reaches its maturity.

(ii) Other provisions

Provisions were estimated based on the historical data on warranties on merchandise and services, which are mainly associated with the Group's business products. The Group expects to settle the majority of the liability over the next one to three years.

(j) Lease liabilities

The Group's lease liabilities were as follow:

	December 31, 2022	December 31, 2021
Current	$ 17,066	16,774
Non-current	$ 3,812	17,148

For the maturity analysis, please refer to note 6(s) financial instruments.

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	628	960
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	525	437

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

	2022	2021
Total cash outflow for leases	$ 18,040	17,817

(i) Real estate leases

The Group leases land and buildings for its office space. The leases of its office space typically run for a period of 5 to 7 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases vehicles, with lease terms of three years. The Group has options to purchase the assets at the end of the contract term.

The Group also leases office and dormitory with contract terms of 1 to 2 years. These leases are leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(k) Operating leases

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(g) for the information of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	December 31, 2022	December 31, 2021
Less than one year	$ 17,820	23,904
One to two years	9,196	17,677
Two to three years	-	9,196
Total undiscounted lease payments	**$ 27,016**	**50,777**

Rental income from investment properties was $24,259 thousand and $23,728 thousand for the years ended December 31, 2022 and 2021, respectively. The direct expenses from investment properties were $1,460 thousand and $2,297 thousand for the years ended December 31, 2022 and 2021, respectively.

(l) Employee benefits

(i) Defined contribution plans

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

The employees of the Durabook Americas Inc. could choose a specific ratio (adjusted by the inflation rate) to contribute their own pensions under the definition of the pension plan. The employees contribute 50% of the pension voluntarily and the contribution shall not exceed a specific ratio of the salary. Durabook Americas Inc. recognized the amount of the retirement fund that should be allocated according to the pension plan as current expense.

Except for the two subsidiaries of the Group, namely, Twinhead (Asia) Pte. Ltd. and Twinhead Enterprises (BVI) Ltd., which are not eligible for the pension plan, the defined benefit plan of the other subsidiaries (Twinhead Kunshan Technology Co., LTD., and Kunshan Lun Teng System Co., Ltd.) are based on the local regulations of their respective locations; and all the contributions made to such plans are recognized as current expenses.

The Group's pension costs under the defined contribution plan were $7,729 thousand and $7,484 thousand for the years ended December 31, 2022 and 2021, respectively.

(ii) Short-term employee benefit liabilities

	December 31, 2022	December 31, 2021
Compensated absence liabilities	**$ 8,640**	**8,108**

(Continued)

(m) Income taxes

(i) Income tax expenses

The amount of the Group's income tax for the years ended December 31, 2022 and 2021, was as follows:

		2022	2021
Current income tax expense			
Current period	$	200	209
Adjustment for prior periods		19	37
		219	246
Deferred tax expense			
Origination and reversal of temporary differences		758	-
Income tax expense from continuing operations	**$**	**977**	**246**

Reconciliations of the Group's income tax expenses and the income before tax for the years ended December 31, 2022 and 2021 were as follows:

		2022	2021
Income before tax	**$**	**78,486**	**26,018**
Income tax using the Company's domestic tax rate	$	15,697	5,204
Effect of tax rates in foreign jurisdiction		2,178	3,196
Adjustment under tax laws		(5,769)	2,154
Loss (Gain) from equity investments under the equity method		3,232	(1,485)
Dividend income		(96)	-
Change in unrecognized deferred tax assets for tax losses		(16,723)	(7,170)
Overestimate of previous deferred tax assets		1,544	20
Change in unrecognized deductible temporary differences		2,134	978
Underestimate of previous income tax		19	37
Others		(1,239)	(2,688)
Income tax expense	**$**	**977**	**246**

(Continued)

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 154,955	144,281
The carryforward of unused tax losses	1,731,143	1,742,388
	$ 1,886,098	**1,886,669**

Tax losses of a company can be carried forward to offset its future taxable income for a period of ten years in accordance with the Income Tax Act of the ROC. Based on the local tax credit regulations, losses incurred by foreign consolidated subsidiaries can be deducted from their income tax. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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

a) Taiwan

Year of tax loss occurred	Amount	Year of expiration
2014	$ 66,628	2024
2015	95,026	2025
2016	298,592	2026
2017	71,323	2027
2019	25,418	2029
2020	679,502	2030
	$ 1,236,489	

(Continued)

b) United States (Federal tax)

Year of tax loss occurred	Amount	Year of expiration
2012	$ 9,462	2032
2013	16,247	2033
2014	6,717	2034
2015	44,122	2035
2016	45,799	2036
2018	13,530	2038
2019	49,228	2039
2020	33,258	2040
2021	19,594	2041
2022	11,065	2042
	$ 249,022	

2) Recognized deferred tax assets

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

Deferred tax assets:

	Loss carryforwards	Allowance for inventory valuation	Impairment loss	Others	Total
Balance at January 1, 2022	$ 6,054	21,927	11,200	3,864	43,045
Recognized in profit or loss	(242)	(828)	-	312	(758)
Foreign currency translation differences for foreign operations	656	334	-	101	1,091
Balance at December 31, 2022	**$ 6,468**	**21,433**	**11,200**	**4,277**	**43,378**
Balance at January 1, 2021	$ 6,366	22,453	11,200	3,320	43,339
Recognized in profit or loss	(134)	(439)	-	573	-
Foreign currency translation differences for foreign operations	(178)	(87)	-	(29)	(294)
Balance at December 31, 2021	**$ 6,054**	**21,927**	**11,200**	**3,864**	**43,045**

(iii) Income tax assessment

The ROC income tax authorities have examined the Company's income tax returns for all years through 2020.

(Continued)

(n) Capital and other equity

The total value of authorized ordinary shares amounted to $7,000,000 thousand, with par value of $10 per share, divided into 700,000 thousand shares. The number of authorized shares included ordinary shares and preference shares, of which 24,799 thousand ordinary shares were issued. In addition, 1 thousand preference shares were issued. All issued capital was fully paid in. The preference shares were classified under equity.

For the years ended December 31, 2022 and 2021, the reconciliation of outstanding shares of the Company was as follows:

(Express in thousand shares)

	Ordinary shares		**Preference shares**	
	2022	**2021**	**2022**	**2021**
Beginning balance on January 1	24,799	195,924	1	8
Capital reduction to offset accumulated deficits	-	(171,125)	-	(7)
Balance at December 31	**24,799**	**24,799**	**1**	**1**

(i) Capital stock

According to the Company's articles of incorporation, the rights and obligations of the 20% cumulative convertible preference shareholders are as follows:

1) Annual earnings, after making up accumulated deficits and appropriating legal reserve, are distributed, at 20% of par value, as dividends and bonus to the cumulative convertible preference shareholders.

2) Dividends and bonus are paid annually after being approved and declared in the annual ordinary shareholders' meeting. Dividends are calculated based on the prior year's days outstanding; however, upon conversion of their preference shares into ordinary shares, the cumulative convertible preference shareholders waive their rights to the current year's profit distribution.

3) Dividends and bonus in arrears must be made up in a later year before profits are distributed to ordinary shareholders. Upon conversion of preference shares into ordinary shares, dividends and bonus in arrears should be paid in full, and a cumulative convertible preference shareholders is precluded from sharing in the prior years' profit distribution with the ordinary shareholders. Except for the differences in dividend distribution, a 20% cumulative convertible preference shareholder shares the same rights or obligations as the ordinary stockholders.

4) One year after issuance, the cumulative convertible preference shareholders may, at their option, in June of every year, exchange their convertible preference shares for ordinary shares at a 1:1 ratio.

(Continued)

5) A cumulative convertible preference shareholder has a higher claim than the ordinary shareholders to the remaining assets in the event of the Company's liquidation, and is limited to the issuance amount of the cumulative convertible preference shares. Unless otherwise stipulated in the articles of incorporation, a cumulative preference shareholder has no other rights or obligations.

6) In order to build up a sound financial structure, the Company offset its capital against its accumulated deficits based on a resolution approved during the shareholders' meeting held on July 15, 2021, resulting in its share capital to reduce by 171,125 thousand ordinary shares and 7 thousand preference shares, approximately 87.34% of the total shares, amounting to $1,711,320 thousand. Thereafter, the numbers of issued shares were 24,799 thousand ordinary shares and 1 thousand preference shares. The above transaction has been approved by the Financial Supervisory Commission, with August 13, 2021 set as the base date of capital reduction. All relevant statutory registration procedures have been completed.

(ii) Capital sarplus

The Company's capital surplus were as follows:

	December 31, 2022	December 31, 2021
Donation from shareholders	$ 35	-

(iii) Retained earnings－Distribution of retained earnings

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or distributing cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed.

2) Special earnings reserve

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

(Continued)

3) Distribution of retained earnings

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

The remainder can be distributed as dividends in consideration of the overall industry circumstances, the Company's financial structure, and the investors' best interests, but at least 50% of the remainder should be distributed. Such distribution, considering the capital surplus, retained earnings, future profitability, and maintenance of the dividend distribution level, shall be no more than 40% in cash and the rest in stock dividends.

The appropriation of 2021 earnings as dividends to ordinary shareholders that was approved by the Company's shareholders during their meetings on June 10, 2022 was as follows:

	2021	
	Amount per share (NT dollars)	**Amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 1.00	**24,799**
Dividends distributed to preference shareholders:		
Cash	$ 2.00	**405**

As of December 31, 2020, the Company had incurred accumulated deficits. Therefore, no dividends were distributed. Related information would be available at the Market Observation Post System Website.

The Company's accumulated undistributed dividends for preference shares amounted to \$2 thousand and \$405 thousand as of December 31, 2022 and 2021, respectively. The dividends to preference shares in 2021 were accumulated from 2008 to 2021.

On March 16, 2023, the Company's Board of Directors resolved to appropriate the 2021 earnings as follows:

	2022	
	Amount per share (NT dollars)	**Amount**
Dividends distributed to ordinary shareholders:		
Stock	$ 2.50	**61,998**
Dividends distributed to preference shareholders:		
Cash	$ 2.00	**2**

(Continued)

(iv) Other equities (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance at January 1, 2022	$ 42,201	(16,991)	2,335	27,545
Foreign exchange differences arising from foreign operation	(9,298)	-	(1,787)	(11,085)
Unrealized losses from financial assets measured at fair value through other comprehensive loss	-	(1,124)	-	(1,124)
Balance at December 31, 2022	**$ 32,903**	**(18,115)**	**548**	**15,336**
Balance at January 1, 2021	$ 39,712	(17,499)	1,921	24,134
Foreign exchange differences arising from foreign operation	2,489	-	414	2,903
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	508	-	508
Balance at December 31, 2021	**$ 42,201**	**(16,991)**	**2,335**	**27,545**

(o) Earnings per share

The calculations of the Company's basic earnings per share and diluted earnings per share were as follows:

(i) Basic earnings per share

	2022	2021
Net income of the Company	79,598	28,182
Dividends on non-redeemable preference shares	(2)	(2)
Net income attributable to ordinary shareholders of the Company	**79,596**	**28,180**
Weighted average number of ordinary shares	**24,799**	**24,799**
Basic earnings per share (in NTD)	**3.21**	**1.14**

(Continued)

(ii) Diluted earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company (basic)	79,596	28,180
Dividends on non-redeemable preference shares	2	2
Net income attributable to ordinary shareholders of the Company (diluted)	**79,598**	**28,182**
Weighted average number of ordinary shares outstanding (basic)	24,799	24,799
Effect of dilutive potential ordinary shares		
Effect of remuneration to employees	108	171
Effect of convertible preference shares	1	1
Weighted average number of shares outstanding (diluted)	**24,908**	**24,971**
Diluted earnings per share (in NTD)	**3.20**	**1.13**

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2022	2021
Primary geographical markets:		
United States	$ 287,863	273,522
Taiwan	107,843	77,819
Germany	130,722	132,297
China	58,488	58,289
France	65,162	57,013
Others	284,059	268,953
	$ 934,137	**867,893**
Major products/services lines:		
Laptop	$ 748,585	703,949
Mainboard	74,212	72,138
Sales of materials and others	111,340	91,806
	$ 934,137	**867,893**

(Continued)

(ii) Contract Balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	$ -	116	-
Accounts receivable	89,909	70,836	60,578
Accounts receivable－related parties	774	-	2,848
Less: allowance for impairment	73	-	-
Total	**$ 90,610**	**70,952**	**63,426**

Please refer to the note 6(b) for the details on notes receivable, accounts receivables and allowance for impairment.

(q) Remunerations to employees and directors

In accordance with the Articles of incorporation before the amendment, the Company should contribute no less than 10% of the profit as employee remuneration and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of remuneration for employees entitled to receive the abovementioned employee remuneration is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's controlling or affiliated companies who meet certain conditions.

In accordance with the Articles of incorporation amended on June 10, 2022 the Company should contribute no less than 5% of the profit as employee remuneration and less than 4% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of remuneration for employees entitled to receive the abovementioned employee remuneration is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's controlling or affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the estimated employee remuneration amounted to $7,155 thousand and $3,203 thousand and the estimated directors' remuneration amounted $2,683 thousand and $640 thousand. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and expensed under operating expenses, the related information would be available at the Market Observation Post System Website. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be recognized in profit or loss in the following year. The amounts, as stated in the consolidated financial statements, were identical to those of the actual distributions for 2022 and 2021.

(r) Non-operating income and expenses

(i) Interest income

	2022	2021
Interest income from bank deposits	**$ 1,398**	**168**

(Continued)

(ii) Other income

	2022	2021
Rental income	$ 27,739	27,208
Dividend income	480	-
Other income－other		
Government grants	8,234	6,760
Other	990	6,755
Subtotal	9,224	13,515
Total other income	**$ 37,443**	**40,723**

(iii) Other gains and losses

	2022	2021
Foreign exchange gain and losses, net	$ 35,349	(10,584)
Others	(5,603)	(2,720)
Other gains and losses, net	**$ 29,746**	**(13,304)**

(iv) Finance costs

	2022	2021
Interest expense	**$ (11,446)**	**(10,847)**

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2022 and 2021, the maximum credit risk exposure amounted to $328,907 thousand and $317,537 thousand, respectively.

2) Concentration of credit risk

As of December 31, 2022 and 2021, 37% and 22%, respectively, of the accounts receivable were from the sales to one customer. In addition, for the years ended December 31, 2022 and 2021, 73% and 75%, respectively, of the sales of the Group were concentrated in the Americas and Europe.

(Continued)

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	$ 579,000	583,185	583,185	-	-	-
Notes payable	221	221	221	-	-	-
Accounts payable	109,894	109,894	109,894	-	-	-
Other payables	71,483	71,483	71,483	-	-	-
Lease liabilities	20,878	21,357	17,413	2,234	1,710	-
Guarantee deposits received	6,731	6,731	3,524	3,107	100	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	$ 788,218	**792,884**	**785,733**	**5,341**	**1,810**	**-**
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	$ 620,000	623,179	623,179	-	-	-
Notes payable	177	177	177	-	-	-
Accounts payable	75,461	75,461	75,461	-	-	-
Other payables	61,523	61,523	61,523	-	-	-
Lease liabilities	33,922	34,719	17,362	17,126	231	-
Guarantee deposits received	6,676	6,676	100	3,469	3,107	-
Preference shares (including preference shares dividends)	11	416	416	-	-	-
	$ 797,770	**802,151**	**778,218**	**20,595**	**3,338**	**-**

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's financial assets and financial liabilities exposed to significant currency risk were as follows:

	Foreign currency	Exchange rate	TWD
December 31, 2022			
Financial assets:			
Monetary assets:			
USD	$ 19,600	30.71	601,916
Financial liabilities:			
Monetary liabilities:			
USD	$ 1,815	30.71	55,739

(Continued)

		Foreign currency	Exchange rate	TWD
December 31, 2021				
Financial assets:				
Monetary assets:				
USD	$	19,893	27.68	550,638
Financial liabilities:				
Monetary liabilities:				
USD	$	1,276	27.68	35,320

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of December 31, 2022 and 2021, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the years ended December 31, 2022 and 2021 by $5,462 thousand and $5,152 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant.

3) Foreign exchange gain and loss on monetary item

Due to the numerous types of functional currency, the Group aggregately discloses its exchange gains and losses on monetary items. The Group's exchange gains (losses), including realized and unrealized, were $35,349 thousand and $(10,584) thousand for the years ended December 31, 2022 and 2021, respectively.

(iv) Interest rate risk analysis

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

The following sensitivity analysis is based on the risk exposure to interest rates of the derivative and non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the liabilities with a floating rate as of the reporting date are outstanding for the whole year.

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have decreased/increased by $5,790 thousand and $6,200 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowings at floating rates.

(Continued)

(v) Fair value

1) Categories and fair value of financial instruments

	December 31, 2022				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	$ 622	-	-	622	622
Unlisted stocks (overseas)	57	-	-	57	57
Subtotal	679	-	-	679	679
Financial assets measured at amortized cost					
Cash and cash equivalents	230,416	-	-	-	-
Accounts receivable (including related parties)	90,610	-	-	-	-
Refundable deposits	7,202	-	-	-	-
Subtotal	328,228	-	-	-	-
Total	**$ 328,907**	**-**	**-**	**679**	**679**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 579,000	-	-	-	-
Notes and accounts payable	110,115	-	-	-	-
Other payables	71,483	-	-	-	-
Lease liabilities	20,878	-	-	-	-
Guarantee deposits received	6,731	-	-	-	-
Preference shares	11	-	-	-	-
Total	**$ 788,218**	**-**	**-**	**-**	**-**

	December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	$ 1,744	-	-	1,744	1,744
Unlisted stocks (overseas)	59	-	-	59	59
Subtotal	1,803	-	-	1,803	1,803
Financial assets measured at amortized cost					
Cash and cash equivalents	236,489	-	-	-	-
Notes and accounts receivable	70,952	-	-	-	-
Other receivables	1,222	-	-	-	-
Refundable deposits	7,071	-	-	-	-
Subtotal	315,734	-	-	-	-
Total	**$ 317,537**	**-**	**-**	**1,803**	**1,803**

(Continued)

	December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 620,000	-	-	-	-
Notes and accounts payable	75,638	-	-	-	-
Other payables	61,523	-	-	-	-
Lease liabilities	33,922	-	-	-	-
Guarantee deposits received	6,676	-	-	-	-
Preference shares	11	-	-	-	-
Total	$ **797,770**	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value－Non-derivative financial instruments

If there are quoted prices in active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks used for the fair value of equity instruments and liability instruments traded in active markets.

If the quoted prices from stock exchanges, brokers, underwriters, industry associations, pricing agencies or authorities are timely and frequently, and that the price fairly presents the market transaction, the financial instrument is regarded to have a quoted price in an active market. If the aforementioned conditions are not fulfilled, the market is regarded as inactive. Generally, large or significantly widen bid-ask spread, or significantly low trading volume are indications of an inactive market.

If the financial instrument held by the Group is an equity investment without an active market, its fair value will have to be derived using the market approach. The fair value can be estimated based on the valuation of the comparable company and the quoted price provided by third parties, as well as the equity value of the comparable company and its operating performances. Whereas the liquidity discount is a significant unobservable input in valuing equity investment, its potential changes will not cause material impact on financial figures, and therefore, its quantitative information need not be disclosed.

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2022	$ 1,803
Total loss recognized:	
In other comprehensive income	(1,124)
Balance at December 31, 2022	$ **679**

(Continued)

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2021	$ 6,481
Total gain recognized:	
In other comprehensive income	508
Return of capital for the period	(5,186)
Balance at December 31, 2021	**$ 1,803**

The aforementioned total income (loss) was included in unrealized gains and losses from financial assets at fair value through other comprehensive income.

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Comparative listed company	· Multiplier of price-to-book ratio (As of December 31, 2022 and 2021 were 0.08~1.00) · Market illiquidity discount rate (As of December 31, 2022 and 2021 were 20%)	The estimated fair value would increase (decrease) if · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

(Continued)

5) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions.

The Group's measurement of the fair value of financial instruments is reasonable, but the use of different evaluation models or parameters may result in different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

			Other comprehensive income	
	Input	**Assumptions**	**Favorable**	**Unfavorable**
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	$ 42	(42)
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	113	(113)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(t) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the history of transactions with the counter-party, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, there is no significant credit risk.

3) Guarantees

The Group's policy allows it to provide financial guarantees to entity if either of the following three conditions is met:

a) entity with business relationship,

b) entity holds directly or indirectly more than 50% of the shares in the Group,

c) entity that holds directly or indirectly more than 50% of the voting rights in the Group.

As of December 31, 2022 and 2021, no guarantees were provided.

(Continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in currencies other than the respective functional currencies of the Group, primarily the NTD, USD and CNY. The currencies used in these transactions are the NTD, USD and CNY.

The Group relies on immediate foreign exchange transactions at spot rate to ensure the net exposure to foreign exchange risk is maintained within prescribed limits in order to manage market risk.

The Group's foreign currency assets and liabilities are influenced by foreign exchange rates. However, the amount is not significant after offsetting the assets against the liabilities. Therefore, market risk is maintained within prescribed limits.

2) Interest rate risk

The interest rates of the Group's short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate and the future cash flow of the aforementioned loans. Because of the stable financial environment in which the Group operates and the stable fluctuating range of the market interest rate, it should not cause significant risks due to the changes in interest rate.

(u) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares to settle long-term liabilities.

The Group uses the debt ratio to manage capital. This ratio is debt divided by total assets. Debt is derived from the total liabilities on the balance sheet. Total assets include share capital, capital surplus, retained earnings, other equity, and non-controlling interests plus debt.

(Continued)

The Group's debt ratio at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 830,585	841,288
Total assets	$ 1,156,327	1,126,899
Debt ratio	72 %	75 %

As of December 31, 2022, there were no material changes to the capital management of the Group.

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

The Group did not have any non-cash flow transactions on its investing activities for the years ended December 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, the reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes		
	January 1, 2022	Cash flows	Acquisition right-of-use assets	Effect of changes in exchange rate	December 31, 2022
Short-term borrowings	$ 620,000	(41,000)	-	-	579,000
Lease liabilities	33,922	(16,887)	3,433	410	20,878
Total liabilities from financing activities	$ 653,922	(57,887)	3,433	410	599,878

			Non-cash changes	
	January 1, 2021	Cash flows	Effect of changes in exchange rate	December 31, 2021
Short-term borrowings	$ 620,000	-	-	620,000
Lease liabilities	50,465	(16,420)	(123)	33,922
Total liabilities from financing activities	$ 670,465	(16,420)	(123)	653,922

(7) Related-party transactions

(a) Name and relationship with related party

In this consolidated financial report, the related party having transactions with the Group was listed as below:

Name of related party	Relationship with the Group
NCS Technologies, Inc. (NCS)	Other related party of the Group (The president of NCS is the director of the Company)

(Continued)

(b) Significant transactions with related party

(i) Operating revenue

The amounts of significant sales by the Group to related party were as follows:

		2022	2021
NCS	$	3,027	5,662

The sales price with related party was not significantly different from normal transactions, and the payment term was 30 days after sales.

(ii) Accounts receivable-related parties

The details of the Group's accounts receivable from related party were as follows:

Accounts	Type of related parties		December 31, 2022	December 31, 2021
Accounts receivable－related parties	Other related parties	$	701	-

(iii) Advance sales receipts (recognized under other current liabilities)

The details of the Group's advance sales receipts from related party were as follows:

		December 31, 2022	December 31, 2021
NCS	$	-	6,880

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

		2022	2021
Short-term employee benefits	$	23,809	21,122
Post-employment benefits		216	216
	$	24,025	21,338

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object		December 31, 2022	December 31, 2021
Land	Short-term borrowings	$	107,832	107,832
Buildings	Short-term borrowings		155,542	159,997
Investment property	Short-term borrowings		141,360	142,763
		$	404,734	410,592

(Continued)

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

The employee benefit expenses, depreciation, and amortization, categorized by function, were as follows:

By function	Years ended December 31, 2022			Years ended December 31, 2021		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	29,488	148,476	177,964	28,029	138,433	166,462
Labor and health insurance	3,204	11,615	14,819	3,049	11,447	14,496
Pension	1,579	6,150	7,729	1,504	5,980	7,484
Remuneration of directors	-	5,686	5,686	-	3,776	3,776
Others	1,889	3,762	5,651	1,866	3,547	5,413
Depreciation (note)	4,931	20,415	25,346	4,863	21,161	26,024
Amortization	-	12,326	12,326	-	11,847	11,847

Note: Depreciation expenses for investment property recognized under other income and expenses amounted to $2,744 thousand and $2,719 thousand for the years ended December 31, 2022 and 2021, respectively.

(Continued)

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2022:

(i) Loans extended to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(in Thousands of New Taiwan Dollars / in thousands of sharers)

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2021	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	EUROC Venture Capital Corp.	-	Non-current financial assets at fair value through other comprehensive income	80	622	10.000 %	622	5,189	
The Company	I1, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	30,800	
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	63,609	
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	57	0.691 %	57	4,630	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	8,969	
The Company	Durabook Federal, Inc	-	Non-current financial assets at fair value through other comprehensive income	19	-	19.000 %	-	5	

(iv) Accumulated holding amount of a single security in excess of NT$300 million or 20% of the Company's issued share capital: None.

(v) Acquisition of real estate in excess of NT$300 million or 20% of the Company's issued share capital: None.

(vi) Disposal of real estate in excess of NT$300 million or 20% of the Company's issued share capital: None.

(vii) Sales to and purchases from related parties in excess of $100 million or 20% of the Company's issued share capital:

(in Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Durabook	Subsidiary	(Sale)	(91,514)	(10) %	The receivables can be offset with accounts payable from purchase or be O/A 60 days	No significant differences	The receivables can be offset with accounts payable from purchase or be O/A 60 days	60,146 (Note 1)	26 %	Note 2
Durabook Americas Inc.	The Company	Parent company	Purchase	91,514	96 %	The payables can be offset with accounts receivables from sales or be O/A 60 days	No significant differences	The payables can be offset with accounts receivables from sales or be O/A 60 days	(138,090)	(99) %	Note 2

Note 1: As of December 31, 2022 , the Company's accounts receivable was offset against the investments of Durabook, accounted for using the equity method.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

(Continued)

(viii) Receivables from related parties in excess of NT$100 million or 20% of the Company's issued share capital:

(in Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Notes 1 and 5)	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
The Company	Twinhead Kunshan Technology Co., Ltd.	Subsidiary	325,811 (Note 3)	-	325,811 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable (Note 3)	-	-
The Company	Durabook	Subsidiary	138,090 (note 4)	0.73	77,944 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	4,459	-

Note 1: Includes the amount recorded under long-term accounts receivables.

Note 2: Until March 16, 2023.

Note 3: It represents the net amount of accounts receivable of the Company derived from the purchase of supplies on behalf of Twinhead Kunshan Technology Co., Ltd. and accounts payable derived from purchase of goods from Twinhead Kunshan Technology Co., Ltd. in prior years. Twinhead Kunshan Technology Co., Ltd. pays the Company with the rental income according to the capital plan.

Note 4: As of December 31, 2022, the Company's accounts receivable from Durabook were $138,090 thousand. The overdue receivables of $77,944 thousand were reclassified to long-term receivables.

Note 5: The transactions within the Group were eliminated in the consolidated financial statements.

(ix) Information regarding trading in derivative financial instruments: None.

(x) Business relationships and significant intercompany transactions:

(in Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Note 5)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Durabook	1	Sales revenue	91,514	The transaction is not significantly different from normal transactions	9.80 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	45,023	The transaction is not significantly different from normal transactions	4.82 %
0	The Company	Durabook	1	Accounts receivable－related parties	60,146 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 days	5.20 %
0	The Company	Twinhead Kunshan Technology Co., Ltd.	1	Long-term accounts receivable－related parties	80,292 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A over 180 days. The payment is arranged according to the capital plan.	6.94 %

Note 1: Company numbering is as follows:
(1) Parent company is 0.
(2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:
(1) 1 represents downstream transactions.
(2) 2 represents upstream transactions.
(3) 3 represents sidestream transactions.

Note 3: As of December 31, 2022, the Company's accounts receivable was offset against the investments of Durabook, accounted for using the equity method.

Note 4: It represents the net amount of accounts receivable of the Company derived from the purchase of supplies on behalf of Twinhead Kunshan Technology Co., Ltd. and accounts payable derived from purchase of goods from Twinhead Kunshan Technology Co., Ltd. in prior years after offsetting against the investment of Twinhead Kunshan Technology Co., Ltd., accounted for using the equity method.

Note 5: The transactions within the Group were eliminated in the consolidated financial statements.

Note 6: For balance sheet items, over 1% of total consolidated assets, and for profit or loss item, over 1% of total consolidated revenues were selected for disclosure.

(Continued)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(in Thousands of New Taiwan Dollars / in Thousands of shares)

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2020	Net income (loss) of investee	Investment income (losses)	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value				
The Company	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	73,442	73,442	769	80.000 %	(5,483) (note 3)	73,442	(10,443)	(8,354)	Subsidiary (note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	539,919	(7,805)	(7,805)	Subsidiary (note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,265	1,388	69	69	Subsidiary (note 2)

Note 1: The exchange rate as of December 31, 2022 : USD1=TWD30.71.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

Note 3: Please refer to note 13(a)(x) note 3.

Note 4: Please refer to note 13(a)(x) note 4.

(c) Information on investment in Mainland China:

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

(in Thousands of New Taiwan Dollars / in thousands of USD)

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2020	Investment income (losses) (Note 2)	Book value as of December 31, 2022	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Twinhead Kunshan Technology Co., Ltd.	Sales and production of PDAs, calculators and their parts, and computer keyboards	383,875 (USD12,500)	(2)	383,875 (USD12,500)	-	-	383,875 (USD12,500)	(8,989)	100.00 %	383,875 (USD12,500)	(8,989)	(265,830)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	122,840 (USD4,000)	(2)	61,420 (USD2,000)	-	-	61,420 (USD2,000)	-	- %	61,420 (USD2,000)	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,449 (USD210)	(2)	6,449 (USD210)	-	-	6,449 (USD210)	1,321	100.00 %	6,449 (USD210)	1,321	20,711	-

Note 1: The method of investment is divided into the following four categories:

(1) Through transferring the investment to third-region existing companies then investing in Mainland China.

(2) Remittance from third-region companies to invest in Mainland China (Through Twinhead (Asia) Ptd Ltd. invest in Mainland china).

(3) Through the establishment of third-region companies then investing in Mainland China.

(4) Other methods: EX: delegated investments.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The exchange rate as of December 31, 2022 : USD1=TWD30.71.

Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2022 (Note 1)	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	491,667 (USD16,010)	491,667 (USD16,010)	- (Note 3)

Note 1: Including the amount of USD1,300 thousand wired to Twinhead Beijing Technology Co., Ltd.

Note 2: The exchange rate as of December 31, 2022: USD1=TWD30.71.

Note 3: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau Ministry of Economic Affairs, on June 12, 2020. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from June 9, 2020 to June 8, 2023.

(Continued)

(iii) Significant transactions with investees in Mainland China:

Related information is provided in note 13(a)(x).

(d) Major shareholders:

Unit: share

Shareholding / Shareholder's Name	Shares	Percentage
Kaos Enterprise Co., Ltd.	3,973,315	16.02 %
Protegas Futuro Holdings, LLC	3,802,355	15.33 %
Outstanding Corporation	1,644,480	6.63 %
KANG EEL SHIUAN Co., Ltd.	1,391,327	5.61 %

(14) Segment information

(a) General information

The Group is mainly engaged in the design, manufacture and sale of computers, as well as related products. The management regularly reviews the Group's overall performance to evaluate the efficiency of each segment and allocate its resources accordingly. The Group is identified as a sole operating segment.

(b) Information about the products and services

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

Products and services	2022	2021
Laptop	$ 748,585	703,949
Mainboard	74,212	72,138
Sales of materials and others	111,340	91,806
Total	**$ 934,137**	**867,893**

(c) Geographical information

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

Geographical information	2022	2021
Revenue from external customers:		
United States	$ 287,863	273,522
Taiwan	107,843	77,819
Germany	130,722	132,297
China	58,488	58,289
France	65,162	57,013
Other countries	284,059	268,953
Total	**$ 934,137**	**867,893**

(Continued)

Geographical information		December 31, 2022	December 31, 2021
Non-current assets:			
Taiwan	$	450,356	472,490
China		63,126	64,188
United States		5,679	3,978
Total	$	**519,161**	**540,656**

Non-current assets include property, plant and equipment, right-of-use assets, investment property and other assets, not including financial instruments, deferred tax assets, and rights arising from insurance contract.

(d) Information about major customers

For the years ended December 31, 2022 and 2021, the Group's major customers whose revenue was 10% or more of the net sales were as follows:

Name of customer		2022	2021
Customer D	$	106,163	131,232
Customer P		95,129	Note 1

Note 1: Revenue from aforementioned customers was less than 10% of the net sales in 2021.

VI. In case of financial difficulties experienced by the Company or its affiliates during the most recent year or as of the publication date of this annual report, please describe the impact on the Company's financials: none

Seven. Review and Analysis of Financial Position, Financial Performance and Risks

I. Financial position

Major reason and impact of significant changes in assets, liabilities and equity during the most recent 2 years:

Comparative Statement of Financial Position

Unit: Thousand New Taiwan Dollars

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	534,324	585,907	51,583	9.65
Non-current assets	592,575	570,420	(22,155)	(3.74)
Total assets	1,126,899	1,156,327	29,428	2.61
Current liabilities	810,270	812,537	2,267	0.28
Non-current liabilities	31,018	18,048	(12,970)	(41.81)
Total liabilities	841,288	830,585	(10,703)	(1.27)
Share capital	248,004	248,004	-	-
Paid-in-capital	-	35	35	-
Retained earnings	28,182	82,576	54,394	193.01
Other equity	25,210	14,788	(10,422)	(41.34)
Non-controlling interest	(15,785)	(19,661)	(3,876)	24.55
Total equity	285,611	325,742	40,131	14.05

Explanation for significant changes:

1. The decrease in non-current liabilities of this year was mainly due to decrease in lease liabilities.
2. The decrease in other equity of this year was mainly due to decrease in gains and losses on the exchange differences resulting from translating the financial statements in foreign operations as a result of changes in exchange rates.

II. Financial performance

(I) Main reason for the material changes in operating revenue, operating profit and pre-tax income for the most recent two years:

Unit: thousand New Taiwan Dollars

Item \ Year	2021	2022	Amount of changes	Rate of changes (%)
Operating revenue	867,893	934,137	66,244	7.63
Operating cost	608,149	635,281	27,132	4.46
Gross profit	259,744	298,856	39,112	15.06
Operating expense	250,466	277,511	27,045	10.80
Operating profit	9,278	21,345	12,067	130.06
Non-operating revenue and expense	16,740	57,141	40,401	241.34
Net income before tax	26,018	78,486	52,468	201.66
Income tax expense	(246)	(977)	(731)	297.15
Current net income	25,772	77,509	51,737	200.75
Explanation for significant changes: 1. The increase in operating profit was mainly due to increase in gross profit. 2. The increase in non-operating revenue and expense was due to increase in gains on foreign exchange.				

(II) Sales volume forecast and the basis therefor, the effect upon the company's financial operations and measures to be taken in response: None.

III. Cash flows

(I) Liquidity analysis for the most recent two years

Unit: thousand New Taiwan Dollars

Item	2021	2022	Amount of changes	Rate of changes %
Operating activities	785	104,491	103,706	13,210.96
Investing activities	(2,971)	(13,536)	(10,565)	(355.60)
Financing activities	(17,488)	(83,719)	(66,231)	(378.72)
Effects of changes in exchange rates	3,595	(13,309)	(16,904)	(470.21)
Net cash inflows (outflows)	(16,079)	(6,073)	10,006	62.23

Explanation for changes in ratios:

1. Increase in net cash inflows from operating activities: It was mainly due to increase in profit of this year.
2. Increase in net cash outflows from investing activities: It was mainly due to increase in purchase of molds.
3. Increase in net cash outflows from financing activities: It was mainly due to debt

repayment and distribution of dividends.

4. Effects of changes in exchange rates: It was mainly due to decrease in gains and losses on the exchange differences resulting from translating the financial statements in foreign operations.

(II) Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

(III) Cash Flow Analysis for the Coming Year

Unit: thousand New Taiwan Dollars

Beginning balance of cash (January 1, 2023)	Net cash flow from operating activities	Cash outflow	Cash surplus	Remedy for cash deficit	
				Investment plans	Financing plans
230,416	99,077	90,474	239,019	-	-

Explanation for analysis of change in cash flow:

1. Operating activities: Estimated cash inflows were mainly due to operating profit.
2. Annual cash outflows: Estimated cash outflows were mainly due to debt repayment and increase in cash dividends distributed.

IV. Impact of major capital expenditures during the most recent year on financials and business

(I) Major capital expenditure items and source of capital: None.

(II) Expected benefits: None.

V. Equity investment policy during the most recent year, main reasons for the resulting profits/losses, improvement plan and equity investment plan for the coming year

The Company reinvests mainly in our subsidiaries. There is no other investment plan the coming year currently.

VI. Analysis and assessment of risks for the most recent year and as of the publication date of this annual report

(I) Impact of interest rate and exchange rate changes and inflation on the Company's profit and loss and countermeasures going forward

1. Interest rates: The change in interest rates was insignificant during the most recent year. Hence, interest rate fluctuations are unlikely to cause significant risks.
2. Exchange rates: To manage exchange rate risks, the Company keeps its net position of foreign currencies to a certain amount.
   The Company's credits and debts denominated in foreign currencies are affected by exchange rates. However, the net position of such credits and debts is not significant. The impact of exchange rate changes is thus limited to a certain level.
3. Inflation: The Company keeps an eye on market price trends, adopts a flexible strategy and proactively negotiates with suppliers to mitigate the effects of inflation.

(II) Policies, main reasons for profit or loss and countermeasures going forward regarding highly risky and highly leveraged investments, lending to others, endorsements/guarantees and derivatives transactions

The Company is not engaged in highly risky or highly leveraged investments. Lending to others, endorsements/guarantees and transaction of derivatives are in accordance with regulations set by competent authorities and the Company's Procedures for Asset Acquisitions/Disposals; Procedures for Lending, Endorsements and Guarantees and corresponding measures.

(III) R&D plans and expected R&D expenses

1. The Company plans to develop and launch the following products and services in 2023:

(1) Rugged mobile devices

- Next-generation rugged laptops with the newest computing platform and in data transmission specifications
- High-speed computing mobile workstations with disk arrays
- Light-weight, high-performance tablets with Windows operating system
- Development of peripheral products for a variety of use cases in the industrial and military markets

(2) Artificial intelligence

Predictive service with cloud, big data and analytics for customers to manage and analyze products

2. The Company has placed a long-term emphasis on product innovation and the development and training of R&D talents. Significant resources are invested on the development and mass production of next-generation products, as well as the effective monitoring of market dynamics and product trends. In adherence to the tradition of continued innovations, the Company plans to spend about 8% of sales on R&D in 2023. We continue to develop new products and applications and work with channel partners to expand markets and use cases.

(IV) Changes in important policies and laws domestic and overseas on the Company's financials and business and the countermeasures

The Company stays abreast of changes in important policies and laws domestic and overseas and responds to amendments of relevant regulations by competent authorities. The Company has adopted corresponding measures and hence there is no significant influence on financials or business.

(V) Impact of technological changes (including information and communication security risks) and industrial changes on the Company's financials and business and the countermeasures

The Company keeps a close eye on the development of relevant sectors and evaluates the impact of technological changes on its financials and business and devises countermeasures accordingly. Hence, technological change has no significant effects on the Company's financials or business yet.

(VI) Impact of company image changes on corporate crisis management and the countermeasures

The Company has not experienced changes in its corporate image. The Company has established a corporate website, spokesperson system, investor relations and customer feedback mechanism. We disclose significant news and announcements according to relevant laws and we create a transparent channel for communication and mutual trust to maintain a good corporate image.

(VII) Expected benefits, potential risks of acquisitions and countermeasures

No M&A plan as of the publication date of this annual report

(VIII) Expected benefits and potential risks of factory facilities expansion and countermeasures

No factory expansion plan s of the publication date of this annual report

(IX) Risks of sale/purchase concentration and countermeasures

Diversified sales/purchases and hence no overconcentration risks

(X) Impact and risks of significant ownership transfers or changes among directors, supervisors or major shareholders with at least a 10% stake and countermeasures

No such circumstances as of the publication date of this annual report

(XI) Impact and risks of change of control and countermeasures

No such circumstances as of the publication date of this annual report

(XII) Litigation or non-litigation events

None

(XIII) Other important risks and countermeasures

Below is an analysis and assessment of the Company’s cybersecurity risks:

1. Network security risks: The Company has deployed firewall equipment and systems and established a mechanism to block cyberattacks. Log-on authority has been set up to mitigate the risk of cyberattacks.
2. Mail security risks: The Company has deployed a mail filtering system with a set of rules governing external emails. Virus information is updated from time to time. Regular scans are conducted. Suspicious emails that may contain viruses are isolated, to avoid computer systems from attacks of virus files or links.
3. Personal computer risks: The Company installs endpoint anti-virus software on employees’ computers. Virus codes are updated daily and infected computer files are isolated, to avoid virus attacks.
4. System control and damage risks: The Company implements authorization management on important files. System files are regularly and routinely backed up and storage media is kept at the safe with a bank. This ensures remote backups and reduces recovery risks in event of system abnormality.
5. Information and software risks: The Company’s IT department conducts software audits from time to time each year. Each department is staffed with a software auditor, to support the IT department in the inspection and audit of software installed for employees.

VII. Other important matters

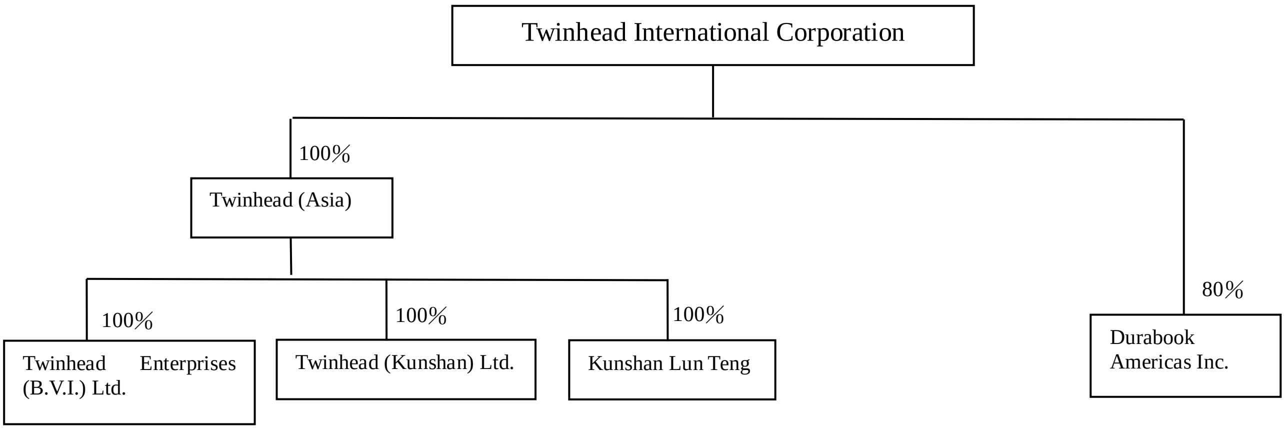
None

Eight. Special Notes

I. Data on affiliated enterprises (as of the publication date of this annual report)

(I) Consolidated business report of affiliated enterprises

1. Organization chart of affiliated enterprises



2. Basic data of individual affiliated enterprises

Unit: NT$1,000; foreign currency 1,000

Enterprise name	1. Establishment date	Address	Paid-in capital (Note)	Main businesses or products
Durabook Americas Inc.	July 12, 1989	48329 Fremont Blvd, Fremont, CA94538, USA	USD2,962 (NTD 78,761)	R&D and trading of computers and peripherals
Twinhead (Asia)	March 1, 1997	51, Anson Rd., #02-61, Anson Centre, Singapore, 079904	SGD5,872 (NTD 486,297)	Investment holding
Twinhead Enterprises (B.V.I.) Ltd.	February 12, 1997	DrakeChambers, Tortola, British Virgin Island	USD50 (NTD 1,388)	Investment holding
Twinhead (Kunshan) Ltd.	February 22, 2001	No. 89, First Avenue, Kunshan Integrated Free Trade Zone, Jiangsu Province	USD12,500 (NTD 429,582)	Factory facilities leasing to other companies
Kunshan Lun Teng	March 6, 2012	Room 406, Yuda Commercial Square, No. 6 Leshan Road, Yushan Town, Kunshan, Jiangsu Province	USD210 (NTD 6,332)	Trading of computers, peripherals and digital camera and technical consultation services

Note: NT$ amounts based on historical exchange rates

3. Data on same shareholders of the companies with controlling and subordinate relationships according to Article 369-3 of the Company Act: none

4. Industries covered by the scope of businesses for all affiliated enterprises: Please refer to (2).
Please explain the division of work and the dealing of businesses if affiliated enterprises operate in related businesses:
The Company is responsible for manufacturing, sales and after-sales maintenance.

Subsidiaries and sub-subsidiaries handle sales and after-sales maintenance.

5. Data on directors, supervisors and managers of affiliated enterprises

Unit: shares; ％

Enterprise name	Title	Name or representative		Shareholding	
				No. of shares	Shareholding percentage
Durabook Americas Inc..	Chairman	Yu-Jen Kao	Representative of Twinhead International Corporation	769,230	80%
	Director	Mei-Li Tsai	Representative of Twinhead International Corporation	769,230	80%
	Director	Su-Fu Kao	Representative of Twinhead International Corporation	769,230	80%
	President	Heng-Chia Wang		-	-

Unit: shares; ％

Enterprise name	Title	Name or representative		Shareholding	
				No. of shares	Shareholding percentage
Twinhead (Asia)	Chairman	Yu-Jen Kao	Representative of Twinhead International Corporation	5,872,420	100.00%
	Director	Mei-Li Tsai	Representative of Twinhead International Corporation	5,872,420	100.00%
	Director	Su-Fu Kao	Representative of Twinhead International Corporation	5,872,420	100.00%
	Director	Justin Tay Sheng Kwang		-	-

Unit: shares; %

Enterprise name	Title	Name or representative		Shareholding	
				No. of shares	Shareholding percentage
Kunshan Lun Teng	Executive Director	Su-Fu Kao	Representative of Twinhead (Asia)	-	100.00%
	Supervisor	Liang-Ching Tsai	Representative of Twinhead (Asia)	-	100.00%
	President	Liu Liwen		-	-

Unit: shares; %

Enterprise name	Title	Name or representative		Shareholding	
				No. of shares	Shareholding percentage
Twinhead International Corporation (Kunshan) Ltd.	Chairman	Yu-Jen Kao	Representative of Twinhead (Asia)	-	100.00%
	Director	Mei-Li Tsai	Representative of Twinhead (Asia)	-	100.00%
	Director	Su-Fu Kao	Representative of Twinhead (Asia)	-	100.00%
	Supervisor	Liang-Ching Tsai	Representative of Twinhead (Asia)	-	100.00%
	President	Kun-Tsang Hsien		-	-

Unit: shares; %

Enterprise name	Title	Name or representative		Shareholding	
				No. of shares	Shareholding percentage
Twinhead Enterprises (B.V.I.) Ltd.	Chairman	Yu-Jen Kao	Representative of Twinhead (Asia)	50,000	100.00%
	Director	Mei-Li Tsai	Representative of Twinhead (Asia)	50,000	100.00%
	Director	Su-Fu Kao	Representative of Twinhead (Asia)	50,000	100.00%

6. Operating performance of associates

Unit: Thousand New Taiwan Dollars

Enterprise name	Share Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (loss)	Net income (loss) (net of tax)	Earnings per share (net of tax)
Durabook Americas Inc.	78,761	54,804	153,111	(98,307)	120,344	(17,700)	(10,443)	(10.86)
Twinhead (Asia) Pte Ltd.	486,297	23,038	265,969	(242,931)	-	(319)	(7,805)	(1.33)

Twinhead Enterprises (B.V.I.) Ltd.	1,514	1,265	-	1,265	-	(57)	69	1.38
Twinhead Kunshan Technology Co., Ltd.	497,217	65,023	330,854	(265,830)	-	(1,476)	(8,989)	-
Kunshan Lun Teng System Co., Ltd.	6,332	30,434	9,723	20,711	58,488	2,247	1,321	-

Note: Except for the share capital which was calculated based on historical exchange rate, amount in other fields were calculated based on spot rate on December 31, 2022 and average rate of 2022

(II) Consolidated financial statements of affiliated enterprises

Statement

The companies that should be included in the Company's 2022 consolidated financial statements of affiliated enterprises (from January 1, 2022 to December 31, 2022) according to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as the companies that should be included in the parent's consolidated financial statements of subsidiaries according to IFRS 10 Consolidated Financial Statements endorsed by the Financial Supervisory Commission. Furthermore, the information that should be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the aforesaid parent's consolidated financial statements of subsidiaries. Therefore, the consolidated financial statements of affiliated enterprises are not prepared separately.

Stated as above

Date : March 16, 2023

Company Name: Twinhead International Corporation

Chairman: Yu-Jen Kao

(III) Relations report: not applicable

II. Private placement of marketable securities during the most recent year and as of the publication date of this annual report

None

III. Holdings or disposal of the Company’s shares by subsidiaries during the most recent year and as of the publication date of this annual report:

None

IV. Other matters that require additional descriptions ：

None

V. Matters that materially affect shareholders' equity or prices of the securities during the most recent year and as of the publication date of this annual report as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act;

None

Twinhead International Corp.

Chairman： Yu-Jen Kao