

**TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors
Twinhead International Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Twinhead International Corp. and its subsidiaries ("the Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4 (b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$75,074 thousand and \$155,110 thousand, constituting 6.17% and 13.23% of the consolidated total assets; and the total liabilities amounting to \$19,520 thousand and \$31,352 thousand, constituting 2.24% and 3.54% of the consolidated total liabilities as of March 31, 2023 and 2022, respectively; as well as the total comprehensive income (loss) amounting to \$(7,195) thousand and \$(4,055) thousand, constituting (40.75)% and (224.90)% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2023 and 2022, respectively.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors’ report are Po-Shu Huang and Chung-Shun Wu.

KPMG

Taipei, Taiwan (Republic of China)

May 11, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31 and March 31, 2022

(Expressed in Thousands of New Taiwan Dollar)

	March 31, 2023		December 31, 2022		March 31, 2022				March 31, 2023		December 31, 2022		March 31, 2022		
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	
Assets															
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$ 262,879	22	230,416	20	233,281	20	2100		\$ 579,000	48	579,000	50	620,000	53
1150	Notes receivable, net (notes 6(b) and 6(p))	-	-	-	-	77	-	2130		19,275	2	10,572	1	23,587	2
1170	Accounts receivable, net (notes 6(b) and 6(p))	71,690	6	89,909	8	79,931	7	2150		-	-	221	-	164	-
1180	Accounts receivable—related parties, net (notes 6(b), 6(p) and 7)	912	-	701	-	-	-	2170		169,795	14	109,894	10	128,716	11
1200	Other receivables	-	-	-	-	1,285	-	2250		49,287	4	71,483	6	51,040	4
130x	Inventories (note 6(c))	305,367	25	255,455	22	261,894	22	2280		7,707	-	8,663	1	6,743	1
1460	Non-current assets held for sale, net (notes 6(d) and 8)	2,860	-	-	-	-	-	2300		13,694	1	17,066	1	16,939	1
1470	Prepayments and other current assets	11,433	1	9,426	1	8,806	1			15,360	1	15,638	1	9,746	1
	Total current assets	<u>655,141</u>	<u>54</u>	<u>585,907</u>	<u>51</u>	<u>585,274</u>	<u>50</u>			<u>854,118</u>	<u>70</u>	<u>812,537</u>	<u>70</u>	<u>856,935</u>	<u>73</u>
Non-current assets:															
1517	Non-current financial assets at fair value through other comprehensive income (note 6(e))	637	-	679	-	1,515	-	2550		7,374	1	6,908	1	6,832	1
1600	Property, plant and equipment (notes 6(f) and 8)	268,696	22	272,693	23	276,801	23	2670		3,884	-	3,812	-	13,064	1
1755	Right-of-use assets (note 6(g))	26,923	2	30,269	2	39,475	3			6,748	1	6,731	1	6,811	1
1760	Investment property, net (notes 6(h), (k) and 8)	192,484	16	192,916	17	196,169	17			565	-	597	-	1,487	-
1840	Deferred income tax assets	43,289	4	43,378	4	43,394	4			<u>18,571</u>	<u>2</u>	<u>18,048</u>	<u>2</u>	<u>28,194</u>	<u>3</u>
1920	Refundable deposits	7,192	1	7,202	1	7,115	1			<u>872,689</u>	<u>72</u>	<u>830,585</u>	<u>72</u>	<u>885,129</u>	<u>76</u>
1995	Other non-current assets	21,726	1	23,283	2	22,800	2	3110							
	Total non-current assets	<u>560,947</u>	<u>46</u>	<u>570,420</u>	<u>49</u>	<u>587,269</u>	<u>50</u>	3120							
Liabilities and Equity															
Current liabilities:															
	Short-term borrowings (notes 6(i) and 8)														
	Contract liabilities (note 6(p))														
	Notes payable														
	Accounts payable														
	Other payables (notes 6(l) and 6(q))														
	Provisions—current														
	Current lease liabilities (note 6(j))														
	Other current liabilities (notes 6(d) and 7)														
	Total current liabilities														
Non-Current liabilities:															
	Provisions—non-current														
	Non-current lease liabilities (note 6(j))														
	Guarantee deposits received														
	Other non-current liabilities														
	Total non-current liabilities														
	Total liabilities														
Equity attributable to owners of parent (note 6(n)):															
Share capital:															
	Ordinary shares														
	Preference shares														
	Capital surplus														
	Retained earnings:														
	Legal reserve														
	Retained earnings														
	Other equities:														
	Exchange differences on translation of foreign financial statements														
	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income														
	Total equity attributable to owners of parent														
36xx	Non-controlling interests														
	Total equity														
	Total liabilities and equity														
	Total assets	<u>\$ 1,216,088</u>	<u>100</u>	<u>1,156,327</u>	<u>100</u>	<u>1,172,543</u>	<u>100</u>			<u>\$ 1,216,088</u>	<u>100</u>	<u>1,156,327</u>	<u>100</u>	<u>1,172,543</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

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

	For the three months ended			
	March 31			
	2023		2022	
	Amount	%	Amount	%
4000 Operating revenues (notes 6(p) and 7)	\$ 257,662	100	197,247	100
5000 Operating costs (notes 6(c), 6(j) and 6(l))	<u>169,536</u>	<u>66</u>	<u>142,766</u>	<u>72</u>
5900 Gross profit	<u>88,126</u>	<u>34</u>	<u>54,481</u>	<u>28</u>
6000 Operating expenses (notes 6(j), 6(l), 6(q) and 7):				
6100 Selling expenses	17,049	6	12,700	6
6200 Administrative expenses	33,552	13	31,302	16
6300 Research and development expenses	<u>22,856</u>	<u>9</u>	<u>20,865</u>	<u>11</u>
Total operating expenses	<u>73,457</u>	<u>28</u>	<u>64,867</u>	<u>33</u>
6900 Net operating income (loss)	<u>14,669</u>	<u>6</u>	<u>(10,386)</u>	<u>(5)</u>
7000 Non-operating income and expenses (notes 6(j) and 6(r)):				
7100 Interest income	750	-	45	-
7010 Other income	7,225	3	8,754	4
7020 Other gains and losses	(2,316)	(1)	14,252	7
7050 Finance costs	<u>(3,063)</u>	<u>(1)</u>	<u>(2,533)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>2,596</u>	<u>1</u>	<u>20,518</u>	<u>10</u>
Income from continuing operations before tax	17,265	7	10,132	5
7950 Less: Income tax expense (note 6(m))	-	-	51	-
Net income	<u>17,265</u>	<u>7</u>	<u>10,081</u>	<u>5</u>
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	(42)	-	(288)	-
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	<u>(42)</u>	<u>-</u>	<u>(288)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	434	-	(7,990)	(4)
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	<u>434</u>	<u>-</u>	<u>(7,990)</u>	<u>(4)</u>
8300 Other comprehensive income (loss), net	<u>392</u>	<u>-</u>	<u>(8,278)</u>	<u>(4)</u>
Total comprehensive income (loss)	<u>\$ 17,657</u>	<u>7</u>	<u>1,803</u>	<u>1</u>
Net income (loss) attributable to:				
8610 Owners of parent	\$ 18,801	8	10,384	5
8620 Non-controlling interests	<u>(1,536)</u>	<u>(1)</u>	<u>(303)</u>	<u>-</u>
	<u>\$ 17,265</u>	<u>7</u>	<u>10,081</u>	<u>5</u>
Comprehensive income (loss) attributable to:				
8710 Owners of parent	\$ 19,030	8	2,654	1
8720 Non-controlling interests	<u>(1,373)</u>	<u>(1)</u>	<u>(851)</u>	<u>-</u>
	<u>\$ 17,657</u>	<u>7</u>	<u>1,803</u>	<u>1</u>
9750 Basic earnings per share (in New Taiwan dollar) (note 6(o))	<u>\$ 0.76</u>		<u>0.42</u>	
9850 Diluted earnings per share (in New Taiwan dollar) (note 6(o))	<u>\$ 0.76</u>		<u>0.41</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent							Total other equity interest					Non-controlling interests	Total equity
	Share capital			Capital surplus	Legal reserve	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			
	Ordinary shares	Preference share	Total share capital			Retained earnings	Total retained earnings							
Balance at January 1, 2022	\$ 247,993	11	248,004	-	-	28,182	28,182	42,201	(16,991)	25,210	301,396	(15,785)	285,611	
Net income (loss)	-	-	-	-	-	10,384	10,384	-	-	-	10,384	(303)	10,081	
Other comprehensive income (loss)	-	-	-	-	-	-	-	(7,442)	(288)	(7,730)	(7,730)	(548)	(8,278)	
Total comprehensive income (loss)	-	-	-	-	-	10,384	10,384	(7,442)	(288)	(7,730)	2,654	(851)	1,803	
Balance at March 31, 2022	\$ 247,993	11	248,004	-	-	38,566	38,566	34,759	(17,279)	17,480	304,050	(16,636)	287,414	
Balance at January 1, 2023	\$ 247,993	11	248,004	35	2,818	79,758	82,576	32,903	(18,115)	14,788	345,403	(19,661)	325,742	
Net income (loss)	-	-	-	-	-	18,801	18,801	-	-	-	18,801	(1,536)	17,265	
Other comprehensive income (loss)	-	-	-	-	-	-	-	271	(42)	229	229	163	392	
Total comprehensive income (loss)	-	-	-	-	-	18,801	18,801	271	(42)	229	19,030	(1,373)	17,657	
Balance at March 31, 2023	\$ 247,993	11	248,004	35	2,818	98,559	101,377	33,174	(18,157)	15,017	364,433	(21,034)	343,399	

See accompanying notes to consolidated financial statements.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	For the three months ended March 31	
	2023	2022
Cash flows from (used in) operating activities:		
Net income before tax	\$ 17,265	10,132
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	7,057	6,929
Amortization	3,318	2,813
Interest expense	3,063	2,533
Interest income	(750)	(45)
Total adjustments to reconcile profit	<u>12,688</u>	<u>12,230</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	-	39
Accounts receivable	18,219	(9,095)
Accounts receivable—related parties	(210)	-
Other receivables	-	(48)
Inventories	(49,912)	(49,685)
Prepayments and other current assets	(1,819)	4,646
Total changes in operating assets, net	<u>(33,722)</u>	<u>(54,143)</u>
Net changes in operating liabilities:		
Contract liabilities	8,703	9,133
Notes payable	(221)	(13)
Accounts payable	59,901	53,255
Other payables	(22,228)	(10,672)
Provisions	(490)	517
Other current liabilities	(277)	(4,768)
Other non-current liabilities	(32)	(38)
Total changes in operating liabilities, net	<u>45,356</u>	<u>47,414</u>
Total changes in operating assets and liabilities, net	<u>11,634</u>	<u>(6,729)</u>
Total adjustments	<u>24,322</u>	<u>5,501</u>
Cash inflow generated from operating activities	41,587	15,633
Interest received	621	30
Interest paid	(2,902)	(2,162)
Income taxes paid	(59)	(31)
Net cash flows from operating activities	<u>39,247</u>	<u>13,470</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(977)	(641)
Increase in other non-current assets	(1,761)	(1,087)
Net cash flows used in investing activities	<u>(2,738)</u>	<u>(1,728)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	40,000	-
Decrease in short-term borrowings	(40,000)	-
Payment of lease liabilities	(4,157)	(4,046)
Interest paid	(129)	(182)
Net cash flows used in financing activities	<u>(4,286)</u>	<u>(4,228)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>240</u>	<u>(10,722)</u>
Net increase (decrease) in cash and cash equivalents	32,463	(3,208)
Cash and cash equivalents at beginning of period	230,416	236,489
Cash and cash equivalents at end of period	<u>\$ 262,879</u>	<u>233,281</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

(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 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 reported to the Board of Directors and issued on May 11, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2022.

The consolidated entities were as follows:

Name of investor		Name of subsidiary	Principal activity	Percentage of ownership			Remarks
				March 31, 2023	December 31, 2022	March 31, 2022	
The Company		Durabook Americas Inc. (Durabook)	The trading of computers and computer peripheral equipment	80.000 %	80.000 %	80.000 %	Notes 1 and 2
The Company		Twinhead (Asia) Pte Ltd. (Twinhead (Asia))	Investment holding	100.000 %	100.000 %	100.000 %	Note 1
Twinhead (Asia) Pte Ltd.		Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	100.000 %	Notes 1 and 2
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 %	100.000 %	Note 1
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 %	100.000 %	Notes 1 and 2

Note 1: Because they are non-significant subsidiaries on March 31, 2022, their financial statements were not reviewed by independent auditors.

Note 2: Because they are non-significant subsidiaries on March 31, 2023, their financial statements were not reviewed by independent auditors.

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group will first be allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale are property, plant and equipment or intangible assets, they are no longer depreciated nor amortized.

(d) Income taxes

Tax expense in the consolidated financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying pretax income of the reporting period by the effective annual tax rate which was forecasted by the management. The outcome is then fully recognized as current tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(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 IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and 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 preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Petty cash	\$ 255	291	331
Checking and demand deposits	101,239	168,705	232,950
Time deposits	<u>161,385</u>	<u>61,420</u>	<u>-</u>
Cash and cash equivalents per consolidated statements of cash flows	<u>\$ 262,879</u>	<u>230,416</u>	<u>233,281</u>

(b) Accounts receivables and notes receivable (including related parties)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	\$ -	-	77
Accounts receivable	71,690	89,909	79,931
Accounts receivable – related parties	984	774	-
Less: loss allowance	<u>72</u>	<u>73</u>	<u>-</u>
	<u>\$ 72,602</u>	<u>90,610</u>	<u>80,008</u>

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

	<u>March 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 66,977	-	-
1 to 30 days past due	4,591	-	-
Past due over 365 days	<u>122</u>	<u>-</u>	<u>-</u>
	<u>\$ 71,690</u>		<u>-</u>

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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		-
	March 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 66,848	-	-
1 to 30 days past due	10,843	-	-
31 to 60 days past due	80	-	-
61 to 90 days past due	817	-	-
91 to 180 days past due	1,420	-	-
	\$ 80,008		-

(ii) Related parties

	March 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 54	-	-
1 to 30 days past due	163	-	-
91 to 180 days past due	767	9.39%	72
	\$ 984		72
	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 March 31, 2022, the Group had no accounts receivable — related parties.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended March 31	
	2023	2022
Beginning balance on January 1	\$ 73	-
Effect of changes in exchange rate	(1)	-
Ending balance on March 31	\$ 72	-

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

(c) Inventories

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

	March 31, 2023	December 31, 2022	March 31, 2022
Merchandise	\$ 7,544	3,714	4,254
Finished goods	60,236	71,391	62,287
Work in progress	56,294	13,351	41,461
Raw materials and supplies	178,791	164,439	152,202
Goods in transit	2,502	2,560	1,690
Total	\$ 305,367	255,455	261,894

As of March 31, 2023, December 31 and March 31, 2022, the Group'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:

	For the three months ended March 31	
	2023	2022
Loss on decline in market value of inventory	\$ 2,421	4,843

(d) Non-current assets held for sale

The Company signed the contract to sell the land and plant in Linyaun, those assets were reclassified as non-current assets held for sale. As of March 31, 2023, the book value of those assets amounted to \$2,860 thousand. As of March 31, 2023, advance receipts from the aforementioned transaction amounted to \$4,360 thousand (recognized under other current liabilities). The transfer of the aforementioned land and plant was completed on April 24, 2023.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ 581	622	1,457
Unlisted stocks (overseas)	<u>56</u>	<u>57</u>	<u>58</u>
Total	<u>\$ 637</u>	<u>679</u>	<u>1,515</u>

(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. 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 March 31, 2023, the liquidation process is not yet completed.

No strategic investments were disposed for the three months ended March 31, 2023 and 2022, 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.

(f) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:					
January 1, 2023	\$ 107,832	156,614	4,078	4,169	272,693
March 31, 2023	<u>\$ 105,080</u>	<u>155,344</u>	<u>3,869</u>	<u>4,403</u>	<u>268,696</u>
January 1, 2022	<u>\$ 107,832</u>	<u>161,136</u>	<u>3,811</u>	<u>5,367</u>	<u>278,146</u>
March 31, 2022	<u>\$ 107,832</u>	<u>159,974</u>	<u>3,651</u>	<u>5,344</u>	<u>276,801</u>

For the three months ended March 31, 2023 and 2022, except the Linyuan land and Factory were reclassified to non-current assets held for sales, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on property, plant and equipment. For the information on non-current assets, please refer to note 6(d); the information on depreciation expenses for the three months ended March 31, 2023 and 2022, please refer to note 12; for pledged property, plant and equipment, please refer to note 8; for other related information, please refer to note 6(e) of the consolidated financial statements for the year ended December 31, 2022.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Right-of-use assets

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying value:				
January 1, 2023	\$ 9,933	19,570	766	30,269
March 31, 2023	\$ 9,916	16,373	634	26,923
January 1, 2022	\$ 10,037	31,811	1,294	43,142
March 31, 2022	\$ 10,360	27,953	1,162	39,475

For the three months ended March 31, 2023 and 2022, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on right-of-use assets. For the information on depreciation expenses of right-of-use assets for the three months ended March 31, 2023 and 2022, please refer to note 12; for other related information, please refer to note 6(f) of the consolidated financial statements for the year ended December 31, 2022.

(h) Investment property

For the three months ended March 31, 2023 and 2022, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on investment properties. For the information on depreciation expenses of investment property for the three months ended March 31, 2023 and 2022, please refer to note 12; for pledged investment properties, please refer to note 8; for other related information, please refer to note 6(g) of the consolidated financial statements for the year ended December 31, 2022.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(g) of the consolidated financial statements for the year ended December 31, 2022.

(i) Short-term borrowings

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

	March 31, 2023			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	TWD	2.05~2.23	2023	\$ 140,000
Secured bank loans	TWD	2.04~2.16	2023~2024	439,000
Total				<u>\$ 579,000</u>
	December 31, 2022			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	TWD	2.05~2.10	2023	\$ 140,000
Secured bank loans	TWD	1.92~2.16	2023	439,000
Total				<u>\$ 579,000</u>

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2022			Amount
	Currency	Range of interest rates (%)	Year of maturity	
Unsecured loans	TWD	1.51~1.65	2022	\$ 210,000
Secured bank loans	TWD	1.50~1.75	2022~2023	410,000
Total				<u>\$ 620,000</u>

As of March 31, 2023, December 31 and March 31, 2022, the unused credit facilities amounted to \$443,200 thousand, \$394,240 thousand and \$499,920 thousand, respectively.

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

(j) Lease liabilities

The Group's lease liabilities were as follow:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	<u>\$ 13,694</u>	<u>17,066</u>	<u>16,939</u>
Non-current	<u>\$ 3,884</u>	<u>3,812</u>	<u>13,064</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2023	2022
Interest on lease liabilities	<u>\$ 129</u>	<u>182</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 141</u>	<u>134</u>

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

	For the three months ended March 31	
	2023	2022
Total cash outflow for leases	<u>\$ 4,427</u>	<u>4,362</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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(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:

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Less than one year	\$ 14,302	17,820	24,128
One to two years	6,688	9,196	14,276
Two to three years	<u>-</u>	<u>-</u>	<u>6,688</u>
Total undiscounted lease payments	<u>\$ 20,990</u>	<u>27,016</u>	<u>45,092</u>

(l) Employee benefits

The Group recognized pension costs of the defined contribution plans in profit or loss as follows:

	For the three months ended March 31	
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 422	391
Operating expenses	<u>1,594</u>	<u>1,501</u>
	<u>\$ 2,016</u>	<u>1,892</u>

For other related information, please refer to note 6(l) to the consolidated financial statements for the year ended December 31, 2022.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Income taxes

Income tax expense was best estimated by multiplying pretax gain for the interim reporting period by the effective tax rate which was forecasted by the management.

The Group's income tax expense is as follows:

	For the three months ended	
	March 31	
	2023	2022
Current income tax expense		
Current period	\$ -	51
Income tax expense from continuing operations	\$ -	51

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

(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.

(i) Capital surplus

The Company's capital surplus were as follows:

	March 31,	December 31,	March 31,
	2023	2022	2022
Donation from shareholders	\$ 35	35	-

(ii) Retained earnings – 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.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On March 16, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. On June 10, 2022, the shareholders' meeting resolved to distribute the 2021 earnings. These earnings were appropriated as follows:

	<u>2022</u>	<u>2021</u>
Dividends distributed to common shareholders:		
Cash	\$ -	24,799
Stock	61,998	-
Total	<u>\$ 61,998</u>	<u>24,799</u>
Dividends distributed to preference shareholders:		
Cash	<u>\$ 2</u>	<u>405</u>

The Company's accumulated undistributed dividends for preference shares amounted to \$3 thousand, \$2 thousand and \$406 thousand as of March 31, 2023, December 31 and March 31, 2022, respectively. The dividends distributed to preference shares in 2022 were accumulated from 2008 to 2021.

(iii) 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, 2023	\$ 32,903	(18,115)	548	15,336
Foreign exchange differences arising from foreign operation	271	-	163	434
Unrealized losses from financial assets measured at fair value through other comprehensive loss	-	(42)	-	(42)
Balance at March 31, 2023	<u>\$ 33,174</u>	<u>(18,157)</u>	<u>711</u>	<u>15,728</u>
Balance at January 1, 2022	\$ 42,201	(16,991)	2,335	27,545
Foreign exchange differences arising from foreign operation	(7,442)	-	(548)	(7,990)
Unrealized losses from financial assets measured at fair value through other comprehensive loss	-	(288)	-	(288)
Balance at March 31, 2022	<u>\$ 34,759</u>	<u>(17,279)</u>	<u>1,787</u>	<u>19,267</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

	For the three months ended	
	March 31	
	<u>2023</u>	<u>2022</u>
Net income of the Company	\$ 18,801	10,384
Dividends on non-redeemable preference shares	<u>(1)</u>	<u>(1)</u>
Net income attributable to ordinary shareholders of the Company	<u>\$ 18,800</u>	<u>10,383</u>
Weighted average number of ordinary shares	<u>24,799</u>	<u>24,799</u>
Basic earnings per share (in NTD)	<u>\$ 0.76</u>	<u>0.42</u>

(ii) Diluted earnings per share

	For the three months ended	
	March 31	
	<u>2023</u>	<u>2022</u>
Net income attributable to ordinary shareholders of the Company (basic)	\$ 18,800	10,383
Dividends on non-redeemable preference shares	<u>1</u>	<u>1</u>
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 18,801</u>	<u>10,384</u>
Weighted average number of ordinary shares outstanding (basic)	24,799	24,799
Effect of dilutive potential ordinary shares		
Effect of remuneration to employees	79	243
Effect of convertible preference shares	<u>1</u>	<u>1</u>
Weighted average number of shares outstanding (diluted)	<u>24,879</u>	<u>25,043</u>
Diluted earnings per share (in NTD)	<u>\$ 0.76</u>	<u>0.41</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended	
	March 31	
	2023	2022
Primary geographical markets:		
United States	\$ 72,272	66,080
Germany	43,865	22,666
Hong Kong	21,888	78
Taiwan	19,673	21,988
France	16,302	17,179
China	11,270	14,962
Others	72,392	54,294
	\$ 257,662	197,247
Major products/services lines:		
Laptop	\$ 215,718	154,783
Mainboard	23,634	11,657
Sales of materials and others	18,310	30,807
	\$ 257,662	197,247

(ii) Contract Balance

	March 31,	December 31,	March 31,
	2023	2022	2022
Notes receivable	\$ -	-	77
Accounts receivable	71,690	89,909	79,931
Accounts receivable—related parties	984	774	-
Less: allowance for impairment	72	73	-
Total	\$ 72,602	90,610	80,008
Contract liabilities	\$ 19,275	10,572	23,587

Please refer to the note 6(b) for the details on notes receivable, accounts receivables and allowance for impairment.

The contract liability is mainly due to advance receipts, wherein the Company will recognize revenue when the product is delivered to the customer.

The amount of revenue recognized for the three months ended March 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$5,146 thousand and \$7,249 thousand, respectively.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 three months ended March 31, 2023 and 2022, the estimated employee remuneration amounted to \$1,713 thousand and \$2,245 thousand and the estimated directors' remuneration amounted \$642 thousand and \$258 thousand, respectively. 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 for each period. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be reflected in profit or loss in the following year.

For the years ended December 31, 2022 and 2021, the Company recognized its employees' compensation of \$7,155 thousand and \$3,203 thousand, respectively, and its directors' remuneration of \$2,683 thousand and \$640 thousand, respectively. There was no difference between the distribution and the recognized amounts. For relevant information, please refer to Market Observation Post System.

(r) Non-operating income and expenses

(i) Interest income

	For the three months ended	
	March 31	
	2023	2022
Interest income from bank deposits	\$ 750	45

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other income

	For the three months ended	
	March 31	
	2023	2022
Rental income	\$ 6,953	6,925
Other income— other	272	1,829
Total other income	\$ 7,225	8,754

(iii) Other gains and losses

	For the three months ended	
	March 31	
	2023	2022
Foreign exchange gains (losses), net	\$ (1,629)	17,625
Others	(687)	(3,373)
Other gains and losses, net	\$ (2,316)	14,252

(iv) Finance costs

	For the three months ended	
	March 31	
	2023	2022
Interest expense	\$ (3,063)	(2,533)

(s) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk due to financial instruments. Please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2022.

(i) 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
March 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 579,000	581,832	581,832	-	-	-
Accounts payable	169,795	169,795	169,795	-	-	-
Other payables	49,287	49,287	49,287	-	-	-
Lease liabilities	17,578	17,983	13,983	2,573	1,427	-
Guarantee deposits received	6,748	6,748	3,541	3,107	100	-
Preference shares (including preference shares dividends)	11	14	14	-	-	-
	\$ 822,419	825,659	818,452	5,680	1,527	-

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
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)	<u>11</u>	<u>13</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 788,218</u>	<u>792,884</u>	<u>785,733</u>	<u>5,341</u>	<u>1,810</u>	<u>-</u>
March 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 620,000	622,792	622,792	-	-	-
Notes payable	164	164	164	-	-	-
Accounts payable	128,716	128,716	128,716	-	-	-
Other payables	51,040	51,040	51,040	-	-	-
Lease liabilities	30,003	30,623	17,437	13,094	92	-
Guarantee deposits received	6,811	6,811	100	3,604	3,107	-
Preference shares (including preference shares dividends)	<u>11</u>	<u>417</u>	<u>417</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 836,745</u>	<u>840,563</u>	<u>820,666</u>	<u>16,698</u>	<u>3,199</u>	<u>-</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
March 31, 2023			
Financial assets:			
Monetary assets:			
USD	\$ 21,195	30.45	645,388
Financial liabilities:			
Monetary liabilities:			
USD	\$ 3,127	30.45	95,217

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
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
March 31, 2022			
Financial assets:			
Monetary assets:			
USD	\$ 19,550	28.63	559,717
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,485	28.63	71,146

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 March 31, 2023 and 2022, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the three months ended March 31, 2023 and 2022 by \$5,502 thousand and \$4,886 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 (losses) gains, including realized and unrealized, were \$(1,629) thousand and \$17,625 thousand for the three months ended March 31, 2023 and 2022, respectively.

(iii) 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.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have decreased/increased by \$1,448 thousand and \$1,550 thousand for the three months ended March 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowings at floating rates.

(iv) Fair value

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities were as follows, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

March 31, 2023					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 581	-	-	581	581
Unlisted stocks (overseas)	56	-	-	56	56
Total	<u>\$ 637</u>	<u>-</u>	<u>-</u>	<u>637</u>	<u>637</u>
December 31, 2022					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 622	-	-	622	622
Unlisted stocks (overseas)	57	-	-	57	57
Total	<u>\$ 679</u>	<u>-</u>	<u>-</u>	<u>679</u>	<u>679</u>
March 31, 2022					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 1,457	-	-	1,457	1,457
Unlisted stocks (overseas)	58	-	-	58	58
Total	<u>\$ 1,515</u>	<u>-</u>	<u>-</u>	<u>1,515</u>	<u>1,515</u>

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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, 2023	\$ 679
Total loss recognized:	
In other comprehensive income	(42)
Balance at March 31, 2023	\$ 637
Balance at January 1, 2022	\$ 1,803
Total loss recognized:	
In other comprehensive income	(288)
Balance at March 31, 2022	\$ 1,515

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

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income—equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multiplier of price-to-book ratio (As of March 31, 2023, December 31 and March 31, 2022 were 0.08~1.00) · Market illiquidity discount rate (As of March 31, 2023, December 31 and March 31, 2022 were 20%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · 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 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:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
March 31, 2023				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 40	(40)
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)
March 31, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	95	(95)

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.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(t) of the consolidated financial statements for the year ended December 31, 2022.

(u) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2022. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2022. For further information, please refer to note 6(u) to the consolidated financial statements for the year ended December 31, 2022.

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

For the three months ended March 31, 2023 and 2022, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes		March 31, 2023
			Acquisition right-of-use assets	Effect of changes in exchange rate	
Short-term borrowings	\$ 579,000	-	-	-	579,000
Lease liabilities	20,878	(4,157)	904	(47)	17,578
Total liabilities from financing activities	<u>\$ 599,878</u>	<u>(4,157)</u>	<u>904</u>	<u>(47)</u>	<u>596,578</u>

	January 1, 2022	Cash flows	Non-cash changes		March 31, 2022
			Effect of changes in exchange rate		
Short-term borrowings	\$ 620,000	-	-	-	620,000
Lease liabilities	33,922	(4,046)	127		30,003
Total liabilities from financing activities	<u>\$ 653,922</u>	<u>(4,046)</u>	<u>127</u>		<u>650,003</u>

(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)

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related party

(i) Operating revenue

The amounts of significant sales by the Group to related party were as follows:

	For the three months ended March 31	
	2023	2022
NCS	\$ 215	-

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	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable— related parties	Other related parties	\$ 912	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:

	March 31, 2023	December 31, 2022	March 31, 2022
NCS	\$ -	-	7,116

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	For the three months ended March 31	
	2023	2022
Short-term employee benefits	\$ 5,798	5,416
Post-employment benefits	54	54
	\$ 5,852	5,470

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Non-current assets held for sales	Short-term borrowings	\$ 2,860	-	-
Property, plant and equipment	Short-term borrowings	259,400	263,374	266,716
Investment property	Short-term borrowings	141,009	141,360	142,412
		<u>\$ 403,269</u>	<u>404,734</u>	<u>409,128</u>

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

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

By function By nature	Three months ended March 31, 2023			Three months ended March 31, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	8,718	40,883	49,601	7,665	36,879	44,544
Labor and health insurance	874	3,371	4,245	792	3,128	3,920
Pension	422	1,594	2,016	391	1,501	1,892
Remuneration of directors	-	1,387	1,387	-	953	953
Others	468	960	1,428	427	906	1,333
Depreciation (note)	1,241	5,129	6,370	1,222	5,022	6,244
Amortization	-	3,318	3,318	-	2,813	2,813

Note: Depreciation expenses for investment property recognized under other income and expenses amounted to \$687 thousand and \$685 thousand for the three months ended March 31, 2023 and 2022, respectively.

(b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2023:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2023 (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	581	10.000 %	581	
The Company	II, 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	56	0.691 %	56	
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: None.
- (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	319,996 (Note 3)	-	319,996 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable (Note 3)	-	-
The Company	Durabook	Subsidiary	146,798 (note 4)	0.47	94,407 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	2,237	-

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

Note 2: Until May 11, 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 March 31, 2023, the Company's accounts receivable from Durabook were \$146,798 thousand. The overdue receivables of \$94,407 thousand were reclassified to long-term receivables.

Note 5: The transactions within the Group were eliminated in the consolidated financial statements.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(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	16,683	The transaction is not significantly different from normal transactions	6.47 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	13,499	The transaction is not significantly different from normal transactions	5.24 %
0	The Company	Durabook	1	Accounts receivable – related parties	52,391 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 days	4.31 %
0	The Company	Twinhead Kunshan Technology Co., Ltd.	1	Long-term accounts receivable – related parties	77,470 (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.	6.37 %

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 March 31, 2023, 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.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2023 (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		Book value	Net income (loss) of investee	Investment income (losses)	Remarks
				March 31, 2023	December 31, 2022	Shares	Percentage of ownership				
The Company	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	73,442	73,442	769	80.00 %	- (note 3)	(7,683)	(6,146)	Subsidiary (note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.00 %	- (note 4)	2,132	2,132	Subsidiary (note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.00 %	1,187	(77)	(77)	Subsidiary (note 2)

Note 1: The exchange rate as of March 31, 2023 : USD1=TWD30.45.

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.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(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, 2023	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2023	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of March 31, 2023	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	380,625 (USD12,500)	(2)	380,625 (USD12,500)	-	-	380,625 (USD12,500)	2,830	100.00 %	2,830	(260,819)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	121,800 (USD4,000)	(2)	60,900 (USD2,000)	-	-	60,900 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,395 (USD210)	(2)	6,395 (USD210)	-	-	6,395 (USD210)	(358)	100.00 %	(358)	20,456	-

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 amounts of investment income (loss), were recognized under the equity method based on the financial statements which were not reviewed by the auditors of the Company.

Note 3: The exchange rate as of March 31, 2023 : USD1=TWD30.45.

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 March 31, 2023 (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	487,505 (USD16,010)	487,505 (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 March 31, 2023: USD1=TWD30.45.

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:

Related information is provided in note 13(a)(x).

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	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 %

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment 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.