

**TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 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 \$82,547 thousand and \$154,665 thousand, constituting 7% and 13% of the consolidated total assets; and the total liabilities amounting to \$17,935 thousand and \$22,210 thousand, both constituting 2% of the consolidated total liabilities as of September 30, 2023 and 2022, respectively; as well as the total comprehensive income (loss) amounting to \$(7,194) thousand, \$(19,102) thousand, \$(22,816) thousand and \$(34,916) thousand, constituting (23)%, (69)%, (26)% and (67)% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 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)
November 13, 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

September 30, 2023, December 31 and September 30, 2022

(Expressed in Thousands of New Taiwan Dollar)

Assets		September 30, 2023		December 31, 2022		September 30, 2022				September 30, 2023		December 31, 2022		September 30, 2022		
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	
Current assets:																
1100	Cash and cash equivalents (note 6(a))	\$ 296,905	24	230,416	20	261,246	22	2100	Short-term borrowings (notes 6(h) and 8)	\$ 561,560	46	579,000	50	620,000	51	
1150	Notes receivable, net (notes 6(b) and 6(o))	-	-	-	-	171	-	2130	Current contract liabilities (note 6(o))	11,004	1	10,572	1	15,028	1	
1170	Accounts receivable, net (notes 6(b) and 6(o))	62,789	5	89,909	8	78,094	6	2150	Notes payable	-	-	221	-	234	-	
1180	Accounts receivable—related parties, net (notes 6(b), 6(o) and 7)	41	-	701	-	194	-	2170	Accounts payable	121,870	10	109,894	10	142,957	12	
130x	Inventories (note 6(c))	297,130	25	255,455	22	276,417	23	2200	Other payables (note 6(p))	69,943	6	71,483	6	58,478	5	
1476	Other current financial assets	2,602	-	-	-	-	-	2250	Provisions—current	9,235	1	8,663	1	8,726	1	
1470	Prepayments and other current assets	13,786	1	9,426	1	12,826	1	2280	Current lease liabilities (note 6(i))	6,444	-	17,066	1	17,307	1	
	Total current assets	<u>673,253</u>	<u>55</u>	<u>585,907</u>	<u>51</u>	<u>628,948</u>	<u>52</u>	2300	Other current liabilities (note 7)	12,763	1	15,638	1	10,412	1	
Non-current assets:										<u>792,819</u>	<u>65</u>	<u>812,537</u>	<u>70</u>	<u>873,142</u>	<u>72</u>	
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	634	-	679	-	774	-	2550	Provisions—non-current	6,846	1	6,908	1	6,861	1	
1600	Property, plant and equipment (notes 6(e) and 8)	266,722	21	272,693	23	274,657	23	2580	Non-current lease liabilities (note 6(i))	2,762	-	3,812	-	4,497	-	
1755	Right-of-use assets (note 6(f))	18,791	1	30,269	2	31,212	2	2645	Guarantee deposits received	6,799	-	6,731	1	6,781	1	
1760	Investment property, net (notes 6(g), (j) and 8)	191,838	16	192,916	17	194,338	16	2670	Other non-current liabilities	643	-	597	-	1,414	-	
1840	Deferred income tax assets	43,911	4	43,378	4	44,540	4		Total non-current liabilities	<u>17,050</u>	<u>1</u>	<u>18,048</u>	<u>2</u>	<u>19,553</u>	<u>2</u>	
1920	Refundable deposits	7,263	1	7,202	1	7,246	1		Total liabilities	<u>809,869</u>	<u>66</u>	<u>830,585</u>	<u>72</u>	<u>892,695</u>	<u>74</u>	
1995	Other non-current assets	22,282	2	23,283	2	23,453	2		Equity attributable to owners of parent (note 6(m)):							
	Total non-current assets	<u>551,441</u>	<u>45</u>	<u>570,420</u>	<u>49</u>	<u>576,220</u>	<u>48</u>		Share capital:							
								3110	Ordinary shares	247,993	20	247,993	22	247,993	21	
								3120	Preference shares	11	-	11	-	11	-	
								3150	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>	
										<u>35</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>35</u>	<u>-</u>	
								3200	Capital surplus							
									Retained earnings:							
								3310	Legal reserve	10,778	1	2,818	-	2,818	-	
								3350	Retained earnings	101,466	8	79,758	7	70,018	6	
										<u>112,244</u>	<u>9</u>	<u>82,576</u>	<u>7</u>	<u>72,836</u>	<u>6</u>	
									Other equities:							
								3410	Exchange differences on translation of foreign financial statements	34,802	3	32,903	3	28,393	2	
								3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(18,160)	(1)	(18,115)	(2)	(18,020)	(1)	
										<u>16,642</u>	<u>2</u>	<u>14,788</u>	<u>1</u>	<u>10,373</u>	<u>1</u>	
									Total equity attributable to owners of parent	<u>438,923</u>	<u>36</u>	<u>345,403</u>	<u>30</u>	<u>331,248</u>	<u>28</u>	
								36xx	Non-controlling interests	<u>(24,098)</u>	<u>(2)</u>	<u>(19,661)</u>	<u>(2)</u>	<u>(18,775)</u>	<u>(2)</u>	
									Total equity	<u>414,825</u>	<u>34</u>	<u>325,742</u>	<u>28</u>	<u>312,473</u>	<u>26</u>	
									Total liabilities and equity	<u>\$ 1,224,694</u>	<u>100</u>	<u>\$ 1,156,327</u>	<u>100</u>	<u>\$ 1,205,168</u>	<u>100</u>	
	Total assets	<u>\$ 1,224,694</u>	<u>100</u>	<u>1,156,327</u>	<u>100</u>	<u>1,205,168</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 September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Ordinary Share)**

	For the three months ended September 30				For the nine months ended September 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenues (notes 6(o) and 7)								
	\$	255,052	100	227,466	100	786,686	100	663,372	100
5000	Operating costs (notes 6(c), 6(i) and 6(k))								
		161,432	63	152,789	67	504,882	64	461,175	70
5900	Gross profit								
		93,620	37	74,677	33	281,804	36	202,197	30
6000	Operating expenses (notes 6(b), 6(i), 6(k), 6(p) and 7):								
6100	Selling expenses								
		18,065	7	14,629	6	55,601	7	42,412	6
6200	Administrative expenses								
		36,891	14	33,063	15	105,749	13	95,012	15
6300	Research and development expenses								
		25,179	10	21,374	10	77,161	10	62,289	9
6450	Impairment gains determined in accordance with IFRS 9								
		-	-	-	-	(73)	-	-	-
	Total operating expenses								
		80,135	31	69,066	31	238,438	30	199,713	30
6900	Net operating income								
		13,485	6	5,611	2	43,366	6	2,484	-
7000	Non-operating income and expenses (notes 6(e), 6(i) and 6(q)):								
7100	Interest income								
		1,278	-	250	-	4,055	-	387	-
7010	Other income								
		7,195	3	9,080	4	21,645	2	30,175	4
7020	Other gains and losses								
		9,153	4	23,339	10	28,620	4	44,684	7
7050	Finance costs								
		(3,124)	(1)	(2,991)	(1)	(9,315)	(1)	(8,356)	(1)
	Total non-operating income and expenses								
		14,502	6	29,678	13	45,005	5	66,890	10
	Income from continuing operations before tax								
		27,987	12	35,289	15	88,371	11	69,374	10
7950	Less: Income tax expense (note 6(l))								
		1	-	1	-	1	-	134	-
	Net income								
		27,986	12	35,288	15	88,370	11	69,240	10
8300	Other comprehensive income (loss) (note 6(m)):								
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								
		-	-	(96)	-	(45)	-	(1,029)	-
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								
		-	-	(96)	-	(45)	-	(1,029)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements								
		2,898	1	(7,536)	(3)	760	-	(16,180)	(2)
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								
		2,898	1	(7,536)	(3)	760	-	(16,180)	(2)
8300	Other comprehensive income (loss), net								
		2,898	1	(7,632)	(3)	715	-	(17,209)	(2)
	Total comprehensive income (loss)								
		\$ 30,884	13	27,656	12	89,085	11	52,031	8
	Net income (loss) attributable to:								
8610	Owners of parent								
		\$ 28,669	12	35,575	15	91,668	11	69,858	10
8620	Non-controlling interests								
		(683)	-	(287)	-	(3,298)	-	(618)	-
		\$ 27,986	12	35,288	15	88,370	11	69,240	10
	Comprehensive income (loss) attributable to:								
8710	Owners of parent								
		\$ 32,381	13	29,140	13	93,522	11	55,021	8
8720	Non-controlling interests								
		(1,497)	-	(1,484)	(1)	(4,437)	-	(2,990)	-
		\$ 30,884	13	27,656	12	89,085	11	52,031	8
9750	Basic earnings per share (in New Taiwan dollar) (note 6(n))								
		\$ 0.92		1.15		2.96		2.25	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(n))								
		\$ 0.92		1.15		2.95		2.25	

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 nine months ended September 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						
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
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	-	2,818	(2,818)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(24,799)	(24,799)	-	-	-	(24,799)	-	(24,799)
Cash dividends of preference share	-	-	-	-	-	-	(405)	(405)	-	-	-	(405)	-	(405)
Due to donated assets received	-	-	-	-	35	-	-	-	-	-	-	35	-	35
Net income (loss)	-	-	-	-	-	-	69,858	69,858	-	-	-	69,858	(618)	69,240
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(13,808)	(1,029)	(14,837)	(14,837)	(2,372)	(17,209)
Total comprehensive income (loss)	-	-	-	-	-	-	69,858	69,858	(13,808)	(1,029)	(14,837)	55,021	(2,990)	52,031
Balance at September 30, 2022	\$ 247,993	11	-	248,004	35	2,818	70,018	72,836	28,393	(18,020)	10,373	331,248	(18,775)	312,473
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
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)	-	-	-	-	-	-	91,668	91,668	-	-	-	91,668	(3,298)	88,370
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	1,899	(45)	1,854	1,854	(1,139)	715
Total comprehensive income (loss)	-	-	-	-	-	-	91,668	91,668	1,899	(45)	1,854	93,522	(4,437)	89,085
Balance at September 30, 2023	\$ 247,993	11	61,998	310,002	35	10,778	101,466	112,244	34,802	(18,160)	16,642	438,923	(24,098)	414,825

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 nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

	For the nine months ended September 30	
	2023	2022
Cash flows from (used in) operating activities:		
Net income before tax	\$ 88,371	69,374
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	21,185	20,986
Amortization	10,265	8,839
Impairment gains determined in accordance with IFRS 9	(73)	-
Interest expense	9,315	8,356
Interest income	(4,055)	(387)
Dividend income	-	(480)
Gain on disposal of non-current assets held for sales	(17,141)	-
Total adjustments to reconcile profit	<u>19,496</u>	<u>37,314</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	-	(55)
Accounts receivable	27,120	(7,258)
Accounts receivable – related parties	733	(194)
Other receivables	-	1,222
Inventories	(41,675)	(64,208)
Prepayments and other current assets	(3,894)	730
Total changes in operating assets, net	<u>(17,716)</u>	<u>(69,763)</u>
Net changes in operating liabilities:		
Contract liabilities	432	(3,426)
Notes payable	(221)	57
Accounts payable	11,976	67,496
Other payables	(1,530)	(3,094)
Provisions	510	2,529
Other current liabilities	(2,789)	(49)
Other non-current liabilities	46	(111)
Total changes in operating liabilities, net	<u>8,424</u>	<u>63,402</u>
Total changes in operating assets and liabilities, net	<u>(9,292)</u>	<u>(6,361)</u>
Total adjustments	<u>10,204</u>	<u>30,953</u>
Cash inflow generated from operating activities	98,575	100,327
Interest received	3,967	296
Interest paid	(9,005)	(7,791)
Income taxes paid	(466)	(179)
Net cash flows from operating activities	<u>93,071</u>	<u>92,653</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of non-current assets classified as held for sale	20,001	-
Acquisition of property, plant and equipment	(3,206)	(2,701)
Decrease (Increase) in refundable deposits	5	(5)
Increase in other financial assets	(2,601)	-
Increase in other non-current assets	(9,264)	(7,766)
Dividends received	-	480
Net cash flows from (used in) investing activities	<u>4,935</u>	<u>(9,992)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	40,000	-
Decrease in short-term borrowings	(57,440)	-
Payment of lease liabilities	(12,803)	(12,501)
Cash dividends paid	(2)	(25,204)
Interest paid	(320)	(481)
Net cash flows used in financing activities	<u>(30,565)</u>	<u>(38,186)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(952)</u>	<u>(19,718)</u>
Net increase in cash and cash equivalents	66,489	24,757
Cash and cash equivalents at beginning of period	<u>230,416</u>	<u>236,489</u>
Cash and cash equivalents at end of period	<u>\$ 296,905</u>	<u>261,246</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

September 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 November 13, 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”

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

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

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

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

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

(Continued)

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

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(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
			September 30, 2023	December 31, 2022	September 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

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

Name of investor	Name of subsidiary	Principal activity	Percentage of ownership			Remarks
			September 30, 2023	December 31, 2022	September 30, 2022	
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 September 30, 2022, their financial statements were not reviewed by independent auditors.

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

(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, 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.

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

(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.

(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

	September 30, 2023	December 31, 2022	September 30, 2022
Petty cash	\$ 355	291	302
Checking and demand deposits	185,298	168,705	197,444
Time deposits	<u>111,252</u>	<u>61,420</u>	<u>63,500</u>
Cash and cash equivalents per consolidated statements of cash flows	<u>\$ 296,905</u>	<u>230,416</u>	<u>261,246</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$ -	-	171
Accounts receivable	62,789	89,909	78,094
Accounts receivable – related parties	41	774	194
Less: loss allowance	<u>-</u>	<u>73</u>	<u>-</u>
	<u>\$ 62,830</u>	<u>90,610</u>	<u>78,459</u>

(Continued)

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

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:

	September 30, 2023		
	Gross carrying amount (Including related parties)	Weighted- average loss rate	Loss allowance provision
Current	\$ 47,871	-	-
1 to 30 days past due	14,862	-	-
Past due over 365 days	97	-	-
	\$ 62,830		-

	December 31, 2022		
	Gross carrying amount (Including related parties)	Weighted- average loss rate	Loss allowance provision
Current	\$ 69,115	-	-
1 to 30 days past due	20,482	-	-
31 to 60 days past due	834	9.44%	73
181 to 365 days past due	1	-	-
Past due over 365 days	251	-	-
	\$ 90,683		73

	September 30, 2022		
	Gross carrying amount (Including related parties)	Weighted- average loss rate	Loss allowance provision
Current	\$ 64,998	-	-
1 to 30 days past due	13,044	-	-
91 to 180 days past due	1	-	-
181 to 365 days past due	416	-	-
	\$ 78,459		-

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

The movement in the allowance for impairment with respect to notes and accounts receivable of the Group was as follows:

	For the nine months ended September 30	
	2023	2022
Balance at beginning of the period	\$ 73	-
Impairment loss reversed	(73)	-
Balance at end of the period	\$ -	-

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

(c) Inventories

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

	September 30, 2023	December 31, 2022	September 30, 2022
Merchandise	\$ 6,212	3,714	8,173
Finished goods	73,616	71,391	54,925
Work in progress	40,255	13,351	38,287
Raw materials and supplies	171,020	164,439	172,892
Goods in transit	6,027	2,560	2,140
Total	\$ 297,130	255,455	276,417

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Loss on decline in market value of inventory	\$ 1,831	981	4,186	8,828

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

	September 30, 2023	December 31, 2022	September 30, 2022
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ 581	622	720
Unlisted stocks (overseas)	53	57	54
Total	\$ 634	679	774

(Continued)

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 September 30, 2023, the liquidation process is not yet completed.

No strategic investments were disposed for the nine months ended September 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>
September 30, 2023	\$ <u>105,080</u>	<u>153,802</u>	<u>4,140</u>	<u>3,700</u>	<u>266,722</u>
January 1, 2022	\$ <u>107,832</u>	<u>161,136</u>	<u>3,811</u>	<u>5,367</u>	<u>278,146</u>
September 30, 2022	\$ <u>107,832</u>	<u>157,660</u>	<u>4,216</u>	<u>4,949</u>	<u>274,657</u>

For the nine months ended September 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 September 30, 2023 and 2022 and the nine months ended September 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>
September 30, 2023	\$ <u>9,924</u>	<u>8,497</u>	<u>370</u>	<u>18,791</u>
January 1, 2022	\$ <u>10,037</u>	<u>31,811</u>	<u>1,294</u>	<u>43,142</u>
September 30, 2022	\$ <u>10,140</u>	<u>20,174</u>	<u>898</u>	<u>31,212</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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For the nine months ended September 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 September 30, 2023 and 2022 and the nine months ended September 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 nine months ended September 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 September 30, 2023 and 2022 and the nine months ended September 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:

September 30, 2023				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	2.13~2.18	2023	\$ 70,000
Secured bank loans	TWD	2.13	2023~2024	491,560
Total				\$ 561,560
December 31, 2022				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	2.05	2023	\$ 70,000
Secured bank loans	TWD	1.92~2.16	2023	509,000
Total				\$ 579,000
September 30, 2022				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.85~2.03	2022	\$ 120,000
Secured bank loans	TWD	1.79~1.98	2022~2023	500,000
Total				\$ 620,000

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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As of September 30, 2023, December 31 and September 30, 2022, the unused credit facilities amounted to \$460,920 thousand, \$394,240 thousand and \$407,400 thousand, respectively.

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:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ <u>6,444</u>	<u>17,066</u>	<u>17,307</u>
Non-current	\$ <u>2,762</u>	<u>3,812</u>	<u>4,497</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>84</u>	<u>137</u>	<u>320</u>	<u>481</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>334</u>	<u>122</u>	<u>654</u>	<u>395</u>

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

	For the nine months ended September 30	
	2023	2022
Total cash outflow for leases	\$ <u>13,777</u>	<u>13,377</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 transportation equipments 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
Notes to the Consolidated Financial Statements

(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:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Less than one year	\$ 24,066	17,820	21,371
One to two years	15,706	9,196	10,032
Two to three years	11,245	-	1,671
Total undiscounted lease payments	<u>\$ 51,017</u>	<u>27,016</u>	<u>33,074</u>

(k) Employee benefits

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

	<u>For the three months</u> <u>ended September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating costs	\$ 450	398	1,311	1,173
Operating expenses	1,630	1,532	4,828	4,561
Total	<u>\$ 2,080</u>	<u>1,930</u>	<u>6,139</u>	<u>5,734</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 annual tax rate which was forecasted by the management.

The Group's income tax expense is as follows:

	<u>For the three months</u> <u>ended September 30</u>		<u>For the nine months</u> <u>ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current income tax expense				
Current period	\$ 1	1	25	115
Adjustment for prior periods	-	-	(24)	19
Income tax expense from continuing operations	<u>\$ 1</u>	<u>1</u>	<u>1</u>	<u>134</u>

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

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

(m) Capital and other equity

Except for the following disclosures, there were no significant changes in capital and other equity for the nine months ended September 30, 2023 and 2022. For other related information, please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2022.

(i) Capital stock

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 is October 22, 2023. The related statutory registration procedure is still in progress.

(ii) Retained earnings—Distribution of retained earnings

In accordance with the articles of incorporation, the Company's net earnings should first be used to pay taxes, and then to offset prior years' deficits. Of the remaining balance, 10% is to be appropriated as legal reserve, unless the accumulated legal reserve has reached the Company's paid-in capital, and priority is given to the payment of unpaid dividends to preference shares. In addition, depending on the Company's operational needs and laws and regulations, a special reserve may be set aside. If there is any unappropriated earnings at the beginning of the period, the Board of Directors will prepare a distribution plan and submit it to the shareholders' meeting for approval. The aforementioned distribution by cash shall be authorized by a majority vote of the Board of Directors with at least two-thirds of the directors present, and shall be reported to the stockholder's 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:

	<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>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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	2022	2021
Dividends distributed to preference shareholders:		
Cash	\$ 2	405

The Company's accumulated undistributed dividends for preference shares amounted to \$2 thousand as of September 30, 2023, December 31 and September 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	1,899	-	(1,139)	760
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(45)	-	(45)
Balance at September 30, 2023	\$ 34,802	(18,160)	(591)	16,051
Balance at January 1, 2022	\$ 42,201	(16,991)	2,335	27,545
Foreign exchange differences arising from foreign operation	(13,808)	-	(2,372)	(16,180)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(1,029)	-	(1,029)
Balance at September 30, 2022	\$ 28,393	(18,020)	(37)	10,336

(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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Net income of the Company	\$ 28,669	35,575	91,668	69,858
Dividends on non-redeemable preference shares	(1)	(1)	(2)	(2)
Net income attributable to ordinary shareholders of the Company	\$ 28,668	35,574	91,666	69,856
Weighted average number of ordinary shares outstanding	30,999	30,999	30,999	30,999
Basic earnings per share (in NTD)	\$ 0.92	1.15	2.96	2.25

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Net income attributable to ordinary shareholders of the Company (basic)	\$ 28,668	35,574	91,666	69,856
Dividends on non-redeemable preference shares	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 28,669</u>	<u>35,575</u>	<u>91,668</u>	<u>69,858</u>
Weighted average number of ordinary shares outstanding (basic)	30,999	30,999	30,999	30,999
Effect of dilutive potential ordinary shares				
Effect of remuneration to employees	71	67	92	115
Effect of convertible preference shares	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>31,071</u>	<u>31,067</u>	<u>31,092</u>	<u>31,115</u>
Diluted earnings per share (in NTD)	<u>\$ 0.92</u>	<u>1.15</u>	<u>2.95</u>	<u>2.25</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Primary geographical markets:				
United States	\$ 58,538	55,276	196,247	190,705
Germany	29,086	47,649	107,422	118,881
Hong Kong	41,730	2,307	113,125	14,791
Taiwan	19,484	28,032	74,663	69,424
France	25,058	14,917	62,979	47,711
China	7,914	16,293	33,133	44,011
Others	<u>73,242</u>	<u>62,992</u>	<u>199,117</u>	<u>177,849</u>
	<u>\$ 255,052</u>	<u>227,466</u>	<u>786,686</u>	<u>663,372</u>

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Major products/services lines:				
Laptop	\$ 217,367	181,433	647,476	536,689
Mainboard	19,710	22,507	80,870	54,151
Sales of materials and others	<u>17,975</u>	<u>23,526</u>	<u>58,340</u>	<u>72,532</u>
	<u>\$ 255,052</u>	<u>227,466</u>	<u>786,686</u>	<u>663,372</u>

(ii) Contract Balance

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$ -	-	171
Accounts receivable	62,789	89,909	78,094
Accounts receivable – related parties	41	774	194
Less: allowance for impairment	<u>-</u>	<u>73</u>	<u>-</u>
Total	<u>\$ 62,830</u>	<u>90,610</u>	<u>78,459</u>
Contract liabilities	<u>\$ 11,004</u>	<u>10,572</u>	<u>15,028</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 September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$0 thousand, \$868 thousand, \$9,523 thousand and \$10,841 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.

(Continued)

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

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 September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022, the estimated employee remuneration amounted to \$2,577 thousand, \$2,858 thousand, \$8,240 thousand and \$6,349 thousand and the estimated directors' remuneration amounted \$966 thousand, \$1,601 thousand, \$3,090 thousand and \$3,175 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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest income from bank deposits	\$ <u>1,278</u>	<u>250</u>	<u>4,055</u>	<u>387</u>

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Rental income	\$ 6,895	6,943	20,746	20,821
Dividend income	-	-	-	480
Other income — other	<u>300</u>	<u>2,137</u>	<u>899</u>	<u>8,874</u>
Total other income	\$ <u>7,195</u>	<u>9,080</u>	<u>21,645</u>	<u>30,175</u>

(Continued)

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

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Gain on disposal of non-current assets held for sales	\$ -	-	17,141	-
Foreign exchange gains, net	9,834	24,026	13,530	49,603
Others	(681)	(687)	(2,051)	(4,919)
Other gains and losses, net	<u>\$ 9,153</u>	<u>23,339</u>	<u>28,620</u>	<u>44,684</u>

(iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest expense	<u>\$ (3,124)</u>	<u>(2,991)</u>	<u>(9,315)</u>	<u>(8,356)</u>

(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
September 30, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 561,560	562,167	562,167	-	-	-
Accounts payable	121,870	121,870	121,870	-	-	-
Other payables	69,943	69,943	69,943	-	-	-
Lease liabilities	9,206	9,433	6,614	2,639	180	-
Guarantee deposits received	6,799	6,799	475	2,733	3,591	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	<u>\$ 769,389</u>	<u>770,225</u>	<u>761,082</u>	<u>5,372</u>	<u>3,771</u>	<u>-</u>

(Continued)

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>
September 30, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 620,000	620,969	620,969	-	-	-
Notes payable	234	234	234	-	-	-
Accounts payable	142,957	142,957	142,957	-	-	-
Other payables	58,478	58,478	58,478	-	-	-
Lease liabilities	21,804	22,135	17,620	4,515	-	-
Guarantee deposits received	6,781	6,781	3,574	474	2,733	-
Preference shares (including preference shares dividends)	<u>11</u>	<u>13</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 850,265</u>	<u>851,567</u>	<u>843,845</u>	<u>4,989</u>	<u>2,733</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>
September 30, 2023			
Financial assets:			
Monetary assets:			
USD	\$ 19,956	32.27	643,980
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,985	32.27	64,056

(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
September 30, 2022			
Financial assets:			
Monetary assets:			
USD	\$ 20,015	31.75	635,476
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,532	31.75	80,391

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 September 30, 2023 and 2022, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the nine months ended September 30, 2023 and 2022 by \$5,799 thousand and \$5,551 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 \$9,834 thousand, \$24,026 thousand, \$13,530 thousand and \$49,603 thousand for the three months and nine months ended September 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.

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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 \$4,212 thousand and \$4,650 thousand for the nine months ended September 30, 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:

	September 30, 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)	53	-	-	53	53
Total	<u>\$ 634</u>	<u>-</u>	<u>-</u>	<u>634</u>	<u>634</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>

	September 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 720	-	-	720	720
Unlisted stocks (overseas)	54	-	-	54	54
Total	<u>\$ 774</u>	<u>-</u>	<u>-</u>	<u>774</u>	<u>774</u>

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.

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

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	(45)
Balance at September 30, 2023	\$ 634
Balance at January 1, 2022	\$ 1,803
Total loss recognized:	
In other comprehensive income	(1,029)
Balance at September 30, 2022	\$ 774

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

(Continued)

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 September 30, 2023, December 31 and September 30, 2022 were 0.08~1.00) · Market illiquidity discount rate (As of September 30, 2023, December 31 and September 30, 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>
September 30, 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)
September 30, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	48	(48)

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

(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 nine months ended September 30, 2023 and 2022, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes		September 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	(12,803)	895	236	9,206
Guarantee deposits received	6,731	-	-	68	6,799
Total liabilities from financing activities	<u>\$ 606,609</u>	<u>(30,243)</u>	<u>895</u>	<u>304</u>	<u>577,565</u>

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Effect of changes in exchange rate		
Short-term borrowings	\$ 620,000	-	-	-	620,000
Lease liabilities	33,922	(12,501)	383		21,804
Guarantee deposits received	6,676	-	105		6,781
Total liabilities from financing activities	<u>\$ 660,598</u>	<u>(12,501)</u>	<u>488</u>		<u>648,585</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)

(Continued)

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

(b) Significant transactions with related party

(i) Operating revenue

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
NCS	<u>\$ 152</u>	<u>1,270</u>	<u>631</u>	<u>1,315</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:

Accounts	Type of related parties	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable — related parties	Other related parties	<u>\$ 41</u>	<u>701</u>	<u>194</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 6,092	6,424	19,230	18,389
Post-employment benefits	54	54	162	162
	<u>\$ 6,146</u>	<u>6,478</u>	<u>19,392</u>	<u>18,551</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment	Short-term borrowings	\$ 257,223	263,374	264,488
Investment property	Short-term borrowings	140,308	141,360	98,868
		<u>\$ 397,531</u>	<u>404,734</u>	<u>363,356</u>

(9) Commitments and contingencies: None.

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

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

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

By nature	By function Three months ended September 30, 2023			Three months ended September 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	8,287	40,165	48,452	7,121	36,598	43,719
Labor and health insurance	932	3,088	4,020	806	2,965	3,771
Pension	450	1,630	2,080	398	1,532	1,930
Remuneration of directors	-	1,756	1,756	-	2,344	2,344
Others	579	1,068	1,647	467	910	1,377
Depreciation (note)	1,242	5,167	6,409	1,238	5,137	6,375
Amortization	-	3,250	3,250	-	3,149	3,149

By nature	By function Nine months ended September 30 2023			Nine months ended September 30 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	24,969	121,865	146,834	21,568	108,467	130,035
Labor and health insurance	2,715	9,481	12,196	2,379	8,805	11,184
Pension	1,311	4,828	6,139	1,173	4,561	5,734
Remuneration of directors	-	5,387	5,387	-	5,308	5,308
Others	1,585	3,009	4,594	1,368	2,710	4,078
Depreciation (note)	3,707	15,427	19,134	3,693	15,233	18,926
Amortization	-	10,265	10,265	-	8,839	8,839

Note: Depreciation expenses for investment property recognized under other gains and losses amounted to \$682 thousand, \$687 thousand, \$2,051 thousand and \$2,060 thousand for the three months and nine months ended September 30, 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 nine months ended September 30, 2023:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of September 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	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	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:

(in Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Transaction details			Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks	
			Purchase / (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance		Percentage of total accounts / notes receivable (payable)
The Company	Durabook	Subsidiary	(Sale)	(63,385)	(8) %	The receivables can be offset with accounts payable from purchase or be O/A 60 days	No significant differences	The receivables can be offset with accounts payable from purchase or be O/A 60 days	70,275 (Note 1)	35 %	Note 2
Durabook Americas Inc.	The Company	Parent company	Purchase	63,385	96 %	The payables can be offset with accounts receivables from sales or be O/A 60 days	No significant differences	The payables can be offset with accounts receivables from sales or be O/A 60 days	(171,912)	(99) %	Note 2

Note 1: The company's accounts receivable was offset against the investments of Durabook, accounted for using the equity method.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

- (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	327,036 (Note 3)	-	327,036 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable (Note 3)	-	-
The Company	Durabook	Subsidiary	171,912 (note 4)	0.55	111,539 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	6,347	-

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Note 2: Until November 13, 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 September 30, 2023, the Company's accounts receivable from Durabook were \$171,912 thousand. The overdue receivables of \$111,539 thousand were reclassified to long-term receivables.

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

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

(x) Business relationships and significant intercompany transactions:

(in Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Note 4)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Durabook	1	Sales revenue	63,385	The transaction is not significantly different from normal transactions	8.06 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	28,155	The transaction is not significantly different from normal transactions	3.58 %
0	The Company	Durabook	1	Accounts receivable — related parties	60,373	The receivables can be offset with accounts payable from purchase or be O/A 60 days	4.93 %
0	The Company	Twinhead Kunshan Technology Co., Ltd.	1	Long-term accounts receivable — related parties	78,677 (Note 3)	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.	6.42 %

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

Note 5: 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 nine months ended September 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
				September 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)	(16,489)	(13,191)	Subsidiary (Note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (Note 4)	6,894	6,894	Subsidiary (Note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,252	(12)	(12)	Subsidiary (Note 2)

Note 1: The exchange rate as of September 30, 2023 : USD1=TWD32.27.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

Note 3: The Company's accounts receivable was offset against the investments of Durabook, accounted for using the equity method.

Note 4: Please refer to note 13(a)(x) Note 3.

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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 September 30, 2023	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of September 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	403,375 (USD12,500)	(2)	403,375 (USD12,500)	-	-	403,375 (USD12,500)	8,174	100.00 %	8,174	(267,628)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	129,080 (USD4,000)	(2)	64,540 (USD2,000)	-	-	64,540 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,777 (USD210)	(2)	6,777 (USD210)	-	-	6,777 (USD210)	(1,000)	100.00 %	(1,000)	20,087	-

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 September 30, 2023 : USD1=TWD32.27.

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 September 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	516,643 (USD16,010)	516,643 (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 September 30, 2023: USD1=TWD32.27.

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).

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(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 %

(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.