

**TWINHEAD INTERNATIONAL CORP.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2023 and 2022**

**Address: 9F., No.550, Ruiguang Rd., Neihu Dist., Taipei City 114,  
Taiwan (R.O.C.)**

**Telephone: (02)5589-9999**

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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安侯建業聯合會計師事務所  
KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web kpmg.com/tw

## 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 June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 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 \$79,732 thousand and \$158,739 thousand, constituting 7% and 13% of the consolidated total assets; and the total liabilities amounting to \$16,449 thousand and \$23,895 thousand, constituting 2% and 3% of the consolidated total liabilities as of June 30, 2023 and 2022, respectively; as well as the total comprehensive income (loss) amounting to \$(8,427) thousand, \$(11,759) thousand, \$(15,622) thousand and \$(15,814) thousand, constituting (21)%, (52)%, (27)% and (65)% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 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 June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 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)  
August 10, 2023

**Notes to Readers**

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

## TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

## Consolidated Balance Sheets

June 30, 2023, December 31 and June 30, 2022

(Expressed in Thousands of New Taiwan Dollar)

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>															
1100	Cash and cash equivalents (note 6(a))	\$ 259,614	21	230,416	20	250,067	21	2100	Short-term borrowings (notes 6(h) and 8)	\$ 561,560	46	579,000	50	620,000	53
1150	Notes receivable, net (notes 6(b) and 6(o))	-	-	-	-	112	-	2130	Current contract liabilities (note 6(o))	15,791	1	10,572	1	8,406	1
1170	Accounts receivable, net (notes 6(b) and 6(o))	83,881	7	89,909	8	79,114	7	2150	Notes payable	-	-	221	-	176	-
1180	Accounts receivable—related parties, net (notes 6(b), 6(o) and 7)	171	-	701	-	30	-	2170	Accounts payable	144,876	12	109,894	10	129,760	11
130x	Inventories (note 6(c))	304,390	25	255,455	22	261,160	22	2200	Other payables (note 6(p))	58,450	5	71,483	6	50,947	4
1470	Prepayments and other current assets	8,774	1	9,426	1	7,794	1	2216	Dividends payable (note 6(m))	2	-	-	-	25,204	2
	<b>Total current assets</b>	<u>656,830</u>	<u>54</u>	<u>585,907</u>	<u>51</u>	<u>598,277</u>	<u>51</u>	2250	Provisions—current	8,506	1	8,663	1	7,892	1
	<b>Non-current assets:</b>							2280	Current lease liabilities (note 6(i))	10,094	1	17,066	1	17,088	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	634	-	679	-	870	-	2280	Other current liabilities (note 7)	11,209	1	15,638	1	10,462	1
1600	Property, plant and equipment (notes 6(e) and 8)	267,467	22	272,693	23	275,835	23		<b>Total current liabilities</b>	<u>810,488</u>	<u>67</u>	<u>812,537</u>	<u>70</u>	<u>869,935</u>	<u>74</u>
1755	Right-of-use assets (note 6(f))	22,463	2	30,269	2	35,174	3		<b>Non-Current liabilities:</b>						
1760	Investment property, net (notes 6(g), (j) and 8)	190,394	16	192,916	17	194,510	16		Provisions—non-current	7,032	1	6,908	1	7,055	1
1840	Deferred income tax assets	43,525	4	43,378	4	43,794	4		Non-current lease liabilities (note 6(i))	3,139	-	3,812	-	8,680	1
1920	Refundable deposits	7,211	1	7,202	1	7,162	1		Guarantee deposits received	6,651	-	6,731	1	6,746	-
1995	Other non-current assets	23,401	1	23,283	2	22,955	2		Other non-current liabilities	674	-	597	-	1,379	-
	<b>Total non-current assets</b>	<u>555,095</u>	<u>46</u>	<u>570,420</u>	<u>49</u>	<u>580,300</u>	<u>49</u>		<b>Total non-current liabilities</b>	<u>17,496</u>	<u>1</u>	<u>18,048</u>	<u>2</u>	<u>23,860</u>	<u>2</u>
									<b>Total liabilities</b>	<u>827,984</u>	<u>68</u>	<u>830,585</u>	<u>72</u>	<u>893,795</u>	<u>76</u>
									<b>Equity attributable to owners of parent (note 6(m)):</b>						
								3110	Share capital:						
								3120	Ordinary shares	247,993	20	247,993	22	247,993	21
								3150	Preference shares	11	-	11	-	11	-
									Stock dividend to be distributed	61,998	5	-	-	-	-
										<u>310,002</u>	<u>25</u>	<u>248,004</u>	<u>22</u>	<u>248,004</u>	<u>21</u>
								3200	Capital surplus	35	-	35	-	-	-
									Retained earnings:						
								3310	Legal reserve	10,778	1	2,818	-	2,818	-
								3350	Retained earnings	72,797	6	79,758	7	34,443	3
										<u>83,575</u>	<u>7</u>	<u>82,576</u>	<u>7</u>	<u>37,261</u>	<u>3</u>
									Other equities:						
								3410	Exchange differences on translation of foreign financial statements	31,090	3	32,903	3	34,732	3
								3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(18,160)	(1)	(18,115)	(2)	(17,924)	(2)
										<u>12,930</u>	<u>2</u>	<u>14,788</u>	<u>1</u>	<u>16,808</u>	<u>1</u>
									Total equity attributable to owners of parent	<u>406,542</u>	<u>34</u>	<u>345,403</u>	<u>30</u>	<u>302,073</u>	<u>25</u>
								36xx	<b>Non-controlling interests</b>	<u>(22,601)</u>	<u>(2)</u>	<u>(19,661)</u>	<u>(2)</u>	<u>(17,291)</u>	<u>(1)</u>
									<b>Total equity</b>	<u>383,941</u>	<u>32</u>	<u>325,742</u>	<u>28</u>	<u>284,782</u>	<u>24</u>
									<b>Total liabilities and equity</b>	<u>\$ 1,211,925</u>	<u>100</u>	<u>\$ 1,156,327</u>	<u>100</u>	<u>\$ 1,178,577</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 1,211,925</u>	<u>100</u>	<u>1,156,327</u>	<u>100</u>	<u>1,178,577</u>	<u>100</u>								

See accompanying notes to consolidated financial statements.

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

## TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022

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

	For the three months ended June 30				For the six months ended June 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenues (notes 6(o) and 7)</b>								
	\$	273,972	100	238,659	100	531,634	100	435,906	100
5000	<b>Operating costs (notes 6(c), 6(i) and 6(k))</b>								
		173,914	63	165,620	69	343,450	65	308,386	71
5900	<b>Gross profit</b>								
		100,058	37	73,039	31	188,184	35	127,520	29
6000	<b>Operating expenses (notes 6(b), 6(i), 6(k), 6(p) and 7):</b>								
6100	Selling expenses	20,487	7	15,083	6	37,536	7	27,783	6
6200	Administrative expenses	35,306	13	30,647	13	68,858	13	61,949	14
6300	Research and development expenses	29,126	11	20,050	9	51,982	9	40,915	10
6450	Impairment gains determined in accordance with IFRS 9	(73)	-	-	-	(73)	-	-	-
	<b>Total operating expenses</b>	84,846	31	65,780	28	158,303	29	130,647	30
6900	<b>Net operating income (loss)</b>								
		15,212	6	7,259	3	29,881	6	(3,127)	(1)
7000	<b>Non-operating income and expenses (notes 6(e), 6(i) and 6(q)):</b>								
7100	Interest income	2,027	-	92	-	2,777	-	137	-
7010	Other income	7,225	3	12,341	5	14,450	3	21,095	5
7020	Other gains and losses	21,783	8	7,093	3	19,467	3	21,345	5
7050	Finance costs	(3,128)	(1)	(2,832)	(1)	(6,191)	(1)	(5,365)	(1)
	<b>Total non-operating income and expenses</b>	27,907	10	16,694	7	30,503	5	37,212	9
	<b>Income from continuing operations before tax</b>	43,119	16	23,953	10	60,384	11	34,085	8
7950	<b>Less: Income tax expense (note 6(l))</b>								
		-	-	82	-	-	-	133	-
	<b>Net income</b>	43,119	16	23,871	10	60,384	11	33,952	8
8300	<b>Other comprehensive income (loss) (note 6(m)):</b>								
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3)	-	(645)	-	(45)	-	(933)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	(3)	-	(645)	-	(45)	-	(933)	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	(2,572)	(1)	(654)	-	(2,138)	-	(8,644)	(2)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	(2,572)	(1)	(654)	-	(2,138)	-	(8,644)	(2)
8300	<b>Other comprehensive income (loss), net</b>								
		(2,575)	(1)	(1,299)	-	(2,183)	-	(9,577)	(2)
	<b>Total comprehensive income (loss)</b>	\$ 40,544	15	22,572	10	58,201	11	24,375	6
	<b>Net income (loss) attributable to:</b>								
8610	Owners of parent	\$ 44,198	16	23,899	10	62,999	11	34,283	8
8620	Non-controlling interests	(1,079)	-	(28)	-	(2,615)	-	(331)	-
		\$ 43,119	16	23,871	10	60,384	11	33,952	8
	<b>Comprehensive income (loss) attributable to:</b>								
8710	Owners of parent	\$ 42,111	15	23,227	10	61,141	11	25,881	6
8720	Non-controlling interests	(1,567)	-	(655)	-	(2,940)	-	(1,506)	-
		\$ 40,544	15	22,572	10	58,201	11	24,375	6
9750	<b>Basic earnings per share (in New Taiwan dollar) (note 6(n))</b>								
		\$ 1.78		0.96		2.54		1.38	
9850	<b>Diluted earnings per share (in New Taiwan dollar) (note 6(n))</b>								
		\$ 1.78		0.96		2.53		1.37	

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 six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent								Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital				Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest			
	Ordinary shares	Preference share	Stock dividend to be distributed	Total share capital	Capital surplus	Legal reserve	Retained earnings	Total retained earnings						
<b>Balance at January 1, 2022</b>	\$ 247,993	11	-	248,004	-	-	28,182	28,182	42,201	(16,991)	25,210	301,396	(15,785)	285,611
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	-	2,818	(2,818)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(24,799)	(24,799)	-	-	-	(24,799)	-	(24,799)
Cash dividends of preference share	-	-	-	-	-	-	(405)	(405)	-	-	-	(405)	-	(405)
Net income (loss)	-	-	-	-	-	-	34,283	34,283	-	-	-	34,283	(331)	33,952
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(7,469)	(933)	(8,402)	(8,402)	(1,175)	(9,577)
Total comprehensive income (loss)	-	-	-	-	-	-	34,283	34,283	(7,469)	(933)	(8,402)	25,881	(1,506)	24,375
<b>Balance at June 30, 2022</b>	<u>\$ 247,993</u>	<u>11</u>	<u>-</u>	<u>248,004</u>	<u>-</u>	<u>2,818</u>	<u>34,443</u>	<u>37,261</u>	<u>34,732</u>	<u>(17,924)</u>	<u>16,808</u>	<u>302,073</u>	<u>(17,291)</u>	<u>284,782</u>
<b>Balance at January 1, 2023</b>	\$ 247,993	11	-	248,004	35	2,818	79,758	82,576	32,903	(18,115)	14,788	345,403	(19,661)	325,742
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	-	7,960	(7,960)	-	-	-	-	-	-	-
Cash dividends of preference share	-	-	-	-	-	-	(2)	(2)	-	-	-	(2)	-	(2)
Stock dividends of ordinary share	-	-	61,998	61,998	-	-	(61,998)	(61,998)	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-	62,999	62,999	-	-	-	62,999	(2,615)	60,384
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(1,813)	(45)	(1,858)	(1,858)	(325)	(2,183)
Total comprehensive income (loss)	-	-	-	-	-	-	62,999	62,999	(1,813)	(45)	(1,858)	61,141	(2,940)	58,201
<b>Balance at June 30, 2023</b>	<u>\$ 247,993</u>	<u>11</u>	<u>61,998</u>	<u>310,002</u>	<u>35</u>	<u>10,778</u>	<u>72,797</u>	<u>83,575</u>	<u>31,090</u>	<u>(18,160)</u>	<u>12,930</u>	<u>406,542</u>	<u>(22,601)</u>	<u>383,941</u>

See accompanying notes to consolidated financial statements.

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

**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

	<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) operating activities:</b>		
Net income before tax	\$ 60,384	34,085
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	14,094	13,924
Amortization	7,015	5,690
Impairment gains determined in accordance with IFRS 9	(73)	-
Interest expense	6,191	5,365
Interest income	(2,777)	(137)
Dividend income	-	(480)
Gain on disposal of non-current assets held for sales	(17,141)	-
Total adjustments to reconcile profit	<u>7,309</u>	<u>24,362</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	-	4
Accounts receivable	6,028	(8,278)
Accounts receivable—related parties	603	(30)
Other receivables	-	1,222
Inventories	(48,935)	(48,951)
Prepayments and other current assets	961	5,658
Total changes in operating assets, net	<u>(41,343)</u>	<u>(50,375)</u>
Net changes in operating liabilities:		
Contract liabilities	5,219	(10,048)
Notes payable	(221)	(1)
Accounts payable	34,982	54,299
Other payables	(13,024)	(10,588)
Provisions	(33)	1,889
Other current liabilities	(4,343)	(53)
Other non-current liabilities	77	(92)
Total changes in operating liabilities, net	<u>22,657</u>	<u>35,406</u>
Total changes in operating assets and liabilities, net	<u>(18,686)</u>	<u>(14,969)</u>
Total adjustments	<u>(11,377)</u>	<u>9,393</u>
Cash inflow generated from operating activities	49,007	43,478
Interest received	2,729	137
Interest paid	(5,964)	(5,009)
Income taxes paid	(347)	(165)
<b>Net cash flows from operating activities</b>	<u>45,425</u>	<u>38,441</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of non-current assets classified as held for sale	20,001	-
Acquisition of property, plant and equipment	(1,863)	(1,778)
Decrease (Increase) in refundable deposits	5	(5)
Increase in other non-current assets	(7,133)	(4,119)
Dividends received	-	480
<b>Net cash flows from (used in) investing activities</b>	<u>11,010</u>	<u>(5,422)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	40,000	-
Decrease in short-term borrowings	(57,440)	-
Payment of lease liabilities	(8,580)	(8,374)
Interest paid	(236)	(344)
<b>Net cash flows used in financing activities</b>	<u>(26,256)</u>	<u>(8,718)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(981)</u>	<u>(10,723)</u>
<b>Net increase in cash and cash equivalents</b>	29,198	13,578
<b>Cash and cash equivalents at beginning of period</b>	230,416	236,489
<b>Cash and cash equivalents at end of period</b>	<u>\$ 259,614</u>	<u>250,067</u>

See accompanying notes to consolidated financial statements.



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

**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 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 August 10, 2023.

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

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

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

- (b) 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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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 <sup>1</sup> , 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:

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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**(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
				June 30, 2023	December 31, 2022	June 30, 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 June 30, 2022, their financial statements were not reviewed by independent auditors.

Note 2: Because they are non-significant subsidiaries on June 30, 2023, their financial statements were not reviewed by independent auditors.

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**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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Petty cash	\$ 300	291	192
Checking and demand deposits	140,157	168,705	249,875
Time deposits	119,157	61,420	-
Cash and cash equivalents per consolidated statements of cash flows	<u>\$ 259,614</u>	<u>230,416</u>	<u>250,067</u>

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Notes receivable	\$ -	-	112
Accounts receivable	83,881	89,909	79,114
Accounts receivable – related parties	171	774	30
Less: loss allowance	-	73	-
	<u>\$ 84,052</u>	<u>90,610</u>	<u>79,256</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

	<b>June 30, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 83,017	-	-
1 to 30 days past due	771	-	-
Past due over 365 days	93	-	-
	<u>\$ 83,881</u>		<u>-</u>

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

		<b>December 31, 2022</b>		
		<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
	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	-	-
		<b>\$ 89,909</b>		<b>-</b>
		<b>June 30, 2022</b>		
		<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
	Current	\$ 72,797	-	-
	1 to 30 days past due	2,886	-	-
	31 to 60 days past due	3,099	-	-
	61 to 90 days past due	20	-	-
	91 to 180 days past due	424	-	-
		<b>\$ 79,226</b>		<b>-</b>
 (ii) Related parties				
		<b>June 30, 2023</b>		
		<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
	1 to 30 days past due	<b>\$ 171</b>	-	-
		<b>December 31, 2022</b>		
		<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
	31 to 60 days past due	<b>\$ 774</b>	9.44%	<b>73</b>
		<b>June 30, 2022</b>		
		<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
	Current	\$ 15	-	-
	31 to 60 days past due	15	-	-
		<b>\$ 30</b>		<b>-</b>

(Continued)

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

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

	<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance on January 1	\$ 73	-
Impairment loss reversed	(73)	-
Ending balance on June 30	<u>\$ -</u>	<u>-</u>

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

(c) Inventories

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Merchandise	\$ 4,996	3,714	10,810
Finished goods	67,176	71,391	46,427
Work in progress	42,371	13,351	25,391
Raw materials and supplies	184,271	164,439	175,841
Goods in transit	5,576	2,560	2,691
Total	<u>\$ 304,390</u>	<u>255,455</u>	<u>261,160</u>

As of June 30, 2023, December 31 and June 30, 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:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Loss (reversal of loss) on decline in market value of inventory	<u>\$ (66)</u>	<u>3,004</u>	<u>2,355</u>	<u>7,847</u>

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ 581	622	817
Unlisted stocks (overseas)	53	57	53
Total	<u>\$ 634</u>	<u>679</u>	<u>870</u>

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

(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 June 30, 2023, the liquidation process is not yet completed.

No strategic investments were disposed for the six months ended June 30, 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(r).

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

(e) 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	\$ <u>107,832</u>	<u>156,614</u>	<u>4,078</u>	<u>4,169</u>	<u>272,693</u>
June 30, 2023	\$ <u>105,080</u>	<u>154,211</u>	<u>4,023</u>	<u>4,153</u>	<u>267,467</u>
January 1, 2022	\$ <u>107,832</u>	<u>161,136</u>	<u>3,811</u>	<u>5,367</u>	<u>278,146</u>
June 30, 2022	\$ <u>107,832</u>	<u>158,817</u>	<u>4,184</u>	<u>5,002</u>	<u>275,835</u>

For the six months ended June 30, 2023 and 2022, except that the Linyuan land and Factory were reclassified to non-current assets held for sales in March 2023 and the transfer was subsequently completed, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on property, plant and equipment. For the information on depreciation expenses for the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, please refer to note 12; for the information on 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.

In May 2023, the Group disposed of the land and factory in Linyuan for a net price of \$20,001 thousand and recognized gains on disposal of \$17,141 thousand, which was recorded under other gains and losses.

(f) Right-of-use assets

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying value:				
January 1, 2023	\$ <u>9,933</u>	<u>19,570</u>	<u>766</u>	<u>30,269</u>
June 30, 2023	\$ <u>9,580</u>	<u>12,381</u>	<u>502</u>	<u>22,463</u>
January 1, 2022	\$ <u>10,037</u>	<u>31,811</u>	<u>1,294</u>	<u>43,142</u>
June 30, 2022	\$ <u>10,107</u>	<u>24,037</u>	<u>1,030</u>	<u>35,174</u>

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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For the six months ended June 30, 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 June 30, 2023 and 2022 and the six months ended June 30, 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.

(g) Investment property

For the six months ended June 30, 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 June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, please refer to note 12; for the information on 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.

(h) Short-term borrowings

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

<b>June 30, 2023</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	TWD	2.13~2.18	2023	\$ 122,560
Secured bank loans	TWD	2.13~2.16	2023~2024	439,000
Total				<b>\$ 561,560</b>

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

<b>June 30, 2022</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	TWD	1.76~1.90	2022	\$ 190,000
Secured bank loans	TWD	1.755~1.7953	2022~2023	430,000
Total				<b>\$ 620,000</b>

As of June 30, 2023, December 31 and June 30, 2022, the unused credit facilities amounted to \$463,400 thousand, \$394,240 thousand and \$399,280 thousand, respectively.

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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The Group has pledged certain assets against the loans; please refers to note 8 for additional information.

(i) Lease liabilities

The Group's lease liabilities were as follow:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Current	<u>\$ 10,094</u>	<u>17,066</u>	<u>17,088</u>
Non-current	<u>\$ 3,139</u>	<u>3,812</u>	<u>8,680</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u>\$ 107</u>	<u>162</u>	<u>236</u>	<u>344</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 179</u>	<u>139</u>	<u>320</u>	<u>273</u>

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

	<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 9,136</u>	<u>8,991</u>

(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.

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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(j) 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:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Less than one year	\$ 10,751	17,820	24,183
One to two years	4,180	9,196	10,755
Two to three years	-	-	4,180
Total undiscounted lease payments	<u>\$ 14,931</u>	<u>27,016</u>	<u>39,118</u>

(k) Employee benefits

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Operating costs	\$ 439	384	861	775
Operating expenses	1,604	1,528	3,198	3,029
Total	<u>\$ 2,043</u>	<u>1,912</u>	<u>4,059</u>	<u>3,804</u>

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

(l) 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:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current income tax expense				
Current period	\$ 24	63	24	114
Adjustment for prior periods	(24)	19	(24)	19
Income tax expense from continuing operations	<u>\$ -</u>	<u>82</u>	<u>-</u>	<u>133</u>

The ROC income tax authorities have examined the Company's income tax returns for all years through 2021.

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

(m) 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.

In the shareholders' meeting of the Company held on June 13, 2023, the Company resolved to increase capital from the unappropriated retained earnings amounting to 61,998 thousand, with par value of \$10 per share, by issuing 6,200 thousand shares. The record date of the aforementioned capital increase will be determined subsequently by the Board of Directors.

(i) Capital surplus

The Company's capital surplus were as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Donation from shareholders	\$ <b>35</b>	<b>35</b>	-

(ii) Retained earnings – Distribution of retained earnings

In accordance with the articles of incorporation before the amendment, 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.

In accordance with the articles of incorporation amended on June 13, 2023, the distribution of earnings in the form of dividends, bonuses, legal reserve and capital surplus available for distribution under the laws, in whole or in part by cash, shall be authorized to be made by a majority vote of the Board of Directors with two-thirds of the directors present, and reported to the stockholders' meeting.

The distributable earnings 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 distributable earnings 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.

In accordance with the articles of incorporation amended on June 13, 2023, cash dividends shall be no more than 80% of the total stockholders' bonus, and the remainder shall be distributed as stock dividends.

On June 13, 2023 and June 10, 2022, the shareholders' meeting resolved to distribute the 2022 earnings and the 2021 earnings, respectively. These earnings were appropriated as follows:

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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	<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 \$1 thousand, \$2 thousand and \$1 thousand as of June 30, 2023, December 31 and June 30, 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	(1,813)	-	(325)	(2,138)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(45)	-	(45)
Balance at June 30, 2023	<u>\$ 31,090</u>	<u>(18,160)</u>	<u>223</u>	<u>13,153</u>
Balance at January 1, 2022	\$ 42,201	(16,991)	2,335	27,545
Foreign exchange differences arising from foreign operation	(7,469)	-	(1,175)	(8,644)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(933)	-	(933)
Balance at June 30, 2022	<u>\$ 34,732</u>	<u>(17,924)</u>	<u>1,160</u>	<u>17,968</u>

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

(n) 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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income of the Company	\$ 44,198	23,899	62,999	34,283
Dividends on non-redeemable preference shares	-	-	(1)	(1)
Net income attributable to ordinary shareholders of the Company	<u>\$ 44,198</u>	<u>23,899</u>	<u>62,998</u>	<u>34,282</u>
Weighted average number of ordinary shares	<u>24,799</u>	<u>24,799</u>	<u>24,799</u>	<u>24,799</u>
Basic earnings per share (in NTD)	<u>\$ 1.78</u>	<u>0.96</u>	<u>2.54</u>	<u>1.38</u>

(ii) Diluted earnings per share

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income attributable to ordinary shareholders of the Company (basic)	\$ 44,198	23,899	62,998	34,282
Dividends on non-redeemable preference shares	-	-	1	1
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 44,198</u>	<u>23,899</u>	<u>62,999</u>	<u>34,283</u>
Weighted average number of ordinary shares outstanding (basic)	24,799	24,799	24,799	24,799
Effect of dilutive potential ordinary shares				
Effect of remuneration to employees	58	104	89	176
Effect of convertible preference shares	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Weighted average number of shares outstanding (diluted)	<u>24,858</u>	<u>24,904</u>	<u>24,889</u>	<u>24,976</u>
Diluted earnings per share (in NTD)	<u>\$ 1.78</u>	<u>0.96</u>	<u>2.53</u>	<u>1.37</u>

(Continued)

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

- (iii) The Company resolved at the general shareholders' meeting held on June 13, 2023, to issue stock dividends. As of the approval date of the financial statements, the Company has not yet set the record date of the capital increase. If such capital increase had occurred prior to the publication of the financial statements, the proforma retrospective adjustments to EPS would have been as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Basic earnings per share	\$ <u>1.43</u>	<u>0.77</u>	<u>2.03</u>	<u>1.11</u>
Diluted earnings per share	\$ <u>1.42</u>	<u>0.77</u>	<u>2.03</u>	<u>1.10</u>

- (o) Revenue from contracts with customers

- (i) Disaggregation of revenue

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Primary geographical markets:				
United States	\$ 65,437	69,349	137,709	135,429
Germany	34,471	48,566	78,336	71,232
Hong Kong	49,507	12,406	71,395	12,484
Taiwan	35,506	19,404	55,179	41,392
France	21,619	15,615	37,921	32,794
China	13,949	12,756	25,219	27,718
Others	53,483	60,563	125,875	114,857
	<u>\$ 273,972</u>	<u>238,659</u>	<u>531,634</u>	<u>435,906</u>
Major products/services lines:				
Laptop	\$ 214,391	200,473	430,109	355,256
Mainboard	37,526	19,987	61,160	31,644
Sales of materials and others	22,055	18,199	40,365	49,006
	<u>\$ 273,972</u>	<u>238,659</u>	<u>531,634</u>	<u>435,906</u>

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

(ii) Contract Balance

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes receivable	\$ -	-	112
Accounts receivable	83,881	89,909	79,114
Accounts receivable—related parties	171	774	30
Less: allowance for impairment	-	73	-
Total	<u>\$ 84,052</u>	<u>90,610</u>	<u>79,256</u>
Contract liabilities	<u>\$ 15,791</u>	<u>10,572</u>	<u>8,406</u>

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 June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$2,548 thousand, \$6,252 thousand, \$7,694 thousand and \$13,501 thousand, respectively.

(p) Remunerations to employees and directors

In accordance with the articles of incorporation, 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.

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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For the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, the estimated employee remuneration amounted to \$3,950 thousand, \$1,246 thousand, \$5,663 thousand and \$3,491 thousand and the estimated directors' remuneration amounted \$1,482 thousand, \$1,316 thousand, \$2,124 thousand and \$1,574 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.

(q) Non-operating income and expenses

(i) Interest income

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	\$ <u>2,027</u>	<u>92</u>	<u>2,777</u>	<u>137</u>

(ii) Other income

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Rental income	\$ 6,898	6,953	13,851	13,878
Dividend income	-	480	-	480
Other income – other	<u>327</u>	<u>4,908</u>	<u>599</u>	<u>6,737</u>
Total other income	\$ <u>7,225</u>	<u>12,341</u>	<u>14,450</u>	<u>21,095</u>

(iii) Other gains and losses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Gain on disposal of non-current assets held for sales	\$ 17,141	-	17,141	-
Foreign exchange gains, net	5,325	7,952	3,696	25,577
Others	<u>(683)</u>	<u>(859)</u>	<u>(1,370)</u>	<u>(4,232)</u>
Other gains and losses, net	\$ <u>21,783</u>	<u>7,093</u>	<u>19,467</u>	<u>21,345</u>

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

## (iv) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest expense	\$ (3,128)	(2,832)	(6,191)	(5,365)

## (r) 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
<b>June 30, 2023</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 561,560	563,233	563,233	-	-	-
Accounts payable	144,876	144,876	144,876	-	-	-
Other payables	58,450	57,987	57,987	-	-	-
Dividends payable	2	2	2	-	-	-
Lease liabilities	13,233	13,536	10,314	2,528	694	-
Guarantee deposits received	6,651	6,651	3,444	3,207	-	-
Preference shares (including preference shares dividends)	11	12	12	-	-	-
	<b>\$ 784,783</b>	<b>786,297</b>	<b>779,868</b>	<b>5,735</b>	<b>694</b>	<b>-</b>
<b>December 31, 2022</b>						
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	-	-	-
	<b>\$ 788,218</b>	<b>792,884</b>	<b>785,733</b>	<b>5,341</b>	<b>1,810</b>	<b>-</b>

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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>
<b>June 30, 2022</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 620,000	621,811	621,811	-	-	-
Notes payable	176	176	176	-	-	-
Accounts payable	129,760	129,760	129,760	-	-	-
Other payables	50,947	50,947	50,947	-	-	-
Dividends payable	25,204	25,204	25,204	-	-	-
Lease liabilities	25,768	26,231	17,493	8,738	-	-
Guarantee deposits received	6,746	6,746	-	3,539	3,207	-
Preference shares (including preference shares dividends)	11	12	12	-	-	-
	<u>\$ 858,612</u>	<u>860,887</u>	<u>845,403</u>	<u>12,277</u>	<u>3,207</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>
<b>June 30, 2023</b>			
Financial assets:			
Monetary assets:			
USD	\$ 20,305	31.14	632,298
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,184	31.14	68,010
<b>December 31, 2022</b>			
Financial assets:			
Monetary assets:			
USD	\$ 19,600	30.71	601,916
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,815	30.71	55,739

(Continued)

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

	Foreign currency	Exchange rate	TWD
<b>June 30, 2022</b>			
Financial assets:			
Monetary assets:			
USD	\$ 20,358	29.72	605,040
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,131	29.72	63,333

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 June 30, 2023 and 2022, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the six months ended June 30, 2023 and 2022 by \$5,643 thousand and \$5,417 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, including realized and unrealized, were \$5,325 thousand, \$7,952 thousand, \$3,696 thousand and \$25,577 thousand for the three months and six months ended June 30, 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.

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have decreased/increased by \$2,808 thousand and \$3,100 thousand for the six months ended June 30, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowings at floating rates.

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

(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:

	<b>June 30, 2023</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 581	-	-	581	581
Unlisted stocks (overseas)	53	-	-	53	53
Total	<b>\$ 634</b>	<b>-</b>	<b>-</b>	<b>634</b>	<b>634</b>

	<b>December 31, 2022</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 622	-	-	622	622
Unlisted stocks (overseas)	57	-	-	57	57
Total	<b>\$ 679</b>	<b>-</b>	<b>-</b>	<b>679</b>	<b>679</b>

	<b>June 30, 2022</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 817	-	-	817	817
Unlisted stocks (overseas)	53	-	-	53	53
Total	<b>\$ 870</b>	<b>-</b>	<b>-</b>	<b>870</b>	<b>870</b>

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.

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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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

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance at January 1, 2023	\$ 679
Total loss recognized:	
In other comprehensive income	(45)
Balance at June 30, 2023	\$ 634
Balance at January 1, 2022	\$ 1,803
Total loss recognized:	
In other comprehensive income	(933)
Balance at June 30, 2022	\$ 870

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"> <li>· Multiplier of price-to-book ratio (As of June 30, 2023, December 31 and June 30, 2022 were 0.08~1.00)</li> <li>· Market illiquidity discount rate (As of June 30, 2023, December 31 and June 30, 2022 were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> <li>· the multiplier were higher (lower)</li> <li>· the market illiquidity discount were lower (higher)</li> </ul>

- 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>
<b>June 30, 2023</b>				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 40	(40)
<b>December 31, 2022</b>				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	42	(42)
<b>June 30, 2022</b>				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	54	(54)

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)

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

(s) 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.

(t) 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.

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

For the six months ended June 30, 2023 and 2022, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2023
			Acquisition right-of-use assets	Effect of changes in exchange rate	
Short-term borrowings	\$ 579,000	(17,440)	-	-	561,560
Lease liabilities	20,878	(8,580)	897	38	13,233
Guarantee deposits received	6,731	-	-	(80)	6,651
Total liabilities from financing activities	<u>\$ 606,609</u>	<u>(26,020)</u>	<u>897</u>	<u>(42)</u>	<u>581,444</u>

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Acquisition right-of-use assets	Effect of changes in exchange rate	
Short-term borrowings	\$ 620,000	-	-	-	620,000
Lease liabilities	33,922	(8,374)	-	220	25,768
Guarantee deposits received	6,676	-	-	70	6,746
Total liabilities from financing activities	<u>\$ 660,598</u>	<u>(8,374)</u>	<u>-</u>	<u>290</u>	<u>652,514</u>

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

**(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:

<u>Name of related party</u>	<u>Relationship with the Group</u>
NCS Technologies, Inc. (NCS)	Other related party of the Group (The president of NCS is the director of the Company)

(b) Significant transactions with related party

(i) Operating revenue

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
NCS	\$ <u>264</u>	<u>45</u>	<u>479</u>	<u>45</u>

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:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable— related parties	Other related parties	\$ <u>171</u>	<u>701</u>	<u>30</u>

(iii) Advance sales receipts (recognized under other current liabilities)

The details of the Group's advance sales receipts from related party were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	NCS	\$ <u>-</u>	<u>-</u>

(Continued)

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

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 7,340	6,549	13,138	11,965
Post-employment benefits	54	54	108	108
	<u>\$ 7,394</u>	<u>6,603</u>	<u>13,246</u>	<u>12,073</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Property, plant and equipment	Short-term borrowings	\$ 258,312	263,374	265,602
Investment property	Short-term borrowings	140,659	141,360	142,061
		<u>\$ 398,971</u>	<u>404,734</u>	<u>407,663</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:

<b>By function</b>	<b>Three months ended June 30, 2023</b>			<b>Three months ended June 30, 2022</b>		
	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
<b>By nature</b>						
Employee benefits						
Salary	7,964	40,817	48,781	6,782	34,990	41,772
Labor and health insurance	909	3,022	3,931	781	2,712	3,493
Pension	439	1,604	2,043	384	1,528	1,912
Remuneration of directors	-	2,244	2,244	-	2,011	2,011
Others	538	981	1,519	474	894	1,368
Depreciation (note)	1,224	5,131	6,355	1,233	5,074	6,307
Amortization	-	3,697	3,697	-	2,877	2,877

(Continued)

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

By function By nature	Six months ended June 30 2023			Six months ended June 30 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	16,682	81,700	98,382	14,447	71,869	86,316
Labor and health insurance	1,783	6,393	8,176	1,573	5,840	7,413
Pension	861	3,198	4,059	775	3,029	3,804
Remuneration of directors	-	3,631	3,631	-	2,964	2,964
Others	1,006	1,941	2,947	901	1,800	2,701
Depreciation (note)	2,465	10,260	12,725	2,455	10,096	12,551
Amortization	-	7,015	7,015	-	5,690	5,690

Note: Depreciation expenses for investment property recognized under other gains and losses amounted to \$682 thousand, \$688 thousand, \$1,369 thousand and \$1,373 thousand for the three months and six months ended June 30, 2023 and 2022, respectively.

(b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

(Continued)

**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 six months ended June 30, 2023:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of June 30, 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	Il, 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	EUROC Venture Capital Corp.	-	Non-current financial assets at fair value through other comprehensive income	80	581	10.000 %	581	
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	53	0.691 %	53	
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	325,056 (Note 3)	-	325,056 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable (Note 3)	3,102	-
The Company	Durabook	Subsidiary	163,195 (note 4)	0.55	114,031 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	4,178	-

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

Note 2: Until August 10, 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 June 30, 2023, the Company's accounts receivable from Durabook were \$163,195 thousand. The overdue receivables of \$114,031 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**  
**Notes to 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	41,078	The transaction is not significantly different from normal transactions	7.73 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	21,979	The transaction is not significantly different from normal transactions	4.13 %
0	The Company	Durabook	1	Accounts receivable – related parties	49,164 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 days	4.06 %
0	The Company	Durabook	1	Long-term accounts receivable – related parties	17,416 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 days	1.44 %
0	The Company	Twinhead Kunshan Technology Co., Ltd.	1	Long-term accounts receivable – related parties	79,006 (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.	6.52 %

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 June 30, 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 six months ended June 30, 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			Net income (loss) of investee	Investment income (losses)	Remarks
				June 30, 2023	December 31, 2022	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 %	- (Note 3)	(13,076)	(10,461)	Subsidiary (Note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (Note 4)	4,868	4,868	Subsidiary (Note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,207	(57)	(57)	Subsidiary (Note 2)

Note 1: The exchange rate as of June 30, 2023 : USD1=TWD31.14.

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**  
**Notes to the Consolidated Financial Statements**

## (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 June 30, 2023	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of June 30, 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	389,250 (USD12,500)	(2)	389,250 (USD12,500)	-	-	389,250 (USD12,500)	5,622	100.00 %	5,622	(264,749)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	124,560 (USD4,000)	(2)	62,280 (USD2,000)	-	-	62,280 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,539 (USD210)	(2)	6,539 (USD210)	-	-	6,539 (USD210)	(404)	100.00 %	(404)	19,847	-

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 amount of investment income (loss) from Twinhead Kunshan Technology Co., Ltd. were recognized under the equity method based on the financial statements which were reviewed by the auditor of the Company. The amount of investment income (loss) from other investees were recognized under the equity method based on the financial statements which were not reviewed by the auditor of the Company.

Note 3: The exchange rate as of June 30, 2023 : USD1=TWD31.14.

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 June 30, 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	498,551 (USD16,010)	498,551 (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 June 30, 2023: USD1=TWD31.14.

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 8, 2023. 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 5, 2023 to June 4, 2026.

## (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.