Stock No: 2364

TWINHEAD

Twinhead International Corp.

2023
Annual Report

Published on May 3, 2024

Market Observation Post System: http://mops.twse.com.tw

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

I. Names, titles, contact numbers and emails of the Company's spokesperson and acting spokesperson

Spokesperson: Oscar Wang Division Director
Tel.: (02) 5589-9999 (02)2627-8880
Email: oscar_wang@twinhead.com.tw
Deputy Spokesperson: Manager Shu-Ling Chen
Tel.: (02) 5589-9999 (02)2627-8880
Email: shuling_chen@twinhead.com.tw

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

Head Office: 9F, No. 550, Ruiguang Road, Neihu District, Taipei City
Tel.: (02) 5589-9999 (02)2627-8880
Kaohsiung Factory: No. 31, Huaxi Road, Dafa Industrial Park, Daliao District, Kaohsiung City
Tel.: (07) 787-1691

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

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

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

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

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

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

Table of Contents

One. Letter to Shareholders

Dear Shareholders,

Reviewing the operation of 2023, although the global economy recovered gradually from the COVID-19 pandemic, industries were still unable to get rid of the impact of the pandemic. Also, the competition among the computer industry was so severe that the gross margin declined in general. Fortunately, the Company has transformed early. The new products drove up the average gross margin. The Company still maintained a gross margin more than 30%. In addition, under the supervision of the Board of Directors, the employees carried through the implementation of transformation strategy and the application of flexible tactics, continuously committed to achieving the goals of strategic transformation, and stuck to making their own way among the fierce competition.

The report on operating performance in 2023, business plan for the upcoming year and corporate development strategy and the analysis of impact on the Company due to external competitive environment, regulatory environment and macroeconomic conditions are illustrated as follows:

I. Operating Performance in 2023:

For operating revenue and profit, the sales quantity of portable computers (including finished boards) for 2023 was 51,172 pieces. The consolidated operating revenue for 2023 was NT$1,080,619 thousand, and the gross profit was NT$396,776 thousand, with a gross profit margin of 36%. The net income after tax to parent company was NT$108,816 thousand.

During 2023, the impacts from shortage of components and difficulty in logistic due to the pandemic still existed; however, because of the gradual maturity of distribution, there was still an increase in the annual revenue compared to the previous year. The Company's consolidated net profit after tax in 2023 was NT$103,387 thousand, and the parent company's net profit after tax was NT$108,816 thousand, representing a considerable growth as compared to 2022. Overall, the Company has entered the stage of stable profitability.

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

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

Under the overall goal of "sales, quality, and efficiency first," the Company's business policy will continue to avoid the battlefield of low gross margins. Focus on the development and continuous enhancement of military/industrial-grade products, as well as rugged portable computers and other niche products with higher gross profits. The Company conducts market segmentation and actively develops new customers and application market. The Company also provides customers with complete services of total solution (from product design to production, sales and after-sales service). The Company actively enhances the added value and gross profit to create greater profit. For the tactic, the Company enhances the customers' reliance on our products as much as possible to stabilize the long-term partnership with customers. Our long-term goal is aimed at providing solutions and service system to customers with more diverse special applicants, innovating marketing strategy, and looking forward to becoming one of the major IPC suppliers.

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

During 2023, there was still a growth momentum for substitution of desktop computers, especially the expansion in fields of military, industry, agriculture, gaming industry, automation and safety control. Following this trend, the Company avoided competition in low gross margin, turned to niche market, and conducted market segmentation as our major pursuit. With proper adjustment to sales proportion in each market, the Company adopted sales and operation strategy of different products. Our core goals are aimed at niche products and active development of new customers and new markets and integration of procurement schedule to lower the costs.

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

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

Lastly,

to our Shareholders,

May health and happiness bless you.

Chairman

Two. Company background

I. Establishment date

February 27, 1984

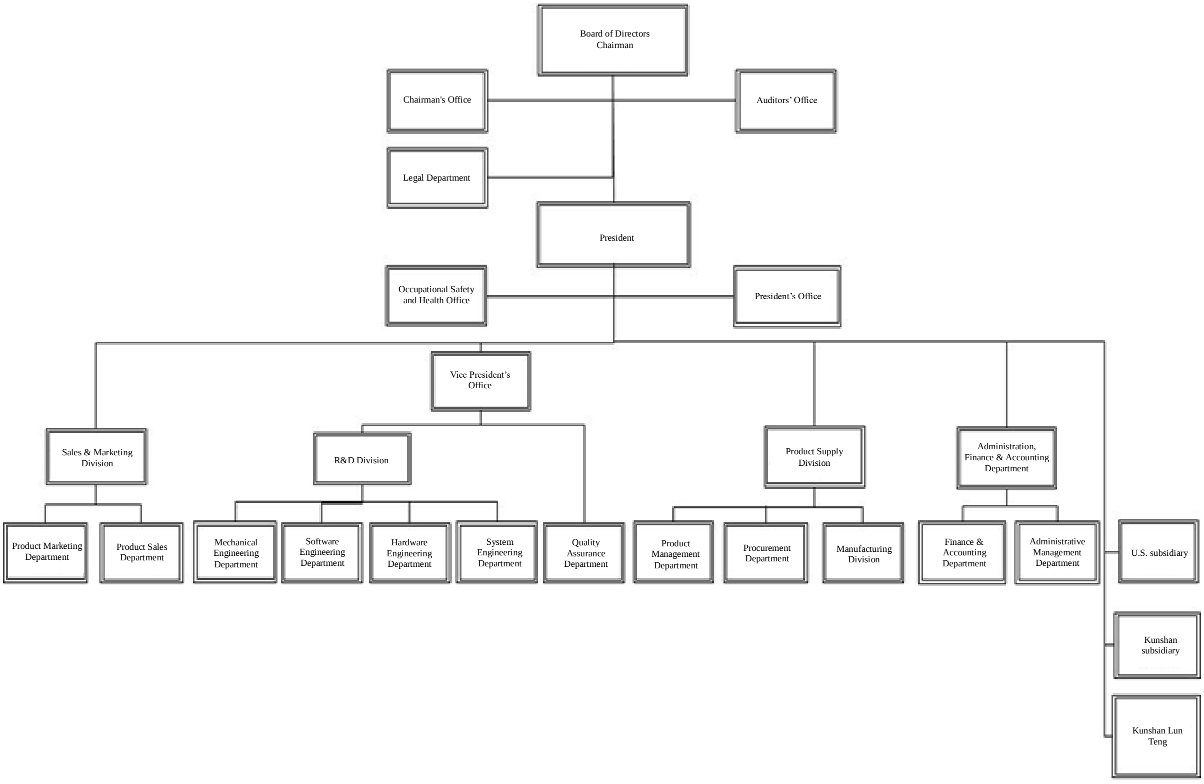
II. Company history

1984	Company establishment
1989	Establishment of subsidiaries in the U.S. and Germany
1997	IPO on August 11 Secondary offering by NT$600 million to increase paid-in capital to NT$2,640 million
	Paid-in capital increased to NT$3,635 million
1998	Issuance of the first unsecured convertible corporate bond in Taiwan for NT$2,100 million
1999	Paid-in capital increased to NT$4,784,809,360
2000	Paid-in capital increased to NT$5,284,509,420
2001	Launch of the world’s first 14” P4 durabook
2002	Opening of Headquarters Building in Neihu
2004	Capital reduction by NT$2,772,580,110 to NT$2,773,037,120 in paid-in capital Completion of the new factory in Kunshan, China
2005	Disposal of Headquarters Building in Neihu
2008	Launch of medical tablets
2010	Su-Fu Kao serving as President
2011	Consolidation with the subsidiary Lun Yang Technology (倫揚科技)
2012	Capital reduction by NT$657,060,160 to NT$1,901,615,310 in paid-in capital
2016	Capital reduction by NT$962,217,340 to NT$939,397,910 in paid-in capital Private placement of 25 million ordinary shares, as resolved by the 2016 shareholders’ meeting. Paid-in capital of NT$1,189,397,970 post the private placement.
2017	Private placement of 25 million ordinary shares, as resolved by the 2016 shareholders’ meeting. Paid-in capital of NT$1,439,397,970 post the private placement.
2017	Private placement of 55 million ordinary shares, as resolved by the 2017 shareholders’ meeting. Paid-in capital of NT$1,989,397,970 post the private placement.
2020	Consolidation of subsidiaries Twintek and Yu Feng
2021	Capital reduction by NT$1,711,320,110 to NT$248,004,220 in paid-in capital
2023	Capitalization of earnings of NT$61,998,400. Paid-in capital of NT$310,002,620 post the capitalization of earnings.

Three. Corporate Governance Report

I. Organization

(I) Organization chart



(II) Activities of major divisions and departments

Department	Business Introduction
Chairman's Office	Undertaking instructions from Chairman and driving operational guidelines in the Company .
Auditors’ Office	Subordinate to the Board of Directors. Assistance in corporate manageme systems, internal control systems, internal audit systems, establishment a implementation of operational procedures, and inspection of the integrity reliability of all systems and operational procedures.
Legal Department	Legal affairs, shareholder services and investments .
President’s Office	Managing and implementation of operational policies for the whole company .
Vice President’s Office	Management of R&D Division and Quality Assurance Department matters.
Occupational Safety and Health Office	Coordinate business matters related to occupational safety and health management.
Administration, Finance & Accounting Department	Management of Administrative Management Department and Finance & Accounting Department matters.
Administrative Management Department	Management of HR, general affairs, insurance and IT systems throughout the company .
Finance & Accounting Department	Management of finance, accounting and tax matters throughout the company .
Product Supply Division	Management of Product Management Department, Procurement Department, Manufacturing Department and Demand Management Center.
Product Management Department	Management of R&D projects, ISO control documents, components coding, BOM forms, engineering data (circuit diagrams, design graphs, etc.) .
Procurement Department	Management of the procurement for all products, supplies and materials; inventory of raw materials and products; scheduling/coordination of production; planning, implementation and review of inventory policy.
Manufacturing Division	Management of production of all products throughout the company; undertaking of new products; EPR/PPR/MP workflows; industrial safety and environmental protection; import/export of materials and finished goods; bonded warehouses and transport in relation to customs.
Sales & Marketing Division	Management of Product Sales Department and Product Marketing Department .
Product Sales Department	Business development and maintenance of military-specification ODM/OEM computers and industry-specifications PC brands; assistance to first-line sales-personnel in after-sales technical services; technical support to customers and other departments; management and analysis of customer complaints and suggestions for after-sales service .
Product Marketing Department	Planning of product roadmap and technological direction; collection and analysis of market intelligence; determination of specifications, prices and pricing strategy for new products; feasibility studies; marketing of Durabook military-specifications products and brand; product launch planning and marketing implementation; exhibition and tradeshow participation; budgeting and execution of marketing campaigns; royalty matters and industrial design of products.
R&D Division	Management of Software Engineering Department, Hardware Engineering Department, System Engineering Department and Mechanical Engineering Department.

Software Engineering Department	Software and firmware design and development for all products .
Hardware Engineering Department	Product design and development and PCB (printed circuit board) layout configuration.
System Engineering Department	Thermal conductivity for all products; thermal engineering and analysis; design and testing of thermal modules; antenna planning; integration and testing of wireless devices; Enterprise Manufacturing Intelligence; safety issues; and introduction and management of green products.
Department	Business Introduction
Mechanical Engineering Department	Mechanical design and mold development for all products.
Quality Assurance Department	Management and advocacy of quality policies; formulation of quality guidelines, short/mid/long-term quality targets and strategies. Planning of all tests and reliability analysis before mass production; management of after-sales services for all products.

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

(I) Information on Directors

1. Information on Directors:

April 16, 2024

Title (Note 1)	Nationality or place of registration	Name	Gender and age (Note 2)	Appoint-ment (on-boarding) date	Term of office (years)	Commence-ment date of first term (Note 3)	No. of shares held at time of election		No. of shares currently held		Shares currently held by the spouse and minor children		Shares held under other's names		Principal work experience and academic qualifications (Note 4)	Positions held concurrently in the Company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remarks (Note 5)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation-ship	
Chairman	Republic of China	Kao's Enterprise Development Co., Ltd. Representative: Yu-Jen Kao	Male 80-89 years old	2023.6.13 2023.6.13	3	1996.8.30 1996.8.30	3,973,315 286,174	16.02% 1.15%	4,966,643 357,717	16.02% 1.15%	- 41,347	- 0.13%	- -	- -	Department of Law, National Taiwan University Members of the Legislative Yuan	Chairman of the Company Chairman of Euroc Investment and Development Co., Ltd.	President	Su-Fu Kao	Father and son	(Note 5)
Director	Republic of China	Kao's Enterprise Development Co., Ltd. Representative: Su-Fu Kao	Male 50-59 years old	2023.6.13 2023.6.13	3	1996.8.30 2017.6.16	3,973,315 498,543 (Note 6)	16.02% 2.01% (Note 7)	4,966,643 623,176 (Note 8)	16.02% 2.01% (Note 9)	- 14,271	- 0.05%	- -	- -	NYU Stern School of Business, U.S.	President of the Company	Chairman	Yu-Jen Kao	Father and son	(Note 5)
Director	Republic of China	Kao's Enterprise Development Co., Ltd. Representative: Ming-Kung Huang	Male 70-79 years old	2023.6.13 2023.6.13	3	1996.8.30 2020.6.30	3,973,315 -	16.02% -	4,966,643 -	16.02% -	- -	- -	- -	- -	Master's degree in Institute of public administration, National Chengchi University	Independent director of Aero Win Technology Corporation	-	-	-	-
Director	Republic of China	Euroc Investment and Development Co., Ltd. Representative: Mei-Li Tsai	Female 60-69 years old	2023.6.13 2023.6.13	3	2022.6.10 2022.6.10	6,000 2,323	0.02% 0.01%	7,500 -	0.02% -	- -	- -	- -	- -	Institute of accounting, National Chengchi University President of Euroc Investment and Development Co., Ltd.	Aero Win Technology Corporation Director Director of Mosa Industrial Corporation	-	-	-	-
Director	Republic of China	21st Century Foundation Representative: Cheng-Hu Chou	Male 40-49 years old	2023.6.13 2023.6.13	3	2005.5.27 2017.6.16	23,262 316,441	0.09% 1.28%	29,077 395,551	0.09% 1.28%	- -	- -	- -	- -	PhD in public administration, University of La Verne in Los Angeles, U.S.	Chairman of Shih Hsin University	-	-	-	-
Director	USA	Protegas Futuro Holdings, LLC Representative: An Van Nguyen	Male 60-69 years old	2023.6.13 2023.6.13	3	2020.6.30 2020.6.30	3,802,355	15.33% -	4,387,943 -	14.15% -	- -	- -	- -	- -	B.S. Computer Science, University of California at Berkeley	Chairman of NCS Technologies Inc.				
Director	Republic of China	Ri Yue Kao Investment Co., Ltd.	-	2023.6.13	3	2017.6.16	82,622	0.33%	103,277	0.33%	-	-	-	-	-	-	-	-	-	-
Independent Director	Republic of China	Yuan-Chuan Li	Male 70-79 years old	2023.6.13	3	2017.6.16	-	-	-	-	-	-	-	-	PhD in agriculture planning institute, Chinese Culture University	-	-	-	-	-
Independent Director	Republic of China	Zi-Ping Ren	Male 70-79 years old	2023.6.13	3	2020.6.30	-	-	-	-	-	-	-	-	Bachelor's degree in business administration, Fu Jen Catholic University	Independent director of Mosa Industrial Corporation	-	-	-	-
Independent Director	Republic of China	Yi-Hsiung Su	Male 80-89 years old	2023.6.13	3	2020.6.30	-	-	-	-	-	-	-	-	Bachelor's degree in statistics team of accounting statistics department, National Chung Hsing University	Director of Taoyuan Christian Jhongli Church Foundation	-	-	-	-
Independent Director	Republic of China	CHIU, SHU-HUA	Female 60-69 years old	2023.6.13	3	2023.6.13									PhD in communication institute, Shih Hsin University	Distinguished Lecturer, Department of Business Administration, Overseas Chinese University	-	-	-	-

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

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

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

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

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

Note 6: The number of share consists of 498,532 ordinary shares and 11 preference shares.

Note 7: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.

Note 8: The number of share consists of 623,165 ordinary shares and 11 preference shares.

Note 9: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.

2. Major Shareholders of Corporate Shareholders

Table 1 April 16, 2024

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)
Kao's Enterprise Development Co., Ltd.	Ming-Luan Kao-Chang (29.221%); Yu-Jen Kao (25.974%); Ri Yue Kao Investment Co., Ltd. (15.584%); Wan-Qian Kao (9.740%); Su-Po Kao (9.740%); Su-Fu Kao (9.740%)
EUROC Investment Co., Ltd	Kao Enterprise Development Co., Ltd. (50%); Bai-Da Investment Co., Ltd. (40%); Mei-Li Tsai (10%)
21st Century Foundation (Note 3)	Kao Enterprise Development Co., Ltd. (36.33%); Ri Yue Kao Investment Co., Ltd. (18.17%); Bai-Da Investment Co., Ltd. (9.08%); Yu-Jen Kao (9.08%); Ming-Luan Kao-Chang (9.08%); Qian Shi Space Co., Ltd. Tainan Office (4.54%); Taiwan Mobile Co., Ltd. (4.54%), Mosa Industrial Corporation (2.72%), Peng-Ru Huang (0.91%), Cai-Tong Chen (0.91%), Rui-Hua Chen (0.91%), Pin-Xin Lin (0.91%), Xin-Yi Wu (0.91%)
Protegas Futuro Holdings, LLC	BOG Investments, LLC(100%)
Ri Yue Kao Investment Co., Ltd.	Kao's Enterprise Development Co., Ltd. (81.00%); Wan-Qian Kao (5.00%); Su-Po Kao (5.00%); Su-Fu Kao (5.00%); Ming-Luan Kao-Chang (3.00%); Yu-Jen Gao (1.00%)

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

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

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased." This column is filled in based on the donation data of the 21st Century Foundation in 2023.

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

April 16, 2024

Name of corporate/juristic person (Note 1)	Major shareholders of the corporate/juristic person (Note 2) (Note 3)
Ri Yue Kao Investment Co., Ltd.	Kao's Enterprise Development Co., Ltd. (81.00%); Su-Po Kao (5.00%); Su-Fu Kao (5.00%); Wan-Qian Kao (5.00%); Ming-Luan Kao-Chang (3.00%); Yu-Jen Kao (1.00%)
Kao's Enterprise Development Co., Ltd.	Ming-Luan Kao-Chang (29.221%); Yu-Jen Kao (25.974%); Ri Yue Kao Investment Co., Ltd. (15.584%); Wan-Qian Kao (9.740%); Su-Po Kao (9.740%); Su-Fu Kao (9.740%)
Bai-Da Investment Co., Ltd.	Ming-Luan Kao-Chang(20.00%), Hao-Hsun Kao (20.00%), Hao-Tong Kao (15.00%), Hao-Hsuan Kao (15.00%), Hsiu-Chuan Yen (10.00%), Yun-Tsai Chou (10.00%), Jiuan-Jiuan Kao (5.00%), Yao-Bin Ding (5.00%)
BOG Investments, LLC	The An Van Nguyen Revocable Trust (45.7257%); Mark Eric Christopher (46.2864%); Dinh Van Nguyen (3.5463%); Douglas Hafner Eacker (1.2034%); Joseph William Guest (1.6364%); Christopher Strom Nguyen (0.5607%); Cheng Andy Lee (1.0413%)
Taiwan Mobile Co., Ltd.	Taiwan Network Investment Co., Ltd. (11.67%); Shin Kong Life Insurance Co., Ltd. (6.86%); Taishin United Investment Co., Ltd. (5.70%); Mingdong Enterprise Co., Ltd. (5.25%); Cathay Life Insurance Co., Ltd. Company(5.03%); Fubon Life Insurance Co., Ltd. (4.29%); Dou Ying Co., Ltd. (3.23%); Ming-Hsing Tsai (2.65%), Taigu Venture Capital Co., Ltd. (2.49%); new system Labor pension Fund (2.10%)
Mosa Industrial Corporation	Yong Hsin International Investment Co., Ltd. (6.97%); Deh-Hsin Wang (6.87%); Zhao-Bao Tsai (5.51%); Mega International Commercial Bank Co., Ltd. (2.21%); Cathay Life Insurance Co., Ltd. (1.91%); Wen-Hui Lin (1.87%); Ching-Jung Chen (1.44%): Chang-Yun Yi (1.40%); Hui-Mei Yang (1.20%); Chao-Ri Chen (1.15%)

Note: As of the publication date of this annual report, the tax registration of Qian Shi Space Co., Ltd. Tainan Office is a non-operating business; therefore, the shareholding information cannot be obtained.

Note 1: If any major shareholder in Form 1 above is a corporate/juristic person, fill in the name of that corporate/juristic person.

Note 2: Fill in the names of the corporate/juristic person's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios.

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

3. Professional qualifications of directors and independence of independent directors

Requirement / Name	Professional qualifications and experience (Note 1)	Independence of independent directors (Note 2）	No. of independent directorships served for other public companies
Kao's Enterprise Development Co., Ltd. Director Representative: Yu-Jen Kao	(Note 3); No circumstances with any director as described in Article 30 of the Company Act	Not applicable	0
Kao's Enterprise Development Co., Ltd. Director Representative: Su-Fu Kao			0
Kao's Enterprise Development Co., Ltd. Director Representative: Ming-Kung Huang			1
Euroc Investment and Development Co., Ltd. Director Representative: Mei-Li Tsai			0
21st Century Foundation Director Representative: Cheng-Hu Chou			1
Protegas Futuro Holdings, LLC Director Representative: An Van Nguyen			0
Ri Yue Kao Investment Co., Ltd. (Note 1)			0
Independent Director: Yuan-Chuan Li		All independent directors meet the following circumstances: 1. Not an employee of the Company or its affiliated enterprise 2. Not a director or supervisor of the Company or its affiliated enterprise 3. Not a natural-person shareholder with at least 1% of the Company’s total number of shares in issuance or a top ten natural-person shareholder based on the shares held in person, by the spouse, minor children or under another person’s name 4. Not the spouse, a relative within two degrees of kinship or a linear relative within three degrees of kinship to a manager	0
Independent Director: Zi-Ping Ren			1

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

(Note 1) Ri Yue Kao Investment Co., Ltd. is an elected corporation.

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

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

Note 3: Please refer to Page 7 for Information on directors: work experience, education, and other roles with the Company and other companies.

4. Board diversity

(1) Board diversity policy and management targets:

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

1. Basic requirements and values: gender (at least one female director), age (no limitation) and nationalities (over two-thirds Taiwanese nationals) and culture.
2. Professional knowledge and skillsets: professional background such as law (at least one seat), finance/accounting (at least two seats), industry (at least one seat), administration or management (at least two seats) and professional skillsets

② Management targets

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

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

	Gender	Age distribution					Also employees	Industry/academic experience				
		40~49	50~59	60~69	70~79	80~89		Business	Finance/ accounting	Laws	Industry	Public adminis-tration
Yu-Jen Kao	Male					v		v	v	v	v	
Su-Fu Kao	Male		v				v	v			v	
Min-Kung Huang	Male				v			v				v
Mei-Li Tsai	Female			v				v	v			
Cheng-Hu Chou	Male	v						v				v
An Van Nguyen	Male			v				v				
Ri Yue Kao Investment Co., Ltd.	Not applicable											
Yuan-Chuan Li	Male				v			v			v	v
Zi-Ping Ren	Male				v			v				
Yi-Hsiung Su	Male					v		v	v			
CHIU, SHU-HUA	Female			v				v				v

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

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

5. Board independence

(1) Board structure:

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

(2) Board independence:

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

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

April 16, 2024

Title (Note 1)	Nationality	Name	Gender	Appointment (onboarding) date	Number of shares held		Shares held by spouse and underage children		Shares held under other's names		Principal work experience and academic qualifications (Note 2)	Roles assumed with other companies	Manager who is the spouse or a relative within two degrees of kinship			Remarks (Note 3)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Republic of China	Su-Fu Kao	Male	2010/01/01	623,176 (Note 4)	2.01% (Note 5)	14,271	0.05%	-	-	NYU Stern School of Business, U.S.	Director of subsidiary	Chairman	Yu-Jen Kao	Father and son	(Note 3)
Senior Vice President, Vice President's Office	Republic of China	Meng-Yang Lu	Male	2009/06/08	1,666	0.01%	-	-	-	-	Graduate Institute of Electrical Engineering, National Taiwan University	-	-	-	-	-
Assistant Vice President, Sales & Marketing Division	Republic of China	Heng-Chia Wang	Female	2018/07/09	4,936	0.02%	236	0.00%	-	-	Graduate Institute of Technology Management, National Chengchi University	President of a subsidiary	-	-	-	-
Assistant Vice President, Product Supply Division	Republic of China	Hsiao-Chien Chang	Female	2020/09/01	-	-	-	-	-	-	Department of International Business, National Taiwan University	-	-	-	-	-
Assistant Vice President, R&D Division	Republic of China	Tao-Ming Chang	Male	2012/03/01	-	-	-	-	-	-	Graduate Institute of Information Science, National Chiao Tung University	-	-	-	-	-
Assistant Vice President, Administration, Finance & Accounting Department	Republic of China	Liang-Ching Tsai	Female	2009/06/08	11,828	0.04%	-	-	-	-	Law School, University of Notre Dame, US	-	-	-	-	-
Assistant Vice President, Finance & Accounting Department	Republic of China	Hung-Jung Wang	Male	2022/04/01	-	-	-	-	-	-	Graduate Institute of Accounting, National Taipei University	-	-	-	-	-
Assistant Vice President, System Engineering Department	Republic of China	Bin-Ren Lai	Male	2010/01/01	-	-	-	-	-	-	Graduate Institute of Earth Science, National Central University	-	-	-	-	-
Assistant Vice President, Mechanical Engineering Department	Republic of China	Wen-Chin Chu	Male	2019/09/02	-	-	-	-	-	-	Graduate Institute of Industrial Design, Tatung University	-	-	-	-	-
Assistant Vice President, Procurement Department	Republic of China	Kun-Tsang Hsien	Male	2010/01/01	-	-	-	-	-	-	Department of Economics, Chinese Culture University	President of a subsidiary	-	-	-	-
Assistant Vice President, Quality Assurance Department	Republic of China	Rong-Biao Wu	Male	2024/04/08	-	-	-	-	-	-	Institute of Electronics, National Taiwan University of Science and Technology	-	-	-	-	-
Assistant Vice President, Manufacturing Department	Republic of China	Mao-Tsun Chen	Male	2010/01/01	3	0.00%	-	-	-	-	Department of Engineering Science, National Cheng Kung University	-	-	-	-	-

Note 1: Disclosure is required on President, Vice Presidents, Assistant Vice Presidents, and managers of all divisions and branches and any position equivalent to President, Vice Presidents, Assistant Vice Presidents, regardless of titles.
Note 2: Experience related to the current position(s). In case of work experience with the accounting firm offering external audit services or its affiliated companies during the aforesaid period includes, it is necessary to describe job positions and responsibilities.
Note 3: The Company's Chairman and President are relatives within one degree. To enhance operational efficiency and implementation of decisions, Chairman sets the directions and oversees the management. Equipped with business management expertise, President leads the management in implementation in accordance with the management philosophy. Chairman and President fully communicate with directors regarding corporate operation, plans and guidelines. All is reasonable and essential. The Company has four independent directors and more than half of directors do not serve as an employee or manager. This fulfills the Board of Directors' responsibility in supervision and adheres to the spirit of corporate governance.
Note 4: The number of share consists of 623,165 shares and 11 preference shares.
Note 5: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.

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

(I) Remuneration to general directors and independent directors

Unit: Thousand New Taiwan Dollars

Title	Name	Directors' Remuneration								Sum of A, B, C and D to Net Income (%)		Relative remuneration received as an employee concurrently								Sum of A, B, C, E, F and G to Net Income (%)		Remuneration from ventures other than subsidiaries
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors Compensation (C) (Note 2)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Compensation (G) (Note 2)						
		The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company		All companies covered by the financial statements		The Company	All companies covered by the financial statements	
																Cash amount	Amount of shares	Cash amount	Amount of shares			
Chairman	Representative of Kao's Enterprise Development Co., Ltd.: Yu-Jen Kao	240	240	-	-	342	342	35	35	0.57	0.57	7,841	7,841	-	-	-	-	-	-	7.77	7.77	None
Director	Representative of Kao's Enterprise Development Co., Ltd.: Su-Fu Kao	240	240	-	-	342	342	35	35	0.57	0.57	6,721	6,721	108	108	500	-	500	-	7.30	7.30	None
Director	Representative of Kao's Enterprise Development Co., Ltd.: Min-Kung Huang	240	240	-	-	342	342	35	35	0.57	0.57	-	-	-	-	-	-	-	-	0.57	0.57	None
Director	Representative of Euroc Venture Capital: Mei-Li Tsai	240	240	-	-	342	342	35	35	0.57	0.57	-	-	-	-	-	-	-	-	0.57	0.57	None
Director	Representative of the 21st Century Foundation: Cheng-Hu Chou	240	240	-	-	342	342	35	35	0.57	0.57	-	-	-	-	-	-	-	-	0.57	0.57	None
Director	Representative of Ri Yue Kao Investment Co., Ltd.: Shu-Hei Chang and others (Note 1)	240	240	-	-	342	342	35	35	0.57	0.57	-	-	-	-	-	-	-	-	0.57	0.57	None
Director	Representative of Ji Sheng Investment Co., Ltd.: Chien-Tsai, You (Note 3)	50	50	-	-	68	68	-	-	0.11	0.11									0.11	0.11	None
Director	Representative of Protegas Futuro Holdings, LLC: An Van Nguyen	240	240	-	-	342	342	35	35	0.57	0.57	-	-	-	-	-	-	-	-	0.57	0.57	None
Independent Director	Yuan-Chuan Li	240	240	-	-	343	343	85	85	0.61	0.61	-	-	-	-	-	-	-	-	0.61	0.61	None
Independent Director	Zi-Ping Ren	240	240	-	-	343	343	85	85	0.61	0.61	-	-	-	-	-	-	-	-	0.61	0.61	None
Independent Director	Yi-Hsiung Su	240	240	-	-	343	343	85	85	0.61	0.61	-	-	-	-	-	-	-	-	0.61	0.61	None
Independent Director	Shu-Hua Chiou (Note 4)	132	132	-	-	190	190	35	35	0.33	0.33	-	-	-	-	-	-	-	-	0.33	0.33	None

Note 1: Ri Yue Kao Investment Co., Ltd. appointed Shu-Hui Change, Li-Rong Chang, and Ling-Feng Chang as the corporate director representative, respectively. The amounts in the table is the total remuneration distributed to Ri Yue Kao Investment Co., Ltd..
Note 2: It is estimation.
Note 3: Ji Sheng Investment Co., Ltd. resigned on March 14, 2023.
Note 4: Shu-Hua Chiou assumed office on June 13, 2023.

(II) Remuneration of president and vice president

Unit: Thousand New Taiwan Dollars

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Remuneration Paid to Employees (D)				Sum of A, B, C and D to Net Income (%)		Remuneration from ventures other than subsidiaries
		The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company	All companies covered by the financial statements	The Company		All companies covered by the financial statements		The Company	All companies covered by the financial statements	
								Cash amount (Note 2)	Amount of shares	Cash amount (Note 2)	Amount of shares			
President	Su-Fu Kao	4,651	4,651	108	108	2,070	2,070	500	-	500	-	6.74	6.74	None
Vice President	Meng-Yang Lu	3,516	3,516	108	108	846	846	400	-	400	-	4.48	4.48	None

Note 1: Total salary and pensions for 2023 of the president’s driver were NT$925 thousand.
Note 2: It is estimation.

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

<table>
<tr><th rowspan="2">Title</th><th colspan="2">2022
Percentage of remuneration paid by the Company and by each other company included in the consolidated financial statements to directors, president, and vice president to net income</th><th colspan="2">2023
Percentage of remuneration paid by the Company and by each other company included in the consolidated financial statements to directors, president, and vice president to net income</th></tr>
<tr><th>The Company</th><th>All companies covered by the financial statements</th><th>The Company</th><th>All companies covered by the financial statements</th></tr>
<tr><td>Director</td><td rowspan="2">30.37%</td><td rowspan="2">30.37%</td><td rowspan="2">24.66%</td><td rowspan="2">24.66%</td></tr>
<tr><td>President and vice president</td></tr>
</table>

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

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

IV. Functioning of corporate governance

(I) Functioning of the Board of Directors

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

Title	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance rate in person (%) (B/A) (Note 2)	Remarks
Chairman	Kao's Enterprise Development Co., Ltd. Representative: Yu-Jen Kao	7	0	100%	-
Director	Kao's Enterprise Development Co., Ltd. Representative: Su-Fu Kao	7	0	100%	-
Director	Kao's Enterprise Development Co., Ltd. Representative: Ming-Kung Huang	7	0	100%	-
Director	Euroc Investment and Development Co., Ltd. Representative: Mei-Li Tsai	5	2	71%	-
Director	Representative of the 21st Century Foundation: Cheng-Hu Chou	3	4	43%	-
Director	Ri Yue Kao Investment Co., Ltd.	7	0	100%	-
Director	Protegas Futuro Holdings, LLC Representative: An Van Nguyen	0	7	0%	Directors of foreign corporate/juristic persons who live abroad appointed other directors to attend the meeting.
Independent Director	Yuan-Chuan Li	7	0	100%	-
Independent Director	Zi-Ping Ren	7	0	100%	-
Independent Director	Yi-Hsiung Su	7	0	100%	-
Independent Director	CHIU, SHU-HUA	4	1	80%	Elected on June 13, 2023, and the number of meetings of the Board of Directors during the term of office was 5 times.

Other matters that should be noted:

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

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

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

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

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

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

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

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

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

Note 2:

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

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

(II) Implementation of Board assessments

Assessment cycle	Assessment period	Assessment scope	Assessment method	Assessment content
Once a year	January 1, 2023 to December 21, 2023	Board of Directors	Internal self-assessment by the Board of Directors	Degree of involvement in company operation; quality enhancement of decisions by the Board of Directors; Board composition and structure; director election and continuing education and internal control
Once a year	January 1, 2023 to December 21, 2023	Individual directors	Self-assessment by directors	Understanding of company goals and missions; acknowledgement of a director's responsibility; degree of involvement in company operation; management and communication of internal relations; a director's professionalism and continuing education; and internal control

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

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

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

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

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

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

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

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

(III) Functioning of Audit Committee

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

Title	Name	Attendance in person (B)	Attendance rate in person (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director	Yuan-Chuan Li	4	100%	-
Independent Director	Zi-Ping Ren	4	100%	-
Independent Director	Yi-Hsiung Su	4	100%	-
Independent Director	CHIU, SHU-HUA	2	100%	Elected on June 13, 2023, and the number of meetings during the term of office was 2 times.

Other matters that should be noted:

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

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

Sessions and dates of Audit Committee meetings	Proposals and responses in relation to the matters listed in Article 14-5 of the Securities and Exchange Act	Objections, reservations or significant suggestions from independent directors	Decisions by Audit Committee	The Company's responses to Audit Committee's opinions
First Session: 12th meeting March 15, 2023	Approval of the Company's 2022 Business Report	None	Unanimous approval by all attending members	(Note 3)
	Approval of the Company's 2022 Financial Statements (unconsolidated and consolidated)	None	Unanimous approval by all attending members	(Note 3)
	Approval of the Company's proposal for 2022 earnings distribution	None	Unanimous approval by all attending members	(Note 3)
	Approval for the Company's 2022 capitalization of retained earnings	None	Unanimous approval by all attending members	(Note 3)
	Approval of the Company's design of 2022 internal control system and implementation of the effectiveness review	None	Unanimous approval by all attending members	(Note 3)
	Approval of the amendments to the Company's "Regulations Governing Internal Control System"	None	Unanimous approval by all attending members	(Note 3)
	Approval of the appointment and compensation of external accountants for 2023	None	Unanimous approval by all attending members	(Note 3)
	Approval of the non-loan long-term receivables of subsidiary Durabook Americas Inc. in the US	None	Unanimous approval by all attending members	(Note 3)
First Session: 13th meeting May 10, 2023	Approval of the non-loan long-term receivables of subsidiary Durabook Americas Inc. in the US	None	Unanimous approval by all attending members	(Note 3)
Second Session: 1st meeting August 10, 2023	Approval of the non-loan long-term receivables of subsidiary Durabook Americas Inc. in the US	None	Unanimous approval by all attending members	(Note 3)
Second Session: 2nd meeting November 13, 2023	Approval of the non-loan long-term receivables of subsidiary Durabook Americas Inc. in the US	None	Unanimous approval by all attending members	(Note 3)

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

<table>
<tr><th>Title</th><th>Name</th><th>Attendance in person (B)</th><th>Attendance rate in person (%) (B/A) (Note 1, Note 2)</th><th>Remarks</th></tr>
<tr><td colspan="5">II. For any recusal by independent directors from Audit Committee meetings and proposals due to conflict of interest, it is necessary to provide the names of independent directors, proposal contents, reasons for the required recusal and participating in voting: none
III. Independent directors’ communication with internal auditing managers and external accountants (e.g., regarding the key issues, methods and outcomes of the Company’s financials and business)
(I) Internal auditing managers present audit reports to independent directors each month, communicate and exchange views with independent directors about the reported content and company operation. If independent directors have any concern over corporate functioning, they seek explanations and answers from auditing managers.
(II) If independent opinions have any opinion about financial information, they contact external accountants directly for details.</td></tr>
</table>

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

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

Note 3: The Board of Directors agrees with the professional opinions of the Audit Committee members.

(IV) Assessments on Audit Committee

Assessment cycle	Assessment period	Assessment method	Assessment content	Assessment result	Date of reporting to Board of Directors
Once a year	January 1, 2023 to December 12, 2023	Internal self-assessment by Audit Committee	Degree of involvement in company operation	Meetings were convened periodically and the attendances were good. Notices and proposals were received before meetings. All members contributed to the meetings.	December 27, 2023
			Understanding of Audit Committee’s responsibilities	All duties were clearly and appropriately defined. All existing and potential risks were properly assessed and monitored. Timely, professional and objective advice was provided to the Board of Directors for deliberation and decision-making. Full communication and sharing was carried out with external accountants.	
			Enhancement of Audit Committee’s decision quality	The Company provided Audit Committee with comprehensive and timely information of certain quality, so that Audit Committee could perform duties smoothly. The Company’s proposals submitted to Audit Committee for discussions and decisions were appropriate. There was ample time during meetings for discussion. If any member needed to recuse from a related proposal due to conflict of interest, the member did reuse. Details were recorded in meeting minutes. Periodical and efficient performance reviews were carried out.	
			Composition and member appointment of Audit Committee	The composition of members is appropriate and equipped with the professionalism required for decision-making. Members have maintained independence whilst in service.	
			Internal control	Effective assessment and monitoring of the effectiveness of all internal control systems and risk management The approved internal control system consists of five elements/principles and covers the control process of all operating activities and transaction cycles. Understanding and supervision of the Company’s accounting system, financial status, financial reporting, audit reports and follow-ups	

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

Assessment items	Functioning status (Note)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences
	Yes	No	Summary and explanation	
I. Has the Company established and disclosed its practical guidelines on corporate governance, in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established its Practical Guidelines on Corporate Governance and disclosed accordingly on its website. Disclosure website of the Company: https://www.twinhead.com.tw/wp-content/uploads/2023/12/%E5%85%AC%E5%8F%B8%E6%B2%BB%E7%90%86%E5%AF%A6%E5%8B%99%E5%AE%88%E5%89%87-v2.pdf	No significant difference.
II. Ownership structure and shareholders' equity				
(I) Has the Company established internal procedures for handling of suggestions/concerns from and disputes/litigations with shareholders, and implemented such procedures accordingly?		✓	The Company has established Practical Guidelines on Corporate Governance. Legal Department is responsible for handling the suggestions and questions from shareholders, disputes and litigation matters with shareholders.	No significant difference.
(II) Does the Company have the list of ultimate controlling shareholders and the ultimate controllers of major shareholders?	✓		The Company's shareholder services are outsourced to a stock transfer agency and the list of the relevant controllers is disclosed in the annual report.	
(III) Has the Company established and implemented risk control and firewalls with affiliated enterprises?	✓		The Company has established a risk management policy and procedure to exercise strict control over internal and external risks. Meanwhile, Management Guidelines of Subsidiaries Management and the internal control mechanism have been put in practice.	
(IV) Has the Company established internal regulations to prohibit insiders from trading marketable securities by using non-public information?	✓		The Company has put in place its management guidelines on prevention of insider trading.	
III. Composition and responsibility of Board of Directors				
(I) Has the Board of Directors established a diversity policy, management targets and implemented accordingly?	✓		The Company has established Practical Guidelines on Corporate Governance and implemented the board diversity policy. Management targets are set according to corporate functioning, operational patterns and	No significant difference.

Assessment items	Functioning status (Note)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences
	Yes	No	Summary and explanation	
			development needs. At least the basic requirements, values, professional knowledge and skillsets are met.	
(II) In addition to Remuneration Committee and Audit Committee required by laws, has the Company voluntarily established other functional committees?		✓	The Company has establishedRemuneration Committee and Audit Committee. Whilst there are no other functional committees yet, the Board of Directors can effectively monitor the company operation.	
(III) Has the Company established the Board performance assessment guidelines and methods, conducted performance reviews once a year and provided the assessment results to the Board, as a reference for remunerations and re-election nominations of individual directors?	✓		The Company has established the guidelines on performance assessment of the Board of Directors and assessment methods. Legal Department is responsible for implementation. Performance assessments are conducted once per year. The 2023 assessment results have been submitted to the 6th meeting of the 14th Board, as the reference to the nomination and election of the next board. Performance assessment results of individual directors also serve as a reference for remuneration.	
(IV) Has the Company periodically assessed the independence of external accountants?	✓		Regularly refer to the AQIs each year to assess the independence and competence of the appointed CPAs.	
IV. Has the TWSE/TPEx listed company allocated a suitable number of qualified corporate governance officers and appointed Corporate Governance Supervisor to take charge of corporate governance matters (including but not limited to provision of data required for functioning of Directors and Supervisors; assistance to Directors and Supervisors in compliance; organization of board meetings and shareholders' meeting according to laws; and production of minutes for board meetings and shareholders' meeting)?	✓		Legal Department is responsible for all corporate governance matters. Corporate Governance Officer has been appointed to organize board meetings and shareholders' meetings; produce minutes for board meetings and shareholders' meetings; assist the onboarding and continuing education of directors; provide data required for performance of directors; help directors in compliance; report to the Board of Directors whether the qualifications of independent directors nominated, elected and in service meet relevant laws and regulations; proceed with changes of directors and other matters according to the Articles of Incorporation or contracts. The training hours of Corporate Governance Officer in 2023 are 18 hours.	No significant difference.
V. Has the Company established the communication	✓		(I) The Company's spokesperson system is responsible.	No significant difference.

Assessment items	Functioning status (Note)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences
	Yes	No	Summary and explanation	
channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), constructed a stakeholder section on the company website and appropriately responded to corporate social responsibility issues pertinent to stakeholders?			There is a stakeholder section on the company website to connect and communicate directly with stakeholders, so that they understand the Company's operation. (II) The Company has a letterbox for employees to email or write about their opinions.	
VI. Whether the Company has commissioned a stock transfer agency to handle shareholders' meetings?	✓		The Company has authorized Stock Transfer Agency Department of Grand Fortune Securities Co., Ltd. to handle shareholders' meetings.	No significant difference.
VII. Information disclosure				
(I) Has the Company established a website to disclose financial and corporate governance information?	✓		The Company discloses financial and business information via Market Observation Post System (MOPS) as required. A dedicated website has been established to provide company information and facilitate inquiries from investors. The Company's website: www.twinhead.com.tw	No significant difference.
(II) Has the Company adopted other information disclose methods (such as English-language website; appointment of dedicated personnel for collection and disclosure of corporate information; the spokesperson system; uploading capital market event presentations on the company website)?	✓		The Company has designated personnel for collection and disclosure of information, implemented the spokesperson system for external communication and organized capital market events according to laws.	No significant difference.
(III) Does the Company announce and file its annual financial reports within two months after the end of a financial year and announce and file its first, second and third quarterly financial reports and monthly revenues before deadlines?		✓	According to the statutory rules and deadlines, the Company announces and files its annual financial reports before the end of March and announces and files its first, second and third quarterly financial reports and monthly revenues before deadlines.	
VIII. Is there any other important information that helps to understand the Company's corporate governance functioning (including but not limited to employees' rights; employees' care;	✓		(I) Employees' rights and employee concern The Company has established Employees' Welfare Committee to provide a variety of benefits. The retirement system is implemented according to laws.	No significant difference.

Assessment items	Functioning status (Note)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences
	Yes	No	Summary and explanation	
investor relations; supplier relations; stakeholders' rights; continuing education of Directors and Supervisors; risk management policies, measurements and implementations; implementation of customer policies; and purchase of liability insurance for Directors and Supervisors)?			Training and education is planned for employees. Regular health checks are arranged. Employees' Welfare Committee meetings and labor relations meetings are convened periodically to protect employees' rights. (II) Investor relations The Company discloses corporate information according to laws and organizes capital market events to protect the fundamental rights of investors and fulfills the duty to shareholders. (III) Supplier relations The Company has established Procurement Department to manage suppliers related matters. (IV) Stakeholders' rights: The Company has established a spokesperson system to handle this and fulfill our responsibility to stakeholders. (V) Continuing education of directors The participation by the Company's directors in courses organized by professional institutions is disclosed on Market Observation Post System (MOPS). (VI) Implementation of risk management policy and risk measurements The Company has established a risk management policy and procedure. Each department comes up with countermeasures to address significant risks. Regular review meetings are convened.Implementation results and effectiveness of risk measures are examined, to ensure the Company has achieved its risk management targets. The outcome of risk measures indicates that risks have reached an acceptable level. (VII) Implementation of customer policy	

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Functioning status (Note)</th><th rowspan="2">Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasonable for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary and explanation</th></tr>
<tr><td></td><td></td><td></td><td>The Company maintains good communication and relations with customers. Hence, the customer policy is well implemented.
(VIII) Directors discuss and speak up at board meetings and recuse from proposals in presence of conflict of interest.
(IX) Purchase of liability insurance for directors
The Company renewed the liability insurance in June 2023 with coverage of US$1 million for directors and key employees.</td><td></td></tr>
<tr><td colspan="5">IX. Please describe the improvements to date and the measures to address priority issues outstanding according to the corporate governance evaluation results for the most recent year published by TWSE Corporate Governance Center. (Not required if the company is not assessed): Not assessed in 2022</td></tr>
</table>

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

(VI) Composition, responsibility and functioning of Remuneration Committee

1. Data on Remuneration Committee members

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

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

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

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

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

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

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

2. Remuneration Committee's responsibility

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

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

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

3. Functioning of Remuneration Committee

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

(2) The term of office of the current members: From June 13, 2023 to June 12, 2026.

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

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate in person (%) (B/A) (Note)	Remarks
Convener	Yuan-Chuan Li	3	0	100%	-
Member	Yi-Hsiung Su	3	0	100%	-
Member	Zi-Ping Ren	3	0	100%	-
Other matters that should be noted: I. If the Board of Directors did not adopt or amend the Remuneration Committee's suggestions, it is necessary provide the board meeting dates, sessions, agendas, the Board's resolutions and the ways the Company handles Remuneration Committee's opinions. (If the remuneration approved by the Board of Directors was better than what was advised by Remuneration Committee, it is necessary to describe the difference and the reason for such a difference.): none II. If any member has expressed dissenting opinions or reservation for Remuneration Committee's decisions and there was a record or a written statement, it is necessary provide the Remuneration Committee meeting dates, sessions, agendas, opinions from all members and the ways these opinions were handled.					

Notes:

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

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

(VII) Assessments on Remuneration Committee

Assessment cycle	Assessment period	Assessment method	Assessment content	Assessment result	Date of reporting to Board of Directors
Once a year	January 1, 2023 to December 12, 2023	Self-assessment by Remuneration Committee members	Degree of involvement in company operation	Meetings were convened periodically and the attendances were good. Notices and proposals were received before meetings. All members contributed to the meetings.	December 27, 2023
			Understanding of Remuneration Committee's responsibilities	All duties were clearly and appropriately defined. Timely, professional and objective advice was provided to the Board of Directors for deliberation and decision-making. Design and implementation of regular performance assessments on directors, independent directors and managers, as well as remuneration policies, systems, standards and structures.	
			Enhancement of Remuneration Committee's decision quality	The Company provided Remuneration Committee with comprehensive and timely information of certain quality, so that Remuneration Committee could perform duties smoothly. The Company's proposals submitted to Remuneration Committee for discussions and decisions were appropriate. There was ample time during meetings for discussion. If any member	

Assessment cycle	Assessment period	Assessment method	Assessment content	Assessment result	Date of reporting to Board of Directors
				needed to recuse from a related proposal due to conflict of interest, the member did reuse. Details were recorded in meeting minutes. Periodical and efficient performance reviews were carried out.	
			Composition and member appointment of Remuneration Committee	The composition of members is appropriate and equipped with the professionalism required for decision-making. Members have maintained independence whilst in service.	
			Internal control	Effective understanding and monitoring of Remuneration Committee's functioning	

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

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

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			<table><tr><td></td><td></td><td>implementation of the environmental management system</td></tr><tr><td>Social</td><td>Occupational safety</td><td>1. Deployment of access control facilities, routine inspections of fire prevention facilities and emergency response equipment 2. Organization of employees' health checks and classes in relation to labor safety and health, to ensure employees' safety during work</td></tr><tr><td></td><td>Product safety</td><td>1. Products and services in adherence to relevant laws, regulations and international standards such as security requirements and applications in different countries, RoHS (Restriction of Hazardous Substances Directive) and WEEE (Waste Electrical and Electronic Equipment Directive) 2. The Company has established a customer care department, as a channel for customers to raise questions, complaints or suggestions. Proper responses are made in adherence to the principle of ethics to protect</td></tr></table>	

Initiative	Implementation status (Note 1)					Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation			
					customers' rights. 3. The Company has put in place "Operational Procedure for Suppliers Management" to ensure the stability of materials in use. Supplier assessments are regularly conducted, so that suppliers comply with regulations, green product requirements and company specifications. The Company terminates or cancels cooperation on a timely basis with the suppliers not in adherence to Operational Procedure for Suppliers Management.	
			Corporate governance	Social, economic and compliance	1. Effective implementation of the internal control system, to ensure employees and all operations in compliance with laws and regulations 2. The Company applies for patents and registers trade marks for its products, to ensure the protection of its rights.	
				Communication with stakeholders	1. Annual analysis of key stakeholder issues to protect their legal rights 2. Establishment of a variety of	

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			communication channels and the conduct window to respond to the messages from stakeholders IV. The responsible unit reported the 2023 risk management policy and procedural implementation to the 4th meeting of the 14th Board.	
III. Environmental issues				
(I) Has the Company established a suitable environmental management system according to its industry characteristics?	✓		Quality Assurance Department routinely updates the amendment of environmental regulations in Taiwan (including but not limited to Water Pollution Control Act; Waste Disposal Act; Drinking Water Management Act; Environmental Agents Control Act; and Restriction of the use of Hazardous Substance). Meanwhile, the Company has put in place environmental management processes such as Environmental Handbook; Education & Training Procedures; Documentation of Information Management Procedure; Management Procedure of Chemical Substances; Management Procedure of Energy Resources; Management Procedure of Waste; and Management Procedure of Wastewater, to ensure the effective implementation of the environmental management system. The Company has obtained the ISO14001:2015 environmental management system certification. This covers the design, development, marketing, sales, manufacturing, services and maintenance of notebook computers, industrial notebook computers and special-purpose notebook computers.	No significant difference from the spirit of sustainable development
(II) Has the Company strived to enhance the efficiency of energy consumption and the use of recycled materials with a low environmental impact?	✓		The Company implements garbage classifications and resource recycling and installs energy-efficiency equipment at offices. We continue to drive energy efficiency and carbon reduction, exercise strict ontrol of waste with regular treatment and disposal, so as to minimize the environmental impact.	No significant difference from the spirit of sustainable development
(III) Has the Company assessed the potential risks and	✓		The Company continues to evaluate the influence of climate change has on	No significant

<table>
<tr><th rowspan="2">Initiative</th><th colspan="3">Implementation status (Note 1)</th><th rowspan="2">Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary and explanation</th></tr>
<tr><td>opportunities in climate change for now and the future and adopted countermeasures in relation to climate change?</td><td></td><td></td><td>the Company currently and in the future (please refer to page 41 of the annual report). That said, we are vigilant in the drive for energy efficiency and carbon reduction. We have implemented the following measures, including switching off lights whenever and wherever possible, to address climate issues.
1. The temperature for office air-conditioners is set at 26~28°C, with electric fans in use at the same time.
2. Computers are set to enter Hibernate mode for energy efficiency after 5-10 minutes of inactivity.
3. Reduce the number of times opening and closing the refrigerator door.
4. The last person that uses meal-box steamers is asked to shut down the electricity.
5. Lights are switched off during the lunch break.
6. Lights are switched off in sections after hours, to avoid the scenario where all lights are on with one or two people still at work.
7. Colleagues are encouraged to switch off electricity wherever and whenever possible and unplug electric appliances not to be in use for a long while.
8. The last person to leave the workplace is asked to turn off the water machine, inspect and switch off all the lights.
9. The central control room of the building where the Company is located turns off the central power after all people have left.</td><td>difference from the spirit of sustainable development</td></tr>
<tr><td>(IV) Has the Company calculated GHG emissions, water consumption and total waste weight during the past two years and formulated policies for energy efficiency, carbon and GHG emission reduction, lower water consumption and management of other waste?</td><td>✓</td><td></td><td>1. The statistics of the GHG emissions, water consumption, and total weight of waste of the Company in the most recent two years are as follows (covering the Taipei Office and Kaohsiung Plant):
<table><tr><th></th><th>2021</th><th>2022</th></tr><tr><td>Water -Co2 emission/ (kg)；Scope 2</td><td>725</td><td>753</td></tr></table></td><td>No significant difference from the spirit of sustainable development</td></tr>
</table>

<table>
<tr><th rowspan="2">Initiative</th><th colspan="3">Implementation status (Note 1)</th><th rowspan="2">Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary and explanation</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td>Water consumption (cubic meters)</td><td>6,038</td><td>6,367</td></tr><tr><td>Electricity - Co2 emission /(kg); Scope 2</td><td>664,891</td><td>691,802</td></tr><tr><td>Total waste weight /(ton)</td><td>26.16</td><td>24.814</td></tr></table>2. We replace and upgrade equipment, install energy-efficient facilities and implement measures to save water and electricity. The increase in the variety and the channels of resources recycling has significantly reduced the volume of waste.
3. The Company has enhanced the promotion for water consumption in 2022. However, due the slow down of the pandemic, the number of persons who work from home reduced, and the water consumption slightly increased by 5.4% (vs. 2021 as the base year), failing to achieve the 5% target set in 2021. Going forward, we will continue our endeavor to lower water consumption by 4% each year.
4. The Company has enhanced the promotion for carbon emission associated with electricity consumption in 2022. However, due the slow down of the pandemic, the number of persons who work from home reduced, and the carbon emissions increased by approximately 4% (vs. 2021 as the base year). This showcases the electricity efficiency program has room to improve. Going forward, we strive to reduce the carbon emission associated with electricity consumption by 1.5% each year by continuing with time management for electricity consumption and control of air-conditioning temperature.
5. The Company has obtained the ISO 14001:2015 certification and continues to drive improvements of its internal environment.</td><td></td></tr>
<tr><td colspan="5">IV. Social issues</td></tr>
</table>

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
(I) Has the Company formulated management policies and procedures according to relevant laws and international human rights conventions?	✓		The Company follows the standards put forth by the United Nations' Universal Declaration of Human Right and by International Labor Organization. We have established our human right policy specific to our operations and characteristics and implemented management programs such as the installation of access control facilities; routine inspections of fire prevention facilities and emergency response equipment; organization of free health checks for colleagues; deployment of lactation rooms according to laws; regular convening of labor relations meetings; establishment of firewalls and email filtering systems provided by multinational vendors; establishment of "Regulations for Workplace Sexual Harassment Prevention Measures, Complaints, and Punishment" and other internal regulations to protect human rights. The purpose is to achieve the goal of sustainable development and to protect the fundamental human rights of employees and stakeholders.	No significant difference from the spirit of sustainable development
(II) Has the Company formulated and implemented reasonable employee benefits (including wages, holidays and other benefits) and reflected operating performance or results appropriately to employees' compensation?	✓		The Company observes relevant laws and regulations such as the Labor Standards Act and has established a variety of salary and benefit schemes. Employees are offered health examinations each year and activities per quarter. Employees are entitled to a one-day birthday leave every year. Employee Welfare Committee administers benefit and subsidy programs. Meanwhile, employee performance reviews are conducted regularly and the results are reflected in employee remunerations. 1. Benefit schemes and implementations (1) Employees' remuneration (2) Gift vouchers the three major Chinese festivals/birthday cash gift (3) Year-end bonus (4) Bonuses and incentives: incentives for product sales; bonuses for product development projects; incentives for employees' performance; incentives for employees' proposals of patents, creation and invention; incentives for innovation proposals	No significant difference from the spirit of sustainable development

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			(5) Comprehensive education and training and unblocked promotion channels (6) Annual leave system and birthday leave (7) Employee group insurance (8) Subsidies offered by Employee Welfare Committee: wedding, childbirth, death, hospitalization, severe disease/injury, disaster and major events (9) Company trips, meals, birthday celebrations, and occasional festive meals (10) Annual health examination (11) Discounts on beverages from vending machines, free cookies and snacks every day, and free afternoon tea every month 2. Training and education programs To develop the right work attitude and methods and to inspire employees to realize potential, the Company has put in place the procedures for training and education. New hires are given orientation training when onboarding. Professional training is provided based on department needs, employees' skillsets and job functions. Personnel unit also arrange management and language training for supervisors according to corporate operation guidelines and annual budgets. Information on external training programs is provided from time to time for the development of high-caliber professionals. This boosts operational performance and fully utilizes human resources. 3. Retirement system and implementation The Company's retirement scheme adheres to the Enforcement Rules of the Labor Pension Act. The old tenure system was all completed before or on August 31, 2007. The new system is applicable to all current employees.	

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			The new retirement system is as follows: (1) New retirement requirements: Any employee at the full age of 60 can apply for retirement. (2) The new pension system is based on the employee’s total monthly wage. A monthly contribution of 6% to the employee’s person pension account according to the tiered wage criteria issued by the central competent authority. 4. Labor agreements and measures to protect employees’ rights To promote the harmony between the employer and the employees and to boost work effectiveness, the Company meets and discuss with employees from time to time. Quarterly labor relation meetings are convened so that employees can express opinions and provide suggestions. This maintains a smooth communication with employees and fosters mutual trust and cooperation. The Company has also established Employee Welfare Committee as required by regulations. Employees elect committee representatives in an open way. Regular health checks are arranged. Both the employer and employees’ representatives express views on benefits offered and such full communication protects employees’ rights. 5. The Company's Articles of Incorporation specifically stipulates rules for the appropriation of employee remuneration. If the Company records profits of the year, it shall allocate no less than 5% as the employee remuneration so as to allow employees to enjoy the positive feedback of the Company’s operating performance.	
(III) Does the Company provide a safe and healthy work environment and implement regular education in safety and health for employees?	✓		Organization of health checks for all employees and offering of classes on labor safety and health The Company reported zero occupational accident in 2023. The Company will continue to foster a culture with an emphasis on occupational safety and stay attentive to the mental and physical status of employees, to ensure	No significant difference from the spirit of sustainable development

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			employees' safety during work. Employees' personal safety, work environment protection measures, and their implementation status: I. Taipei Headquarters The Company's Taipei Headquarters is equipped with a monitoring system and access control facilities. There are dedicated personnel for monitoring and inspections from time to time in corridors, counters, elevator halls, and laboratories. All visitors must be registered, and the access is strictly controlled to ensure the personal safety of employees. To ensure public safety, the Company conducts fire safety inspections every year, and conducts regular inspections in the second half of the year in line with the arrangements of the Taipei City Fire Department. The scope of inspection includes escape exits, smoke detectors, air vents, sprinklers, fire hydrants and escape lights to ensure the normal operation of all equipment and maintain the safety of the working environment and employees. Fire prevention and maintenance drills are held every year to promote the knowledge of evacuation in times of disasters and to have drills to improve the response capacity of employees in times of disasters. In addition to the above measures, the Taipei Headquarters has formulated the "Taipei Office Labor Safety and Health Work Rules" and "Taipei Office Emergency Response Plan" to protect the personal safety of employees and to respond to emergencies. II. Kaohsiung Plant The Company's Kaohsiung Plant is actively committed to ensuring the safety of employees' lives and the working environment, and conducts regular fire safety inspections and fire drills. The Company ensures that these equipment undergo rigorous inspections once a	

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			year to ensure their normal operation. This includes comprehensive inspections of fire-fighting equipment, alarm equipment, evacuation equipment, and the safety of wiring. During the specific inspection process, the Company focused on ensuring that all fire-fighting equipment and alarm systems are in good condition, and can respond to possible fire quickly and effectively to ensure that all employees can receive appropriate warnings and instructions in a timely manner in the event of an emergency. The Company also inspects and tests the normal operation of the evacuation equipment regularly to ensure that it can exert its maximum effect when needed. At the same time, the Company pays attention to the safety of the wiring to prevent the potential danger caused by the wiring problem. The Kaohsiung Plant has 24-hour on-site security personnel and system security for access control to ensure that only authorized personnel can enter the plant area, effectively preventing potential security threats. In terms of work safety, the Company has established the Labor Safety and Health Work Rules, which clearly defines the safety and health management of the business and the rights and responsibilities of all levels, the maintenance and inspection of equipment, work safety and health standards, education and training, health guidance and management measures , first-aid and rescue, preparation, maintenance and use of protective equipment, accident notification and reporting. Other potential safety risks include lead operation, organic agent and specific chemical operation, noise operation, elevator operation, and forklift operation. The detailed requirements and implementation rules of these safety matters are set out in the safety regulations of	

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			the Company to ensure that each employee can operate in a safe environment at work. The Company not only focuses on fire safety inspections and access control measures, but also emphasizes the establishment of a comprehensive safety system in the workplace to ensure that each employee can work in a safe and healthy environment so as to protect the safety of employees and the stable operation of the Company.	
(IV) Has the Company established an effective competence development programs for employees?	✓		The Company organizes comprehensive competency training for all levels of managers and employees. This includes orientation training for new hires before onboarding, professional training for different functions, management and language training for supervisors. Information on external training programs is provided from time to time so that employees grow along with the Company.	No significant difference from the spirit of sustainable development
(V) Has the Company complied with relevant laws, regulations and international standards and formulated relevant policies and complaints procedures to protect the rights of consumers or customers regarding products and services to address issues such as safety, health and privacy of customers, marketing and labeling?	✓		When it comes to marketing and labeling of products and services, the Company observes relevant laws, regulations and international standards such as security requirements and applications in different countries, RoHS (Restriction of Hazardous Substances Directive) and WEEE (Waste Electrical and Electronic Equipment Directive). No deception, misleading-ness, fraud or other activities detrimental to consumers' trust and rights are allowed. The customer care department is established as a channel for customers to raise questions, complaints or suggestions. Proper responses are made in adherence to the principle of ethics to protect customers' rights.	No significant difference from the spirit of sustainable development
(VI) Has the Company formulated supplier management policies and asked suppliers to adhere to relevant regulations in environmental protection, occupational safety and health or labor rights?	✓		The Company has put in place "Operational Procedure for Suppliers Management" to ensure the stability of materials in use. Supplier assessments are regularly conducted, so that suppliers comply with regulations, green product requirements and company specifications. The	No significant difference from the spirit of sustainable development

Initiative	Implementation status (Note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences
	Yes	No	Summary and explanation	
			Company terminates or cancels cooperation on a timely basis with the suppliers not in adherence to Operational Procedure for Suppliers Management.	
V. Has the Company prepared sustainability reports by following internationally accepted standards or guidelines in order to disclose non-financial information? Have the aforesaid reports assured or certified by a third party?	✓		The Company has passed the certification of ISO 9001:2015 quality management system and ISO 14001:2015 environmental management system, and has started to compile the sustainability report to disclose the implementation status in 2023.	No significant difference from the spirit of sustainable development
VI. If the Company has established its principles in sustainable development by following the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe how its own principles are put into practice and whether there is deviation from the principles: Not applicable.				
VII. Other important information that helps to understand the status of sustainable development: 1. Customer Care Department recovers, dissembles and repurposes testing equipment into work machines for employees, to reduce waste. 2. The Employee Welfare Committee is established according to laws, to administer all benefits to employees. 3. Supplies for COVID-19 control were donated to the management committee of the local building, to contribute to the community during the pandemic and achieve the goal of sustainable development.				

Note 1: If "Yes" is selected for the implementation, please specify the important policies, strategies and measures adopted and the implementation; if "No" is selected for the implementation, please refer to the "Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for such differences " column for explanations of the differences and the cause, as well as plans for future adoption of relevant policies, strategies and measures.
Regarding initiatives (1) and (2), TWSE/TPEx listed companies should describe the governance and oversight framework for sustainable development, including but not limited to management guidelines, strategies, goal-setting and review measures. Please describe the Company’s risk management policies or strategies and risk assessments associated with environmental, social and corporate governance.

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

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

(VIII-1) Climate-related information of TWSE/TPEx-listed companies

1. Climate-related information implementation

Item	Implementation
1. Describe the supervision and governance of climate-related risks and opportunities by the Board and the management.	The Company reports the GHG inventory and verification schedule and implementation progress to the board of directors on a quarterly basis, and cooperates with 11 units to participate in sustainability development and sustainability report compilation meetings from time to time. Participants include two assistant vice presidents, three managers. The dedicated consultant hired from an external institution hosts the meetings to report on the implementation progress and results of sustainable corporate development, to strengthen the Company's response to climate change and international development trends, and to implement sustainable development.
2. Describe the effects of climate risks and opportunities identified on the Company's business, strategy, and finance (short-, mid-, and long-term).	Heavy rains or flooding caused by extreme weather may result in risks of short-term business interruption; anti-disaster drills shall be improved to minimize the loss effects. In terms of mid-to-long-term targets, it is required to continue to implement the energy-saving plan to reduce energy consumption and adopt local procurement to maximize the resource efficiency and co-exist with the environment in co-prosperity.
3. Describe the impact of extreme weather events and transformation actions on finance.	Heavy rains or flooding caused by extreme weather may damage the Company's equipment, or severe disasters in the region may result in the suspension of work and other increases in operating costs.
4. Describe the incorporation method of the identification, evaluation, and management procedures of climate risks in the overall risk management system.	The Company has obtained the ISO 14001 certification to respond to the impact of environmental changes and to comply with the current organizational status and regulatory requirements through the Company's internal monitoring and implementation, and it plans for future environmental risk assessment countermeasures in the hope of reducing energy consumption and carbon emissions and improve the performance of carbon reduction management to achieve the goal of sustainable corporate development.
5. If scenario analysis is used to assess resilience in the face of climate change risks, the scenarios, parameters, assumptions, analysis factors used, and major financial impacts shall be specified. 6. If there is a transformation plan in response to the management of climate-related risks, the content of the plan and the indicators and targets used to identify and manage physical risks and transformation risks shall be specified. 7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be specified. 8. If climate-related goals are set, the activities covered, the scope of GHG emissions, the planned period, and the progress of each year shall specified; if carbon offsets or renewable energy certificates (RECs) were used to achieve the goals, the source and quantity of carbon reduction credits or quantity of RECs used for exchange shall be specified.	The Company has not adopted internal carbon pricing as a planning tool, and the setting of climate-related goals is still under evaluation and planning, and it pays close attention to the policy trends of sustainable development and climate information disclosure.
9. GHG inventory and assurance.	Please also fill in the "GHG Inventory and assurance of the Company in the most recent two years" and "GHG reduction targets, strategies, and substantial action plans" below.

2. GHG Inventory and assurance of the Company in the most recent two years

(1) Information on GHG inventory: The information on GHG inventory will be disclosed in 2026

(2) Information on GHG assurance: The complete assurance information will be completed in 2028

3. GHG reduction targets, strategies, and substantial action plans

(1) The GHG inventory and verification schedule of the Company and its subsidiaries (Durabook Americas Inc. in the US and Kunshan Lun Teng in China) is as follows; the estimated work items and the completion time will be adjusted at any time subject to the implementation status:

Estimated work items	Estimated completion time
The establishment of the dedicated (part-time) department, the number of person of dedicated (part-time) personnel and the scope of authority and the establishment of the internal verification department.	March 2024
Formulation of the content of talent training, strategic goals, control mechanism, internal verification and external verification plan, GHG inventory and report planning.	August 2024

(2) The progress of GHG inventory and verification is as follows:

1. The Company's GHG inventory is based on the ISO 14064-1 specifications recognized by the competent authority.
2. The ISO 14064-1 Inventory Promotion Team has been set up.
3. The first education and training of ISO 14064-1 was conducted on February 17, 2024.

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

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

Assessment items	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
punitive measures and complaints system as part of the scheme to prevent unethical behavior?			Business Code of Conduct to prevent any activities specified in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Management emphasizes the necessity of business ethics. Measures are put in place by managers of different functions according to nature of different operating activities in order to prevent unethical behavior. Any ethical problems are investigated by dedicated units and then reported to senior managers. Responsible units are required to adopt appropriate corrective measures, take disciplinary actions and follows up on a regular basis. The Company has established Principles of Business Code of Conduct. The Labor Standards Act, work rules and relevant laws shall apply in event of violations. The importance of business ethics is advocated to employees from time to time and training & education are organized. A letterbox for whistleblowers is set up at our company website to handle any unethical issues. Measures to address unethical behavior are routinely reviewed and amended to ensure implementation in operation activities.	

Assessment items	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
II. Implementation of business ethics (I) Does the Company assess the ethics record of counterparties in business dealings and specify business conduct in contractual clauses with counterparties?	V		Before establishing business relations, the Company assesses the lawfulness and codes of conduct of the agents, suppliers, customers and other business dealing counterparties. Business activities are conducted in an open and transparent way. Appropriate penalty clauses regarding breach of ethics are put in place according to the principle of freedom of contract.	No significant difference
(II) Has the Company established a dedicated business ethics unit under the Board of Directors and reported regularly (at least once a year) to the Board of Directors the implementation of business conduct policies and prevention of unethical behavior?	V		Legal Department is the Company's dedicated unit for handling of business ethics matters. Legal Department has reported the code of conduct, measures in preventing unethical behavior and the status of supervision to the 5th meeting of the 14th Board as follows: 1. The 2023 annual training and education on business ethics have been provided. 2. The Company has established whistleblowing procedures and a letterbox for whistleblowers. No reporting has been received to date regarding violation of business ethics or conduct (e.g., business code of conduct, corruption, bribery or insider trading). 3. No penalty has been imposed by regulators due to breach of ethics.	
(III) Has the Company formulated policies to prevent conflict of interest and provided appropriate channels for voicing out and implementation?	V		The Company's Rule of Procedure for Board Meetings has put in place a recusal system in presence of conflict of interest. Directors may not join the discussion or voting for issues where the director or the legal person represented by the director has conflict of interest and	

Assessment items	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
			such conflict may detriment the Company's interest. On these occasions, directors should recuse from discussion and voting and may not represent other directors for exercise of voting rights.	
(IV) Has the Company established an effective accounting system and internal control system to implement business ethics? Do the internal auditors formulate audit plans according to the assessment of risks for unethical behavior and inspect the compliance with the preventive measures or authorize external accountants for such inspections?	V		The Company observes the Company Act, the Securities and Exchange Act and Business Entity Accounting Act. The Guidelines for the Establishment of Internal Control Systems by Public Companies, relevant laws and regulations governing TWSE/TPEx listed companies serve as the basis of code of business conduct. To ensure the practice of business ethics, an effective and comprehensive control mechanism is established within both the accounting system and the internal control. Based on risk assessments, internal auditors include highly-risky operations into annual audit plans, conduct regular audits and enhance preventive measures. Meanwhile, the design and implementation effectiveness of the system is ensured via annual self-assessments and reviews on internal control. External accountants also review the Company's systems aforesaid each year.	
(V) Does the Company organize internal and external training and education on business ethics on a regular basis?	V		The Company sends its personnel to participate in external training and education on business ethics and organizes internal training programs from time to time.	
III. Functioning of whistleblowing system (I) Has the Company established a whistleblowing system with incentives and the channels to facilitate whistleblowing? Is appropriate personnel appointed to	V		The Company has establishedPrinciples of Business Code of Conduct and put in place Procedures of Reporting Illegal or Unethical Behavior. A letterbox is set up at the	No significant difference

Assessment items	Functioning status (Note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reason for such differences
	Yes	No	Summary and explanation	
investigate the allegations?			Company’s website for whistleblowing and this is handed by a dedicated unit.	
(II) Has the Company established the standard investigation procedure on allegations, the follow-up measures and the confidentiality mechanism post investigations?	V		The Company handles reports and complaints according to Procedures of Reporting Illegal or Unethical Behavior, records the process, and ensures confidentiality for whistleblowers and allegations.	
(III) Has the Company adopted measures to protect whistleblowers from improper treatment?	V		The Company protects whistleblowers from improper treatment by following Procedures of Reporting Illegal or Unethical Behavior.	
IV. Enhancement of information disclosure (I) Has the Company disclosed its ethics policy and implementation effectiveness via its own website and on Market Observation Post System (MOPS)?		V	The Company has disclosed its ethics policy and implementation effectiveness via its own website and on Market Observation Post System (MOPS). Disclosure website of the Company: https://www.twinhead.com.tw/wp-content/uploads/2023/12/%E8%AA%A0%E4%BF%A1%E7%B6%93%E7%87%9F%E6%94%BF%E7%AD%96%E8%88%87%E5%9F%B7%E8%A1%8C%E6%83%85%E5%BD%A2-1.pdf	No significant difference
V. If the Company has established its principles in business ethics by following Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe how its own principles are put into practice and whether there is deviation from the principles: no significant difference				
VI. Other important information that helps to understand the status of ethics policy implementation (e.g., the Company’s review and amendment of its business code of conduct):none				

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

(X) If any corporate governance principles or relevant charters are put in place, it is necessary to disclose the inquiry methods: announced at the Company's website at https://www.twinhead.com.tw/%e7%b6%93%e7%87%9f%e6%b1%ba%e7%ad%96/.

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

(XII) Implementation of internal control system

1. Statement on Internal Control System

Twinhead International Corp.
Statement on Internal Control System

Date: March 13, 2024

According to the self-inspection results of the internal control system by the Company in 2023, we hereby state as follows:

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

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

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

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

V. Based on the findings of the aforesaid examination, the Company believes that its internal control system as of December 31, 2023 (including the supervision and management of subsidiaries) was effective in the design and the implementation and able to provide reasonable assurance over the insight into the effectiveness and the efficiency of achievement of operational targets; reliability, timeliness and transparency of reporting; and compliance with applicable laws.

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

VII. The Statement has been adopted by the Company’s Board of Directors on March 13, 2024. Among the 11 attending Directors, no one raised any objection and all consented to the content expressed in this Statement and issued the Statement accordingly.

Twinhead International Corp.

Chairman:

President:

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

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

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

1. Important resolutions by 2023 shareholders' meetings

(1) Contents resolved:

① Acknowledgment of the Company's 2022 Business Report.

② Acknowledgment of the Company's 2022 Financial Statements (unconsolidated and consolidated).

③ Acknowledgment of the Company's proposal for 2022 earnings distribution.

④ Approval for the Company's 2022 capitalization of retained earnings

⑤ Approval of the amendment to the Company's "Articles of Incorporation"

⑥ Approval for the amendment to the "Rules and Procedures of Shareholders' Meeting"

⑦ Approval for the election for the 14th directors (including independent directors).

⑧ Approval for the removal of the prohibition on directors from participation in competitive business.

(2) Implementation status:

The Company conduct the earning distribution according to the proposal for earning distribution approved at the 2023 annual shareholders' meeting. According to the Articles of Incorporation, the Company should issue a total of NT$2,124 as dividends of Type A registered preference shares for 2021, with the book closure date on July 21, 2023 and the dividend issuance date on August 4, 2023. The net profit after tax of the Company in 2022 was NT$79,598,027. It appropriated 10% of legal reserve of NT$7,959,803 according to the Company Act and the Company's Articles of Incorporation, and distributed dividends for preferred shares to be distributed for 2022 totaling NT$2,124. The distributable earnings were NT$71,796,166, and the dividend per share for the distribution was NT$2.5, a total distribution of NT$61,998,400. The ex-right date of the dividends for ordinary shares was October 16, 2023. In addition, the Company completed the alteration registration according to the election of the 14th directors (including independent directors) approved at the annual shareholders' meeting.

2. Contents of important resolutions by board meetings in 2023 and the publication date of this annual report

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

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

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

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

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

(6) Approval of the Company's 2022 Statement on Internal Control System

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

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

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

(10) Approval for amendment to “Rules Governing Internal Control System” and “Internal Audit Implementation Rules”

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

(12) Approval for the candidates of the election for the 14th directors (including independent directors).

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

(14) Approval of the convening of 2023 shareholders’ meeting

(15) Approval for the establishment of the acceptance period and venue for shareholders’ proposals for the annual shareholders’ meeting

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

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

(18) Approval of the salaries for the Company’s directors (independent directors) and managers for 2023 and the distribution of directors’ remuneration

(19) Approval of the suggestion by the Company’s Remuneration Committee

(20) Approval for the election of the 14th chairman.

(21) Approval for the appointment of the Company's 5th Remuneration Committee members.

(22) Approval for the base day and relevant matters for the capitalization of earnings through share issuance in 2023.

(23) Approval for the Company's 2024 business plan (including budget).

(24) Approval of the Company’s 2024 audit plan

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

(26) Approval of the suggestion by the Company’s Remuneration Committee

(27) Approval of the Company’s 2023 Business Report

(28) Approval of the Company’s 2023 remuneration of employees and directors

(29) Approval of the Company’s 2023 Financial Statements (unconsolidated and consolidated)

(30) Approval of the Company’s proposal for 2023 earnings distribution

(31) Approval for the Company’s 2023 capitalization of retained earnings

(32) Approval of the Company’s design of 2023 internal control system and statement of the internal control effectiveness

(33) Approval of the convening of 204 shareholders’ meeting

(34) Approval for the establishment of the acceptance period and venue for shareholders’ proposals for the annual shareholders’ meeting.

(35) Approval of the appointment and compensation of external accountants for 2024.

(36) Approval of the suggestion by the Company’s Remuneration Committee

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

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

V. External accountants' fees

(I) External accountants' fees Unit: NT$1,000

Name of the accounting firm	Names of Certified Public Accountants	Audit period	Auditing fees	Non-auditing fees	Total	Remarks
KPMG Taiwan	Stella Huang	2023/1/1 - 2023/12/31	3,035	1,485	4,520	Non-audit fees consist of NT$530 thousand for tax compliance audits, NT$500 thousand for the translation of the financial statements, and NT$220 thousand for transfer pricing services.
	Max Wu					

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

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

VI. Change of external accountants

(I) The Board's assessment in 2023 on the independence and suitability of external accountants

1. In reference to Article 47 of the Certified Public Accountant Act and Bulletin No. 10 of the Code of Ethics for Certified Public Accountant in the R.O.C. regarding the independence of audit and review, the Company has set up the following assessment criteria: (1) External accountants do not have any direct or material financial relationship with the Company. (2) There is no financing or guarantee between external accountants and the Company or the Company's directors. (3) External accountants do not have any significant business relationship or potential employment relationship with the Company. (4) External accountants do not have any lending/borrowing relationship with the Company. (5) External accountants have not accepted presents or gifts of a significant value (above the general standards for social occasions) from the Company, the Company's directors, supervisors or managers. (6) External accountants have not provided the Company with audit services for seven consecutive years. (7) The external accountants do not hold shares of the Company and do not broker the shares or other securities issued by the Company. (8) External accountants, their spouses or dependents and members of the audit teams have not served as the Company's directors, supervisors or managers or positions that have significant influence on audits during the audit period or over the most recent two years and can also be sure not to serve any of the aforesaid roles during future audit periods. (9) The external accountants did not provide non-audit services that may directly affect the audit work of the Company. (10) The external accountants did not act as the defender of the Company or coordinate on behalf of the Company with other third parties in conflicts. (11) The external accountants have no family relationship with the Company's directors, managers or personnel who have a significant impact on the audit. (12) Whether external accountants have met the requirements for independence specified in Bulletin No. 10 of the Code of Ethics for Certified Public Accountant and whether Statement of Independence issued by external accountants has been obtained
2. The assessment based on Statement of Independence and AQIs issued by external accountants and made by the Company's financial and accounting managers suggests that the Company's external accountants are independent and suitable. Subsequently, the 17th meeting of the Company's 13th Board resolved that the external accountants are independent and suitable.

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

VII. Information on the Company's Chairman, President, or any finance or accounting managers holding a position during the most recent year at accounting firm where external accountants work or a company affiliated to the accounting firm: None.

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

(I) Changes in shareholdings of directors, managers and major shareholders

Title	Name	2023		As of the publication date of this annual report in 2024	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Director	Kao's Enterprise Development Co., Ltd.	993,328	---	---	---
Director	EUROC Investment Co., Ltd	1,500	---	---	---
Director	21st Century Foundation	5,815	---	---	---
Director	Ri Yue Kao Investment Co., Ltd.	20,655	---	---	---
Director	Protegas Futuro Holdings, LLC	585,588	---	---	---
Director	Ji Sheng Investment Co., Ltd.(Note 1)	---	---	Not applicable	Not applicable
Independent Director	Yuan-Chuan Li	---	---	---	---
Independent Director	Zi-Ping Ren	---	---	---	---
Independent Director	Yi-Hsiung Su	---	---	---	---
Independent Director	Shu-Hua Chiou (Note 2)	---	---	---	---
President	Su-Fu Kao	124,633	---	---	---
Technical Director	Meng-Yang Lu	333	---	---	---
Assistant Vice President	Heng-Chia Wang	987	---	---	---
Assistant Vice President	Hsiao-Chien Chang	---	---	---	---
Assistant Vice President	Tao-Ming Chang	---	---	---	---
Assistant Vice President	Liang-Ching Tsai	10,130	---	---	---
Assistant Vice President	Bin-Ren Lai	---	---	---	---
Assistant Vice President	Wen-Chin Chu	---	---	---	---
Assistant Vice President	Kun-Tsang Hsien	---	---	---	---
Assistant Vice President	Mao-Tsun Chen	0	---	---	---
Assistant Vice President	Hung-Jung Wang	---	---	---	---
Assistant Vice President	Kuo-Shang Hsiao (Note 3)	---	---	---	---
Assistant Vice President	Rong-Biao Wu (Note 4)	Not applicable	Not applicable	---	---
Chief of finance	Shu-Ling Chen	586	---	---	---

Note: 1. Not applicable if no previous roles served, considering the tenures and personnel changes
2. The increase in 2023 was mainly due to the stock grants to shareholders, with 250 shares granted for every 1,000 shares.

Note 1: Drector Ji Sheng Investment Co., Ltd. resigned on March 14, 2023.
Note 2: Independent Director Shu-Hua Chiou assumed office on June 13, 2023.
Note 3: Assistant Vice President Kuo-Shang Hsiao assumed office on September 5, 2023 and stepped down on March 31, 2024.
Note 4: Assistant Vice President Rong-Biao Wu assumed office on April 8, 2024.

(II) Shareholding transfers: None

(III) Shareholding pledged: None

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

April 16, 2024; Unit: shares; %

Name	The shareholder Number of shares held		Shares held by spouse and underage children		Shares held under other’s names		Name and relationship between the Company’s 10 largest shareholders who are related parties, spouses, or relatives within two degrees of kinship with each other		Remarks
	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Name	Relationship	
Kao's Enterprise Development Co., Ltd. Representative: Ming-Luan Kao-Chang	4,966,643 41,347	16.02% 0.13%	- 357,717	- 1.15%	- -	- -	- Yu-Jen Kao Su-Fu Kao Su-Po Kao	- Spouse Within the second degree of kinship Within the second degree of kinship	
Protegas Futuro Holdings,LLC Representative: An Van Nguyen	4,387,943 -	14.15% -	- -	- -	- -	- -	- -	- -	
Outstanding International Co., Ltd. Representative: Dong-Hsin Tseeng	2,055,600 -	6.63% -	- -	- -	- -	- -	- -	- -	
Kang Eel Shiuan Co., Ltd. Representative: Yu-Ling Yu	1,739,158 -	5.61% -	- -	- -	- -	- -	- -	- -	
Ting Ching Investment Limited Representative: Outstanding International Co., Ltd.	1,344,241 2,055,600	4.34% 6.63%	- -	- -	- -	- -	- -	- -	
Bai-Da Investment Co., Ltd. Representative: Yao-Bin Ding	898,616 -	2.90% -	- -	- -	- -	- -	- -	- -	
Su-Fu Kao	623,176 (Note 4)	2.01% (Note 5)	14,271	0.05%	-	-	Yu-Jen Kao Ming-Luan Kao-Chang Su-Po Kao	Within the second degree of kinship Within the second degree of kinship Within the second degree of kinship	
Cheng-Hu Chou	395,551	1.28%	-	-	-	-	-	-	
Yu-Jen Kao	357,717	1.15%	41,347	0.13%	-	-	Ming-Luan Kao-Chang Su-Fu Kao Su-Po Kao	Spouse Within the second degree of kinship Within the second degree of kinship	
Su-Po Kao	316,440	1.02%	-	-	-	-	Ming-Luan Kao-Chang Su-Fu Kao Yu-Jen Kao	Within the second degree of kinship Within the second degree of kinship Within the second degree of kinship	
Tsung-Zuo Kuo	316,440	1.02%	-	-	-	-	-	-	

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

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

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

Note 4: The number of share consists of 623,165 ordinary shares and 11 preference shares.

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

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

Unit: shares; %

Investee (Note)	The Company's investment		Investees directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Durabook Americas Inc.	769,230	80%	-	-	769,230	80%
Twinhead (Asia)	5,872,420	100%	-	-	5,872,420	100%
Twinhead (Kunshan) Ltd.	-	-	-	100%	-	100%
Twinhead Enterprises (B.V.I.) Ltd.	-	-	50,000	100%	50,000	100%
Kunshan Lun Teng	-	-	-	100%	-	100%

Note: Investments accounted for using the equity method

Four. Fundraising

I. Capitalization and shares

(I) Sources of share capital

Year/month	Issuing price	Authorized share capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Sources of share capital	Contribution-in-kind	Others
December 1991	NT$10	100,000,000	NT$1 billion	66,732,145	667,321,450	Conversion of capital surplus into paid-in capital by NT$60,602,950	None	Note 1
June 1992	NT$10	100,000,000	NT$1 billion	78,379,000	783,790,000	Conversion of retained earnings into paid-in capital by NT$45,804,490 Conversion of capital surplus into paid-in capital by NT$70,664,060	None	Note 2
July 1993	NT$10	100,000,000	NT$1 billion	86,152,647	861,526,470	Conversion of capital surplus into paid-in capital by NT$77,736,470	None	Note 3
August 1994	NT$10	100,000,000	NT$1 billion	98,855,130	988,551,300	Equity raise by NT$101,356,050 Conversion of capital surplus into paid-in capital by NT$25,668,780	None	Note 4
March 1996	NT$10	160,000,000	NT$1.6 billion	160,000,000	1,600,000,000	Equity raise by NT$611,448,700	None	Note 5
May 1997	NT$10	300,000,000	NT$3 billion	204,000,000	2,040,000,000	Conversion of retained earnings into paid-in capital by NT$280,510,680 Conversion of capital surplus into paid-in capital by NT$159,489,320	None	Note 6
October 1997	NT$10	300,000,000	NT$3 billion	264,000,000	2,640,000,000	Equity raise by NT$600,000,000	None	Note 7
May 1998	NT$10	600,000,000	NT$6 billion	363,500,000	3,635,000,000	Conversion of retained earnings into paid-in capital by NT$467,270,960 Conversion of capital surplus into paid-in capital by NT$527,729,040	None	Note 8
April 1999	NT$10	600,000,000	NT$6 billion	363,740,565	3,637,405,650	Conversion of convertible bonds by NT$2,405,650	None	Note 9
August 1999	NT$10	700,000,000	NT$7 billion	478,480,936	4,784,809,360	Conversion of retained earnings into paid-in capital by NT$637,901,669 Conversion of capital surplus into paid-in capital by NT$509,098,331 Conversion of convertible bonds by NT$403,710	None	Note 10
March 2000	NT$10	700,000,000	NT$7 billion	480,418,920	4,804,189,200	Conversion of convertible bonds by NT$19,379,840	None	Note 11
September 2000	NT$10	700,000,000	NT$7 billion	528,450,942	5,284,509,420	Conversion of capital surplus into paid-in capital by NT$ 480,320,220	None	Note 12
March 2004	NT$10	700,000,000	NT$7 billion	554,561,723	5,545,617,230	Conversion of convertible bonds by NT$276,382,960	None	Note 13
November 2004	NT$10	700,000,000	NT$7 billion	277,303,712	2,773,037,120	Capital reduction by NT$2,772,580,110	None	Note 14
December 2011	NT$10	700,000,000	NT$7 billion	255,867,547	2,558,675,470	Consolidated capital reduction by NT$214,361,650	None	Note 15
August 2012	NT$10	700,000,000	NT$7 billion	190,161,531	1,901,615,310	Capital reduction by NT$657,060,160	None	Note 16
October 2016	NT$10	700,000,000	NT$7 billion	93,939,797	939,397,970	Capital reduction by NT$962,217,340	None	Note 17
December 2016	NT$10	700,000,000	NT$7 billion	118,939,797	1,189,397,970	Equity raise by NT$250,000,000	None	Note 18
February 2017	NT$10	700,000,000	NT$7 billion	143,939,797	1,439,397,970	Equity raise by NT$250,000,000	None	Note 19
September 2017	NT$10	700,000,000	NT$7 billion	198,939,797	1,989,397,970	Equity raise by NT$550,000,000	None	Note 20
April 2020	NT$10	700,000,000	NT$7 billion	195,932,433	1,959,324,330	Consolidated capital reduction by NT$30,073,640	None	Note 21
October 2021	NT$10	700,000,000	NT$7 billion	24,800,422	248,004,220	Capital reduction by NT$1,711,320,110	None	Note 22
November 2023	NT$10	700,000,000	NT$7 billion	31,000,262	310,002,620	Conversion of retained earnings into paid-in capital by NT$61,998,400	None	Note 23

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Approved by Official Letter FSC-Securities (I) No. 0930145974 by Financial Supervisory Commission, Executive Yuan dated October 8, 2004

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

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

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

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

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

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

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

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

Note 23: Approved by Official Letter Government-Industry-Business No. 11254569310 by Taipei City Government dated November 13, 2023

April 16, 2024

Type of shares	Authorized share capital				
	Outstanding shares			Unissued shares	Total
	Listed	Unlisted	Total		
Registered Ordinary share	30,999,200	0	30,999,200	668,999,738	700,000,000
Special share	-	1,062	1,062	0	

Information on the general reporting system: None

(II) Shareholder composition April 16, 2024

Shareholder composition / Quantity	Government agencies	Financial institutions	Other legal entities	Individual	Foreign institutions and foreign individuals	Total
Number of people	0	4	174	39,877	28	40,083
Number of shares held	0	2,737	11,202,424	15,271,191	4,523,910	31,000,262
Shareholding ratio	0.00%	0.01%	36.14%	49.26%	14.59%	100.00%

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

(III) Distribution of equity

1. Ordinary shares April 16, 2024; Face value of NT$10 per share

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	36,176	1,807,717	5.83%
1,000 to 5,000	3,467	6,183,986	19.95%
5,001 to 10,000	254	1,958,075	6.32%
10,001 to 15,000	70	888,721	2.87%
15,001 to 20,000	27	497,003	1.60%
20,001 to 30,000	23	575,251	1.86%
30,001 to 40,000	15	550,499	1.78%
40,001 to 50,000	6	275,347	0.89%
50,001 to 100,000	8	507,010	1.64%
100,001 to 200,000	3	354,077	1.14%
200,001 to 400,000	4	1,386,148	4.47%
400,001 to 600,000	0	0	0.00%
600,001 to 800,000	1	623,165	2.01%
800,001 to 1,000,000	1	898,616	2.89%
Over 1,000,001	5	14,493,585	46.75%
Total	40,060	30,999,200	100.00%

2. Preference shares April 16, 2024; Face value of NT$10 per share

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	23	1,062	100.00%
Total	23	1,062	100.00%

(IV) List of major shareholders: Shareholders with the top ten shareholding ratios

April 16, 2024

Shares / Name of major shareholder	Number of shares held	Shareholding ratio
Kao's Enterprise Development Co., Ltd.	4,966,643	16.02%
Protegas Futuro Holdings, LLC	4,387,943	14.15%
Outstanding International Co., Ltd.	2,055,600	6.63%
Kang Eel Shiuan Co., Ltd.	1,739,158	5.61%
Ting Ching Investment Limited	1,344,241	4.34%
Bai-Da Investment Co., Ltd.	898,616	2.90%
Su-Fu Kao (Note 1) (Note 2)	623,176	2.01%
Cheng-Hu Chou	395,551	1.28%
Yu-Jen Kao	357,717	1.15%
Su-Po Kao	316,440	1.02%
Tsung-Zuo Kuo	316,440	1.02%
Total of 11 shareholders	17,401,525	56.13%

Note 1: The number of share consists of 623,165 ordinary shares and 11 preference shares.

Note 2: The shareholding percentage consists of 2.01% for ordinary shares and 0% for preference shares.

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

Unit: New Taiwan Dollars; thousand shares

Item \ Year			2022	2023
Market price per share	The highest		165	160.5
	Minimum		15.8	76.2
	Average		60.88	107.81
Net value per share	Before appropriation		13.92	14.62
	After appropriation		11.14	Note 1
Earnings per share	Weighted average number of shares		24,799	30,999
	Earnings per share	Before adjustment	3.21	3.51
		After adjustment	2.57	Note 1
Dividends per share	Cash dividends		Ordinary share: 0 Special share: 2	Ordinary share: 0 Special share: 2
	Stock grants	Dividends from retained earnings	2.5	3 (Note 1)
		Dividends from capital surplus	-	-
	Accumulated undistributed dividends		2,124	2,124
Analysis for return on investment	Price earning ratio		18.97	30.72
	Price dividends ratio		-	-
	Cash dividend yield rate		-	-

Note 1: Distribution of 2023 earnings is to be presented for approval in the Shareholders' Meeting.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy

According to the Articles of Incorporation,the Company's annual earnings, if any, should be used first to pay taxes, offset accumulated losses and then appropriate at 10% for legal reserves until the amount of legal reserves is equivalent to the Company's paid-in capital. The issuance of preference dividends due but not yet paid should take priority. Special reserves may be recognized depending on operational and statutory requirements, followed with the recognition or reversal of special reserves according to laws and regulations. Any remaining earnings, along with the accumulated undistributed earnings, are distributed as dividends to shareholders according to the proposal by the Board of Directors and after the resolution from the shareholders' meeting. However, when all or part of dividends, bonuses, statutory surplus reserves and legally distributable paid-in capital reserves are distributed in cash, such resolution of distribution in cash shall be reached by any Board meeting attended by more than two-thirds of the directors and the consent of more than half of the directors present, which shall be reported to shareholders' meeting.

By taking into account the industrial characteristics of the Company's growth, improvement to the Company's financial structure, and protection of rights and interests of investors, in principle at least 50% of distributable earnings shall be allocated as shareholder dividends, but no allocation shall be made when the accumulated distributable earnings are lower than 1% of the paid-in capital. After comprehensive consideration of paid-in capital, retained earnings and future fund needs, long-term financial planning and maintaining a balanced annual dividend level, cash dividends shall be allocated no more than 80% of the total shareholder dividends, and the remainder shall be distributed as share dividends.

2. Proposal to the Shareholders' Meeting for dividend distribution: The dividends distribution for 2023 has been proposed by the 14th Board of Directors in the 6th meeting and submitted for acknowledgement of the Shareholders' Meeting on June 14, 2024. (1) According to the Articles of Incorporation, the Company should issue a total of NT$2,124 as dividends of Type A registered preference shares for the year of 2023. (2) The Company's 2023 net income after tax was NT$108,816,091. In accordance with the Company Act and the Articles of Incorporation, a 10% legal capital reserve of NT$10,420,846 shall be set aside, and 2023 dividends on preference shares of NT$2,124 shall be distributed at first. Retained earnings available for distribution was NT$103,583,256. The proposed stock dividend per share is NT$3, with a total of NT$92,997,600.
3. When the dividend policy is expected to have significant changes, explanation shall be provided: There are no significant changes to the dividend policy of the Company.

(VII) Impact to Business Performance and EPS of Stock Dividend Distribution: According to the regulation of interpretation tai-cai-jheng-yi-zih No.00371, the Company did not disclose the financial forecast, therefore, this regulation shall not apply.

(VIII) Compensation of Employees, Directors and Supervisors

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

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

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

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

   However, if the Company still has any accumulated losses, such profit shall reserve the amount required for making up such losses.
2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure: The amount of 2023 employee and director compensation was estimated based on net income before tax and employee and director compensation multiplied by the distribution percentage stipulated by the Articles of Incorporation and recognized as operating expense. If the actual amounts subsequently paid differ from the estimated amounts, the differences will be recorded as profit or loss in the upcoming year as a change in accounting estimate.
3. Approval of the Board of Directors Meeting for distribution of compensation: The compensation distribution for 2022 has been proposed by the 14th Board of Directors in the 16th meeting. The employee compensation was NT$9,816,068, and the director compensation was NT$3,681,025, both of which are to be distributed in cash.
4. Information of distribution of compensation of employees, directors and supervisors (with an indication of the number of shares and monetary amount and stock price of the shares distributed) for the previous year and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: None.

(IX) Share Repurchases by the Company: None.

II. Issuance of corporate bonds: none

III. Issuance of preference shares

Item	Issuance date	December 15, 1990
Face value		NT$10 per share
Issuing price		NT$20 per share
Number of shares		9,745,000 shares
Total amount		NT$97,450,000
Rights and obligations	Dividend and bonus distribution	• According to laws, the Company’s net income each year shall be used first to offset losses from prior years, to allocate for taxes payable and legal reserves. Preference dividends are based on 20% of the face value per annum. • Dividends are paid in cash once a year after the date of approval by the annual shareholders’ meeting. Dividends for the previous year are calculated according to the number of days in issue. However, dividends are calculated up to the end of the previous year in case of conversion to ordinary shares. • If there is no earnings for the year or the earnings are insufficient for the issuance of preference dividends, any earnings in subsequent years should be prioritized for dividends due but unpaid during previous years. After being converted into common shares, holders of Class A registered special shares may enjoy the unpaid special share dividends and bonuses payable by the Company, which the Company shall pay in full in one lump sum. However, they may not request the distribution of a surplus of common shares in the previous year, and all the other rights and obligations shall be the same as those of common shares.
	Distribution of remaining assets	Preference shares have a priority claim over ordinary shares when the Company is liquidated. However, the allocation of the Company’s remaining assets may not exceed the issued amount.
	Exercise of voting rights	No voting rights
	Others	Type A registered preference shares have no rights or obligations other than those described in this Article of Incorporation.
No. of preference shares outstanding	Amount redeemed or converted	NT$96,993,000 converted into ordinary shares
	Outstanding amount not redeemed or converted	NT$10,620 (Note 1)
	Redemption or conversion clause	Preference shareholders may request to convert preference shares into the same number of ordinary shares in each June after one year in issuance of preference shares.
Market price per share (Note 2)		-
Other rights attached	Amount converted or subscribed to shares as of the publication date of this annual report	NT$96,993,000
	Regulations governing issuance, conversion or subscription	Preference shareholders may request to convert preference shares into the same number of ordinary shares in each June after one year in issuance of preference shares.
Impact of issuance terms and conditions on preference shareholders’ equity, potential dilution and impact on existing shareholders’ equity		None

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

Note 2: Trading of preference shares on the gray market

Preference shares with warrants: none

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

V. Subscription of employee share warrants: none

VI. Issuance of restricted employee shares: none

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

VIII. Implementation of capital utilization plans: none

Five. Operations

I. Business

(I) Scope of business

1. Main areas of business operations
   (1) Electronics components design and relative electronic products (LAN system) design and manufacturing
   (2) Electronic products (telephone, answering machine, modem, electronic telephone switching machine, fax machine) design (for office administrative business only and no retail store on site)
   (3) Computer, components, and peripheral equipment (multi-function interface card) design and manufacturing
   (4) Computer equipment (power supply unit, keyboard, printer, floppy and hard disk driver) and computer software equipment design (excluding business of video games and on-site operation)
   (5) Computer motherboard, workstation, and its system design and manufacturing
   (6) Integrated circuit for specific use design and manufacturing
   (7) Home video game console design and manufacturing
   (8) International trade
   (9) Warehousing
   (10) Controlled telecommunications radio-frequency devices and materials manufacturing
   (11) Regulated telecommunications radio-frequency equipment imports
   (12) All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
2. Revenue distribution

   The revenue distribution of the Company's main products for 2023 are as follows:

Item	Revenue distribution
Portable computers (including finished board)	92%
Others	8%
Total	100 %

3. The Company's current main products

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

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

(II) Industry overview

1. Structure and current state of the industry:

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

   For current status of the industry, the terminal demand in the main sales areas of the Company's products turned out to be stable, the brand and channels became mature gradually.

With the increase in the number of sales countries and the expansion of application field, the sales of products are expected to grow year after year.

2. The Company's main products:

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

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

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

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

In order to enhance the R&D ability, we explore application for new materials and development of new technology. The Company's R&D expenditure for the year of 2023 and the first quarter of this year totaled NT$127,446 thousand.

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

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

II. Markets, production and sales

(I) Market analysis

1. Sales region of the Company's main products

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

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

The quantity of sales of portable computers (including finished boards) for 2023 was 51,172 pieces. The Company gains a foothold in product R&D, design, manufacturing, and sales, and is one of the rare Mil-Spec/industrial portable computer manufacturer in the country. Our developed Mil-Spec/industrial portable computer products has been adopted by major system integrators in the market gradually.

In 2023, the Russo-Ukrainian War continued and the tension between the US and China became increasingly tense. Although inflation was stable, many countries were cautious about interest rate adjustments, and the economy did not rebound significantly. As a result, corporate users remained conservative in capital expenditures. Fortunately, the public sector's national defense budget increased and equipment renewal was active, and the overall shipment of the Company's products increased. Looking to the future, as the external unfavorable factors subside and the monetary policy turns to be easing, the economy is expected to recover and regain its growth momentum.

3. The Company's competitive niche, SWOT analysis for future development, and the

company's responsive strategies

(1) Strength

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

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

(2) Weakness

A. Long lead time of the components supplier and increasing minimum order quantity

Responsive strategies:

Establish buffer stock and make the most of the stocking cycle system to avoid the condition that the demand exceeds the supply.

B. High-mix low-volume characteristic of the Mil-Spec/industrial computers and the relatively high R&D resources investment.

Responsive strategies:

Establish modular design of components with different types of products using the same modularized components. Serve customer according to their needs for high-mix low-volume products to reduce the resources needed for R&D, inventories, and costs; and further, obtain higher profit from it.

(3) Opportunity

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

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

(4) Threat

A. The slow-down in market scale growth, price war among vendors, and sales erosion in Mil-Spec/industrial market due to large business-spec vendors leads to increasing pressure from price competition and significant shrinkage of space for profit.

Responsive strategies:

(a) Cultivate R&D ability, strengthen sensitivity to marketing. Develop products with different levels, functions, and styles according to customer’s needs. With an objective to develop high value-added products in vertical market, maintain expected profit.

(b) Explore chances to cooperate with world-renowned corporations. With their influence, lower the cost of purchasing.

B. Reliance on import for key components. Markets are mainly in U.S. and Europe. Risk arising from changes in exchange rates influences the Company’s profit as well.

Responsive strategies:

(a) Enhance value added to product design to lower the ratio of components purchasing costs to sales price.

(b) Strengthen financial staff’s concept of foreign exchange hedge. Judge the trends of exchange at all times to timely evaluate the use of hedge tools for foreign exchange.

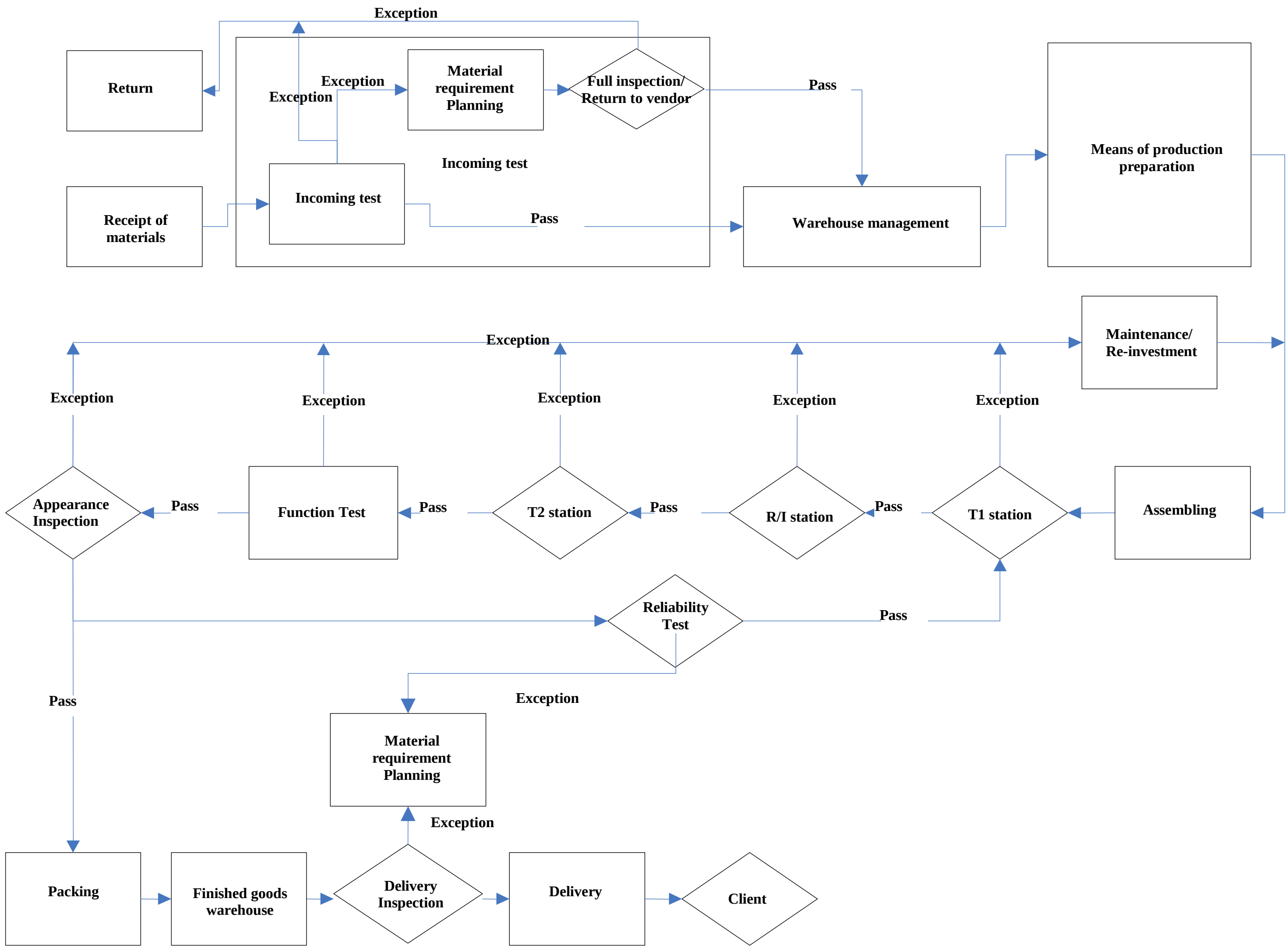
(II) Application and Manufacturing Process of Main Products

1. Main application of products

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

2. Manufacturing Process

<u>Flow Chart for systematic assembling technique</u>



(III) Supply of the main materials

Item	Solid-state disk driver	Battery	CPU	LCD
Supplier	Synnex Technology International Corporation Solid State Storage Technology Corporation	J.S. Power Co., Ltd. Japone Technology Inc.	Synnex Technology International Corporation Warming Technolgy Co., Ltd.	Across Taiwan Sanya

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

Information on Major Suppliers for the Most Recent 2 Years

Unit: thousand New Taiwan Dollars

	2022				2023			
Item	Name	Amount	As percentage of total net procurement for the year (%)	Relation with the issuer	Name	Amount	As percentage of total net procurement for the year (%)	Relation with the issuer
1	Others	623,322	100	-	Others	628,513	100	-
	Net purchase	623,322	100		Net purchase	628,513	100	

Note 1: There were no suppliers accounting for at least 10% of annual procurement in the most recent two years

Information on Major Suppliers for the Most Recent Two Years

Unit: thousand New Taiwan Dollars

	2022				2023			
Item	Name	Amount	As percentage of total net sales for the year (%)	Relation with the issuer	Name	Amount	As percentage of total net sales for the year (%)	Relation with the issuer
1	Company D	106,163	11	-	Company D	142,804	13	-
2	Company P	95,129	10	-	Others	937,815	87	-
3	Others	732,845	79	-	-	-	-	-
	Net sales	934,137	100		Net sales	1,080,619	100	

Note 1: Setting forth the names of any clients that have supplied (sold) 10% or more of the company's procurements (sales) in either of the preceding 2 fiscal years, and the monetary amount and the proportion of such procurements (sales) as a percentage of total procurements (sales); however, if the company is prohibited by contract from revealing the name of a trading counterpart, or the trading counterpart is an individual person who is not a related party, a code may be used in place of such trading counterpart's actual name.

(V) Production in the Most Recent 2 Years

Unit: piece/NT$ thousand

Year / Production volume/value / Main products (or by department)	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Notebooks	30,000	17,044	506,027	30,000	19,247	560,210
Finished boards and electronic components	Note	50,364	113,437	Note	48,357	107,431
Total	30,000	67,408	619,464	30,000	67,604	667,641

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

(VI) Sales volume/value in the most recent two years

Unit: pieces/NT$thousand

Year / Sales volume/value / Main products (or by department)	2022				2023			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Notebooks and finished boards	73	3,500	34,717	819,296	78	4,112	51,094	996,821
Others	-	9,241	-	102,099	-	498	-	79,188
Total	73	12,741	34,717	921,396	78	4,610	51,094	1,076,009

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

May 3, 2024

Year		2022	2023	Year to date as of May 3, 2024 (Note)
Number of employees	Direct employees	23	25	25
	Indirect employees	161	167	172
	Total	184	192	197
Average age		45.10	45.53	45.44
Average years of service		11.00	11.13	11.02
Education distribution ratio	Doctoral Degree	0.0%	0.0%	0.0%
	Master's Degree	19.0%	16.7%	16.8%
	Junior College	58.7%	60.9%	61.4%
	Senior High School	20.7%	21.4%	20.8%
	Below high school	1.6%	1.0 %	1.0%

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

IV. Spending on environmental protection

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

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

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

V. Labor relations

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

1. Benefit schemes and implementations

(1) Employees’ remuneration

(2) Gift vouchers the three major Chinese festivals/birthday cash gift

(3) Year-end bonus

(4) Bonuses and incentives: incentives for product sales; bonuses for product development projects; incentives for employees’ performance; incentives for

employees' proposals of patents, creation and invention; incentives for innovation proposals

(5) Comprehensive education and training and unblocked promotion channels
(6) Annual leave system and birthday leave
(7) Employee group insurance
(8) Subsidies offered by Employee Welfare Committee: wedding, childbirth, death, hospitalization, severe disease/injury, disaster and major events
(9) Company trips, meals, birthday celebrations, and occasional festive meals
(10) Annual health examination
(11) Discounts on beverages from vending machines, free cookies and snacks every day, and free afternoon tea every month

2. Training and education programs

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

3. Retirement system and implementation

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

The new retirement system is as follows:

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

4. Labor agreements and measures to protect employees' rights

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

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

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

VI. Information and communication security management

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

1. Information and communication security management structure

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

2. Information and communication security policy

(1) Compliance with ISO9001 information requirements and standards

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

(2) Information and communication security management policy

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

3. Management measures

(1) The Company adopts a hardware firewall for management to block external network attacks and integrates the internal AD server to define users' network browsing permissions.

(2) Establish an email filtering system that scans and quarantines emails identified as spam.

(3) Pre-install user-end anti-virus software on working machines and update virus patterns on the server end from time to time.

(4) Implement access management for users to open or browse files.

(5) Establish an information security testing platform to regularly conduct security testing on key systems and patch vulnerabilities.

(6) Cooperate with the Company's audit department to conduct information security internal audits each year.

4. Resource investment in information and communication security management

(1) Budgeting

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

(2) Systems and functions outsourcing to enhance maintenance capabilities

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

(3) Human resources of IT department

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

(II) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. Important contracts

Nature of the contract	Contract party	Contract start/end date	Main contents	Restrictive clause
Sales contract	Company M	09/22/2022 to 09/21/2025	* Purchase of the Company's products Model types, product specifications, shipment dates, orders, volumes, warranty periods and capacities	Documents and data Confidentiality

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

Six. Financials

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

(I) Condensed Balance Sheet and Statement of Comprehensive Income

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

Unit: Thousand New Taiwan Dollars

Item \ Year		Financial Information for the most recent five financial years				
		2019	2020	2021	2022	2023
Current assets		461,706	538,129	534,324	585,907	689,093
Property, plant and equipment		294,685	285,778	278,146	272,693	265,169
Intangible assets		-	-	-	-	
Other assets		387,273	344,744	314,429	297,727	352,719
Total assets		1,143,664	1,168,651	1,126,899	1,156,327	1,306,981
Current liabilities	Before appropriation	824,403	864,481	810,270	812,537	799,168
	After appropriation	Note 1	Note 1	835,474	812,539	Note 2
Non-current liabilities		66,243	47,742	31,108	18,048	79,582
Total liabilities	Before appropriation	890,646	912,223	841,288	830,585	878,750
	After appropriation	Note 1	Note 1	866,492	830,587	Note 2
Equity attributable to owners of the parent company		274,761	270,217	301,396	345,403	453,239
Share capital		1,989,398	1,959,324	248,004	248,004	310,002
Capital surplus		-	-	-	35	35
Retained earnings	Before appropriation	(1,535,036)	(1,711,320)	28,182	82,576	124,784
	After appropriation	Note 1	Note 1	2,978	20,576	Note 2
Other equity		22,458	22,213	25,210	14,788	18,418
Treasury stocks		(202,059)	-	-	-	-
Non-controlling interests		(21,743)	(13,789)	(15,785)	(19,661)	(25,008)
Total equity	Before appropriation	253,018	256,428	285,611	325,742	428,231
	After appropriation	Note 1	Note 1	260,407	325,740	Note 2

Note 1: No earnings distribution.
Note 2: Distribution of 2023 earnings is to be presented for approval in the Shareholders' Meeting.

Condensed Statement of Comprehensive Income (consolidated under TIFRSs)

Unit: Thousand New Taiwan Dollars

Item \ Year	2019	2020	2021	2022	2023
Operating revenue	829,029	863,359	867,893	934,137	1,080,619
Gross profit	226,678	257,172	259,744	298,856	396,776
Operating profit or loss	(80,877)	2,229	9,278	21,345	72,189
Non-operating revenue and expense	(1,307)	13,540	16,740	57,141	37,900
Net profit before tax	(82,184)	15,769	26,018	78,486	110,089
Current net income from continuing operations	(82,200)	15,432	25,772	77,509	103,387
Losses from discontinued operations	-	-	-	-	-
Net income (loss) for the period	(82,200)	15,432	25,772	77,509	103,387
Current other comprehensive income (net of tax)	4,638	(3,875)	3,411	(12,209)	(896)
Current total comprehensive income	(77,562)	11,557	29,183	65,300	102,491
Net income attributable to parent company	(58,076)	21,387	28,182	79,598	108,816
Net income attributable to non-controlling interest	(24,124)	(5,955)	(2,410)	(2,089)	(5,429)
Total comprehensive income attributable to owners of the parent company	(54,127)	18,602	31,179	69,176	107,838
Total comprehensive income attributable to non-controlling interests	(23,435)	(7,045)	(1,996)	(3,876)	(5,347)
Earnings per share	(1.87)	0.69	0.91	2.57	3.51

Condensed Balance Sheet (consolidated under TIFRSs)

Unit: Thousand New Taiwan Dollars

<table>
<tr><th colspan="2" rowspan="2">Year / Item</th><th colspan="5">Financial Information for the most recent five financial years</th></tr>
<tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td colspan="2">Current assets</td><td>471,352</td><td>522,245</td><td>515,439</td><td>586,244</td><td>697,928</td></tr>
<tr><td colspan="2">Property, plant and equipment</td><td>291,649</td><td>282,946</td><td>276,227</td><td>271,122</td><td>264,009</td></tr>
<tr><td colspan="2">Intangible assets</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Other assets</td><td>376,003</td><td>343,129</td><td>318,875</td><td>298,889</td><td>357,941</td></tr>
<tr><td colspan="2">Total assets</td><td>1,139,004</td><td>1,148,320</td><td>1,110,541</td><td>1,156,255</td><td>1,391,878</td></tr>
<tr><td rowspan="2">Current liabilities</td><td>Before appropriation</td><td>804,462</td><td>840,215</td><td>784,970</td><td>795,024</td><td>786,661</td></tr>
<tr><td>After appropriation</td><td>Note 1</td><td>Note 1</td><td>810,174</td><td>795,026</td><td>Note 2</td></tr>
<tr><td colspan="2">Non-current liabilities</td><td>59,781</td><td>37,888</td><td>24,175</td><td>15,828</td><td>79,978</td></tr>
<tr><td rowspan="2">Total liabilities</td><td>Before appropriation</td><td>864,243</td><td>878,103</td><td>809,145</td><td>810,852</td><td>866,639</td></tr>
<tr><td>After appropriation</td><td>Note 1</td><td>Note 1</td><td>834,349</td><td>810,854</td><td>Note 2</td></tr>
<tr><td colspan="2">Equity attributable to owners of the parent company</td><td>274,761</td><td>270,217</td><td>301,396</td><td>345,403</td><td>453,239</td></tr>
<tr><td colspan="2">Share capital</td><td>1,989,398</td><td>1,959,324</td><td>248,004</td><td>248,004</td><td>310,002</td></tr>
<tr><td colspan="2">Capital surplus</td><td>-</td><td>-</td><td>-</td><td>35</td><td>35</td></tr>
<tr><td rowspan="2">Retained earnings</td><td>Before appropriation</td><td>(1,535,036)</td><td>(1,711,320)</td><td>28,182</td><td>82,576</td><td>124,784</td></tr>
<tr><td>After appropriation</td><td>Note 1</td><td>Note 1</td><td>2,978</td><td>20,576</td><td>Note 2</td></tr>
<tr><td colspan="2">Other equity</td><td>22,458</td><td>22,213</td><td>25,210</td><td>14,788</td><td>18,418</td></tr>
<tr><td colspan="2">Treasury stocks</td><td>(202,059)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Non-controlling interests</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Total equity</td><td>Before appropriation</td><td>274,761</td><td>270,217</td><td>301,396</td><td>345,403</td><td>453,239</td></tr>
<tr><td>After appropriation</td><td>Note 1</td><td>Note 1</td><td>276,192</td><td>345,401</td><td>Note 2</td></tr>
<tr><td colspan="7">Note 1: No earnings distribution.
Note 2: Distribution of 2023 earnings is to be presented for approval in the Shareholders’ Meeting.</td></tr>
</table>

Condensed Statement of Comprehensive Income (individual under TIFRSs)

Unit: Thousand New Taiwan Dollars

Item \ Year	2019	2020	2021	2022	2023
Operating revenue	766,292	819,143	825,287	892,509	1,045,747
Gross profit	194,934	231,160	230,208	267,064	367,142
Operating profit or loss	(26,874)	35,067	29,172	38,650	97,310
Non-operating revenue and expense	(31,202)	(13,680)	(990)	40,948	11,894
Net profit before tax	(58,076)	21,387	28,182	79,598	109,204
Current net income from continuing operations	(58,076)	21,387	28,182	79,598	108,816
Losses from discontinued operations	-	-	-	-	-
Net income (loss) for the period	(58,076)	21,387	28,182	79,598	108,816
Current other comprehensive income (net of tax)	3,949	(2,785)	2,997	(10,422)	(978)
Current total comprehensive income	(54,127)	18,602	31,179	69,176	107,838
Net income attributable to parent company	(58,076)	21,387	28,182	79,598	108,816
Net income attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	(54,127)	18,602	31,179	69,176	107,838
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	(1.87)	0.69	0.91	2.57	3.51

(II) Names and audit opinions of CPAs in the most recent five years

Year	Name of the accounting firm	Names of CPAs	Audit opinions	Remarks
108	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	Change of CPAs due to internal rotation of the accounting firm
2020	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	
2021	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	
2022	KPMG Taiwan	Stella Huang Jason Yin	Unqualified opinion	
2023	KPMG Taiwan	Stella Huang Max Wu	Unqualified opinion	Change of CPAs due to internal rotation of the accounting firm

II. Financial analysis on the most recent five financial years

Financial Analysis (consolidated under TIFRS)

Analysis Items		Financial Information for the most recent five financial years: 2019	2020	2021	2022	2023
Financial structure (%)	Debt to asset ratio	77.88	78.06	74.66	71.83	67.24
	Long-term capital to property, plant and equipment ratio	108.34	106.44	113.84	126.07	191.51
Solvency (%)	Current ratio	56.00	62.25	65.94	72.11	86.23
	Quick ratio	28.93	36.55	38.09	39.51	52.27
	Times interest earned	(5.34)	2.35	3.40	7.86	9.69
Operating Performance	Receivable turnover (times)	8.35	11.56	12.92	11.56	15.07
	Days of sales outstanding	43.71	31.57	28.25	31.57	24.22
	Inventory turnover (times)	2.78	2.93	2.90	2.72	2.65
	Payable turnover (times)	5.05	4.66	5.91	6.84	6.50
	Days sales of inventory	131.29	124.57	125.86	134.19	137.73
	Property, plant and equipment turnover (times)	2.79	2.97	3.08	3.39	4.02
	Total asset turnover (times)	0.73	0.75	0.76	0.82	0.88
Profitability	Return on assets (%)	(6.32)	2.14	3.00	7.59	9.22
	Return on equity (%)	(28.17)	6.06	9.51	25.36	27.42
	Pre-tax income to paid-in capital (%)	(4.13)	0.80	10.49	31.65	35.51
	Net profit margin	(9.92)	1.79	2.97	8.30	9.57
	Earnings per share (NT$)	(1.87)	0.69	0.91	2.57	3.51
Cash flow	Cash flow ratio (%)	4.07	10.60	0.10	12.86	22.46
	Cash flow adequacy ratio (%)	72.38	227.07	204.11	169.93	360.02
	Cash reinvestment ratio (%)	3.87	10.63	0.09	8.63	17.33
Leverage ratio	Degree of operating leverage	Note 2	132.22	31.90	15.88	6.10
	Degree of financial leverage	Note 2	Note 1	Note 1	2.16	1.21

Note 1: Because the ratio was negative, there were no disclosures provided.
Note 2: Because there was a operating loss, there were no disclosures provided.

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

1. Long-term capital to property, plant and equipment ratio: Mainly due to the increase in profit and lease liabilities of the year.
2. Quick ratio: Mainly due to the increase in cash and cash equivalents.
3. Times interest earned: Mainly due to the increase in profits of the year.
4. Receivable turnover: Mainly due to the increase in sales and the decrease in the balance of the average receivables of the year.
5. Return on assets: Mainly due to the increase in profits of the year.
6. Cash flow: Mainly due to the changes in ratios related to cash flow resulting from the increase in the net cash inflow from operating income of the year.
7. Degree of operating leverage: The increase was mainly due to increase in operating profit of this year.
8. Degree of financial leverage: The increase was mainly due to increase in operating profit of this year.

Financial Analysis (parent company only under TIFRS)

Analysis Items		Financial Information for the most recent five financial years (Year 2019)	2020	2021	2022	2023
Financial structure (%)	Debt to asset ratio	75.88	76.47	72.86	70.13	65.66
	Long-term capital to property, plant and equipment ratio	114.71	108.89	117.86	133.24	201.97
Solvency (%)	Current ratio	58.59	62.16	65.66	73.74	88.72
	Quick ratio	32.89	37.70	38.96	42.80	57.03
	Times interest earned	(3.79)	2.89	3.65	8.07	9.78
Operating Performance	Receivable turnover (times)	3.31	4.07	4.42	4.19	4.99
	Days of sales outstanding	110.27	89.68	82.57	87.11	73.14
	Inventory turnover (times)	2.91	3.04	3.03	2.86	2.82
	Payable turnover (times)	4.96	4.69	5.98	6.89	6.57
	Days sales of inventory	125.42	120.06	120.46	127.62	129.43
	Property, plant and equipment turnover (times)	2.61	2.85	2.95	3.26	3.91
	Total asset turnover (times)	0.69	0.72	0.73	0.79	0.84
Profitability	Return on assets (%)	(4.33)	2.66	3.25	7.82	9.59
	Return on equity (%)	(19.24)	7.85	9.86	24.61	27.25
	Pre-tax income to paid-in capital (%)	(2.92)	1.09	11.36	32.10	35.23
	Net profit margin	(7.58)	2.61	3.41	8.92	10.41
	Earnings per share (NT$)	(1.87)	0.69	0.91	2.57	3.51
Cash flow	Cash flow ratio (%)	5.45	11.71	Note 1	12.35	23.04
	Cash flow adequacy ratio (%)	34.97	108.26	103.80	172.94	388.50
	Cash reinvestment ratio (%)	5.49	12.68	Note 1	8.64	18.62
Leverage ratio	Degree of operating leverage	Note 2	7.87	9.06	7.88	4.19
	Degree of financial leverage	Note 2	1.48	1.57	1.41	1.15

Note 1: Because the ratio was negative, there were no disclosures provided.
Note 2: Because there was a operating loss, there were no disclosures provided.

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

1. Long-term capital to property, plant and equipment ratio: Mainly due to the increase in profit and lease liabilities of the year.
2. Quick ratio: Mainly due to the increase in cash and cash equivalents.
3. Times interest earned: Mainly due to the increase in profits of the year.
4. Property, plant and equipment turnover: Mainly due to the increase in profit of the year.
5. Return on assets: Mainly due to the increase in profits of the year.
6. Cash flow: Mainly due to the changes in ratios related to cash flow resulting from the increase in the net cash inflow from operating income of the year.
7. Degree of operating leverage: The increase was mainly due to increase in operating profit of this year.

Financial ratios are calculated as follows:

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

III. 2023 Audit Report by Audit Committee

Twinhead International Corporation: Audit Report by Audit Committee

-

The Company's Board of Directors has prepared 2023 Business Report, financial statements (including standalone and consolidated) and the proposal for earnings distribution. The financial statements (including standalone and consolidated) have been audited by CPA Stella Huang and CPA Max Wu with KPMG Taiwan. The above-mentioned table has been reviewed by the Audit Committee and is deemed to be in compliance with relevant laws and regulations. It is submitted for review in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

-

2024 Shareholders' Meeting

Convener of Audit Committee: Yuan-Chuan Lee

March 14, 2024

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' Report

To the Board of Directors of Twinhead International Corp.:

Opinion

We have audited the parent company only financial statements of Twinhead International Corp.(" the Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters was addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters to be communicated in our report.

Inventory measurement

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

Notes to Readers

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

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

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

TWINHEAD INTERNATIONAL CORP.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 332,304	25	193,170	17
1170	Accounts receivable, net (notes 6(b) and 6(q))	44,514	3	82,589	7
1180	Accounts receivable－related parties, net (notes 6(b), 6(q) and 7)	71,794	6	64,491	6
130x	Inventories (note 6(c))	241,260	18	239,197	21
1410	Prepayments	6,490	1	6,356	-
1470	Other current assets	1,566	-	441	-
	Total current assets	697,928	53	586,244	51
	Non-current assets:				
1520	Financial assets measured at fair value through other comprehensive income-non-current (note 6(d))	53	-	679	-
1600	Property, plant and equipment (notes 6(f), 6(j) and 8)	264,009	20	271,122	23
1755	Right-of-use assets (note 6(g))	79,314	6	14,748	1
1760	Investment property, net (notes 6(h), 6(l) and 8)	139,957	10	141,360	12
1840	Deferred income tax assets (note 6(n))	32,874	2	32,874	3
1920	Refundable deposits	7,660	1	5,810	1
1942	Long-term accounts receivable- related parties (notes 6(b), 6(q) and 7)	75,702	6	80,292	7
1995	Other non-current assets	22,381	2	23,126	2
	Total non-current assets	621,950	47	570,011	49
	Total assets	$ 1,319,878	100	1,156,255	100

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(i) and 8)	$ 552,000	42	579,000	50
2130	Current contract liabilities (note 6(q))	17,208	1	5,310	-
2150	Notes payable	61	-	221	-
2170	Accounts payable	97,953	8	108,352	9
2200	Other payables (notes 6(m) and 6(r))	78,033	6	63,877	6
2220	Other payables-related parties (note 7)	1,384	-	437	-
2250	Provisions－current (note 6(j))	9,759	1	7,843	1
2280	Current lease liabilities (note 6(k))	16,638	1	15,069	1
2300	Other current liabilities	13,625	1	14,915	2
	Total current liabilities	786,661	60	795,024	69
	Non-Current liabilities:				
2550	Provisions－non-current (note 6(j))	6,831	1	6,908	-
2580	Non-current lease liabilities (note 6(k))	62,808	4	230	-
2670	Other non-current liabilities (notes 6(e) and 7)	10,339	1	8,690	1
	Total non-current liabilities	79,978	6	15,828	1
	Total liabilities	866,639	66	810,852	70
	Equity (notes 6(d) and 6(o)):				
	Share capital:				
3110	Ordinary shares	309,991	23	247,993	21
3120	Preference shares	11	-	11	-
		310,002	23	248,004	21
3200	Capital surplus	35	-	35	-
	Retained earnings:				
3310	Legal reserve	10,778	1	2,818	-
3350	Retained earnings	114,006	9	79,758	7
		124,784	10	82,576	7
	Other equities:				
3410	Exchange differences on translation of foreign financial statements	31,970	2	32,903	3
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(13,552)	(1)	(18,115)	(1)
		18,418	1	14,788	2
	Total equity	453,239	34	345,403	30
	Total liabilities and equity	$ 1,319,878	100	1,156,255	100

See accompanying notes to parent company only financial statements.

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

TWINHEAD INTERNATIONAL CORP.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenues (notes 6(q) and 7)**	$ 1,045,747	100	892,509	100
5000	**Operating costs (notes 6(c), 6(f), 6(j), 6(k), 6(m) and 7)**	678,605	65	625,445	70
	Gross profit from operations	367,142	35	267,064	30
5910	Less: Unrealized profit on affiliated transactions (note7)	627	-	1,126	-
5900	**Gross profit**	366,515	35	265,938	30
6000	**Operating expenses (notes 6(f), 6(g), 6(k), 6(l), 6(m), 6(r) and 7):**				
6100	Selling expenses	53,746	5	40,832	5
6200	Administrative expenses	112,026	11	96,631	11
6300	Research and development expenses	103,433	10	89,825	10
	Total operating expenses	269,205	26	227,288	26
6900	**Net operating income**	97,310	9	38,650	4
7000	**Non-operating income and expenses (notes 6(d), 6(f), 6(h), 6(k), 6(l) and 6(s)):**				
7100	Interest income	6,647	-	1,242	-
7010	Other income	16,793	2	14,982	2
7020	Other gains and losses	13,244	1	52,149	6
7050	Finance costs	(12,433)	(1)	(11,266)	(1)
7375	Share of loss of subsidiaries accounted for under equity method	(12,357)	(1)	(16,159)	(2)
	Total non-operating income and expenses	11,894	1	40,948	5
	Income from continuing operations before tax	109,204	10	79,598	9
7950	**Less: Income tax expense (note 6(n))**	388	-	-	-
	Net income	108,816	10	79,598	9
8300	**Other comprehensive income (loss) (note 6(o)):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(45)	-	(1,124)	-
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	(45)	-	(1,124)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(933)	-	(9,298)	(1)
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	(933)	-	(9,298)	(1)
8300	**Other comprehensive income (loss), net**	(978)	-	(10,422)	(1)
	Total comprehensive income (loss)	**$ 107,838**	**10**	**69,176**	**8**
9750	**Basic earnings per share (in New Taiwan dollar) (note 6(p))**	**$**	**3.51**		**2.57**
9850	**Diluted earnings per share (in New Taiwan dollar) (note 6(p))**	**$**	**3.50**		**2.56**

See accompanying notes to parent company only financial statements.

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

TWINHEAD INTERNATIONAL CORP.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	Share capital				Retained earnings			Total other equity interest			
	Ordinary shares	Preference share	Total share capital	Capital surplus	Legal reserve	Retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
Balance at January 1, 2022	$ 247,993	11	248,004	-	-	28,182	28,182	42,201	(16,991)	25,210	301,396
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	2,818	(2,818)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(24,799)	(24,799)	-	-	-	(24,799)
Cash dividends of preference share	-	-	-	-	-	(405)	(405)	-	-	-	(405)
Due to donated assets received	-	-	-	35	-	-	-	-	-	-	35
Net income	-	-	-	-	-	79,598	79,598	-	-	-	79,598
Other comprehensive loss	-	-	-	-	-	-	-	(9,298)	(1,124)	(10,422)	(10,422)
Total comprehensive income (loss)	-	-	-	-	-	79,598	79,598	(9,298)	(1,124)	(10,422)	69,176
Balance at December 31, 2022	247,993	11	248,004	35	2,818	79,758	82,576	32,903	(18,115)	14,788	345,403
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	-	7,960	(7,960)	-	-	-	-	-
Cash dividends of preference share	-	-	-	-	-	(2)	(2)	-	-	-	(2)
Stock dividends of ordinary share	61,998	-	61,998	-	-	(61,998)	(61,998)	-	-	-	-
Net income	-	-	-	-	-	108,816	108,816	-	-	-	108,816
Other comprehensive loss	-	-	-	-	-	-	-	(933)	(45)	(978)	(978)
Total comprehensive income (loss)	-	-	-	-	-	108,816	108,816	(933)	(45)	(978)	107,838
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(4,608)	(4,608)	-	4,608	4,608	-
Balance at December 31, 2023	$ 309,991	11	310,002	35	10,778	114,006	124,784	31,970	(13,552)	18,418	453,239

See accompanying notes to parent company only financial statements.

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

TWINHEAD INTERNATIONAL CORP.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	2023	2022
Cash flows from (used in) operating activities:		
Net income before tax	$ 109,204	79,598
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	26,453	23,386
Amortization	13,012	12,194
Interest expense	12,433	11,266
Interest income	(6,647)	(1,242)
Dividend income	-	(480)
Share of loss of subsidiaries accounted for using equity method	12,357	16,159
Loss on disposal of property, plant and equipment	(66)	-
Gain on disposal of non-current assets held for sale	(17,141)	-
Unrealized profit on affiliated transactions	627	1,126
Total adjustments to reconcile profit	41,028	62,409
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	-	116
Accounts receivable	38,075	(23,137)
Accounts receivable－related parties	(14,981)	(26,894)
Inventories	(2,063)	(41,414)
Prepayments	(134)	3,182
Other current assets	(506)	2,041
Total changes in operating assets, net	20,391	(86,106)
Net changes in operating liabilities:		
Contract liabilities	11,898	(1,719)
Notes payable	(160)	44
Accounts payable	(10,399)	35,673
Other payables	14,060	10,512
Other payable－related parties	947	(377)
Provisions	1,839	2,867
Other current liabilities	(1,290)	4,728
Total changes in operating liabilities, net	16,895	51,728
Total changes in operating assets and liabilities, net	37,286	(34,378)
Total adjustments	78,314	28,031
Cash inflow generated from operating activities	187,518	107,629
Interest received	6,247	1,132
Interest paid	(11,883)	(10,505)
Income taxes paid	(607)	(99)
Net cash flows from operating activities	181,275	98,157
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	581	-
Proceeds from disposal of non-current assets held for sale	20,001	-
Acquisition of property, plant and equipment	(3,446)	(2,367)
Proceeds from disposal of property, plant and equipment	66	-
Increase in refundable deposits	(1,850)	(4)
Increase in other non-current assets	(12,267)	(11,079)
Dividends received	-	480
Net cash flows from (used in) investing activities	3,085	(12,970)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	120,000	80,000
Decrease in short-term borrowings	(147,000)	(121,000)
Payment of lease liabilities	(17,770)	(14,782)
Cash dividends paid	(2)	(25,204)
Interest paid	(454)	(448)
Net cash used in financing activities	(45,226)	(81,434)
Net increase in cash and cash equivalents	139,134	3,753
Cash and cash equivalents at beginning of period	193,170	189,417
Cash and cash equivalents at end of period	**$ 332,304**	**193,170**

See accompanying notes to parent company only financial statements.

(1) Company history

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

(2) Approval date and procedures of the financial statements

The parent company only financial statements were approved by the Board of Directors and issued on March 13, 2024.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company has initially adopted the new amendment, which do not have a significant impact on its 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 Company 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 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)

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

The Company 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 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 material policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

(e) Cash and cash equivalents

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

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

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

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

(Continued)

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

(Continued)

2) Equity instrument

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

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

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

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

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

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

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

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

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

3) Financial liabilities

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

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

(Continued)

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investment in subsidiaries

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

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

(Continued)

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

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

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

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

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

(Continued)

(j) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

(Continued)

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

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

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

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

(ii) As a lessor

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

(k) Investment property

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

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

(l) Impairment of non-financial assets

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

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

(Continued)

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

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

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

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

(m) Provisions

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

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

(n) Revenue

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

(i) Sale of goods

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

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

(Continued)

(ii) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(p) Income taxes

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

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

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

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

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

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

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

(Continued)

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

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

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

1) the same taxable entity; or

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

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

(q) Earnings per share

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

(r) Segment information

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

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

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

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

(Continued)

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

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

Inventory measurement

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

		December 31, 2023	December 31, 2022
Petty cash	$	198	140
Checking and demand deposits		113,933	131,610
Time deposits		218,173	61,420
Cash and cash equivalents per statements of cash flows	**$**	**332,304**	**193,170**

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

(b) Accounts receivable and long-term receivable (including related parties)

		December 31, 2023	December 31, 2022
Accounts receivable	$	44,514	82,589
Accounts receivable－related parties		71,794	64,491
Long-term accounts receivable－related parties		75,702	80,292
	$	**192,010**	**227,372**

The Company applies the simplified approach to estimat expected credit losses for all accounts receivables and long-term accounts receivable (including related parties) .

To measure the expected credit losses, accounts receivables (including related parties) and longterm accounts receivable (including related parties) are grouped based on shared credit risk characteristics represent the customer's ability to pay all amounts due under the terms of the contract, and forward-looking information has been included.

(Continued)

The Company's accounts receivable from related parties and long-term receivables from related parties have no history of credit losses, with no indications of deteriorating credit quality since the original credit approval date. Therefore, the Company assesses that these receivables will not result in credit losses, and they are not included in the calculation of expected credit losses analysis.

The loss allowance provision for accounts receivable from non-related parties was determined as follows:

	December 31, 2023		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 38,211	-	-
1 to 30 days past due	6,303	-	-
	$ 44,514		**-**

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

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

(c) Inventories

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

	December 31, 2023	**December 31, 2022**
Finished goods	$ 66,082	63,131
Work in progress	8,185	13,351
Raw materials and supplies	162,687	160,262
Goods in transit	4,306	2,453
Total	**$ 241,260**	**239,197**

As of December 31, 2023 and 2022, the Company's inventories were not provided as pledged assets.

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

	2023	**2022**
Loss on decline in market value of inventory	**$ 5,991**	**11,331**

(Continued)

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Unlisted stocks (domestic)	$ -	622
Unlisted stocks (overseas)	53	57
Total	$ 53	679

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

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

In addition, EUROC Venture Capital Corp. was dissolved on May 10, 2022, by a resolution of the shareholders' meeting, with the base date set on May 31, 2022, and as of December 21, 2023, the liquidation process was completed. The Company received liquidation proceeds amounting to $581 thousand, and transferred $4,608 thousand of the cumulative loss from other equity to retained earnings. The dividend income from the investee amounted to $480 thousand for the year ended December 31, 2022.

No strategic investments were disposed for the year ended December 31, 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(t).

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

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

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

	December 31, 2023	December 31, 2022
Subsidiary	$ 7,132	5,483

(i) Subsidiary

Please refer to the consolidated financial statements for the year ended December 31, 2023.

(ii) Collateral

As of December 31, 2023 and 2022, the Company did not pledge any collateral on its investments accounted for under the equity method.

(Continued)

(f) Property, plant and equipment

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

		Land	Buildings	Machinery	Other equipment	Total
Cost or deemed cost:						
Balance at January 1, 2023	$	118,425	430,842	179,376	106,069	834,712
Additions		-	743	851	1,852	3,446
Disposal		-	-	(996)	(50,867)	(51,863)
Reclassification		(2,752)	(3,615)	-	-	(6,367)
Balance at December 31, 2023	$	**115,673**	**427,970**	**179,231**	**57,054**	**779,928**
Balance at January 1, 2022	$	118,425	430,730	178,467	104,948	832,570
Additions		-	112	1,060	1,195	2,367
Disposal		-	-	(151)	(74)	(225)
Balance at December 31, 2022	$	**118,425**	**430,842**	**179,376**	**106,069**	**834,712**
Depreciation and impairment loss:						
Balance at January 1, 2023	$	10,593	274,228	175,709	103,060	563,590
Depreciation		-	4,614	849	2,236	7,699
Disposal		-	-	(996)	(50,867)	(51,863)
Reclassification		-	(3,507)	-	-	(3,507)
Balance at December 31, 2023	$	**10,593**	**275,335**	**175,562**	**54,429**	**515,919**
Balance at January 1, 2022	$	10,593	269,594	175,064	101,092	556,343
Depreciation		-	4,634	796	2,042	7,472
Disposal		-	-	(151)	(74)	(225)
Balance at December 31, 2022	$	**10,593**	**274,228**	**175,709**	**103,060**	**563,590**
Carrying value:						
December 31, 2023	$	**105,080**	**152,635**	**3,669**	**2,625**	**264,009**
December 31, 2022	$	**107,832**	**156,614**	**3,667**	**3,009**	**271,122**
January 1, 2022	$	**107,832**	**161,136**	**3,403**	**3,856**	**276,227**

(i) Impairment loss and subsequent reversal

As of December 31, 2023 and 2022, the accumulated property impairment amounted to $10,593 thousand. The above accumulated asset impairment was recognized based on the carrying value of the factory land at Da Fa Industrial exceeding its estimated recoverable amount. After assessment, no additional impairment loss should be recognized for the years ended December 31, 2023 and 2022.

(ii) Collateral

As of December 31, 2023 and 2022, the Company's property, plant and equipment were provided as pledged assets; please refer to note 8.

(Continued)

(iii) Sales

The land and factory located in Linyuan were reclassified to non-current assets held for sales in March 2023 and was subsequently sold in May 2023 for a net price of $20,001 thousand. As the result, gains on disposal of $17,141 thousand were recognized and recorded under other gains and losses.

(g) Right-of-use assets

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

		Building	Transportation equipment	Total
Cost:				
Balance at January 1, 2023	$	69,914	2,641	72,555
Additions		76,975	4,942	81,917
Disposal		(69,914)	-	(69,914)
Balance at December 31, 2023	$	**76,975**	**7,583**	**84,558**
Balance at December 31, 2022 (Balance at January 1, 2022)	$	**69,914**	**2,641**	**72,555**
Accumulated depreciation:				
Balance at January 1, 2023	$	55,932	1,875	57,807
Depreciation		16,548	803	17,351
Disposal		(69,914)	-	(69,914)
Balance at December 31, 2023	$	**2,566**	**2,678**	**5,244**
Balance at January 1, 2022	$	41,949	1,347	43,296
Depreciation		13,983	528	14,511
Balance at December 31, 2022	$	**55,932**	**1,875**	**57,807**
Carrying value:				
December 31, 2023	$	**74,409**	**4,905**	**79,314**
December 31, 2022	$	**13,982**	**766**	**14,748**
January 1, 2022	$	**27,965**	**1,294**	**29,259**

(h) Investment property

		Land and improvements	Buildings	Total
Cost or deemed cost:				
Balance at December 31, 2023 (Balance at January 1, 2023)	$	**95,830**	**87,010**	**182,840**
Balance at December 31, 2022 (Balance as at January 1, 2022)	$	**95,830**	**87,010**	**182,840**

(Continued)

		Land and improvements	Buildings	Total
Depreciation and impairment loss:				
Balance at January 1, 2023	$	-	41,480	41,480
Depreciation		-	1,403	1,403
Balance at December 31, 2023	**$**	**-**	**42,883**	**42,883**
Balance at January 1, 2022	$	-	40,077	40,077
Depreciation		-	1,403	1,403
Balance at December 31, 2022	**$**	**-**	**41,480**	**41,480**
Carrying value:				
Balance at December 31, 2023	**$**	**95,830**	**44,127**	**139,957**
Balance at December 31, 2022	**$**	**95,830**	**45,530**	**141,360**
Balance at January 1, 2022	**$**	**95,830**	**46,933**	**142,763**
Fair value:				
Balance at December 31, 2023				**$ 479,520**
Balance at December 31, 2022				**$ 419,218**
Balance at January 1, 2022				**$ 419,218**

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

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

The investment properties of the Company are located at Xindian Dist., New Taipei City, Taiwan. The range of yields applied to the net annual rentals to determine the fair value of the property for which the current prices in an active market are unavailable was 1.04% and 1.58% for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company's investment properties were provided as pledged assets; please refer to note 8.

(i) Short-term borrowings

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

	December 31, 2023				
	Currency	**Range of interest rates (%)**	**Year of maturity**		**Amount**
Unsecured loans	TWD	2.12~2.13	2024	$	90,000
Secured bank loans	TWD	2.13	2024		462,000
Total				**$**	**552,000**

(Continued)

	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**

As of December 31, 2023 and 2022, the unused credit facilities amounted to $524,240 thousand and $394,240 thousand, respectively.

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

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

(j) Provisions

	Decommissioning liabilities	**Other**	**Total**
Balance at January 1, 2023	$ 3,729	11,022	14,751
Provisions made during the year	-	5,826	5,826
Provisions used during the year	-	(2,630)	(2,630)
Provisions reversed during the year	-	(1,357)	(1,357)
Balance at December 31, 2023	**$ 3,729**	**12,861**	**16,590**
Current	$ -	9,759	9,759
Non-current	3,729	3,102	6,831
	$ 3,729	**12,861**	**16,590**
Balance at January 1, 2022	$ 3,729	8,155	11,884
Provisions made during the year	-	4,971	4,971
Provisions used during the year	-	(1,917)	(1,917)
Provisions reversed during the year	-	(187)	(187)
Balance at December 31, 2022	**$ 3,729**	**11,022**	**14,751**
Current	$ -	7,843	7,843
Non-current	3,729	3,179	6,908
	$ 3,729	**11,022**	**14,751**

(i) Decommissioning liabilities

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

(Continued)

(ii) Other provisions

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

(k) Lease liabilities

The Company's lease liabilities were as follow:

	December 31, 2023	December 31, 2022
Current	$ 16,638	15,069
Non-current	$ 62,808	230

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	$ 454	448
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 541	490

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

	2023	2022
Total cash outflow for leases	$ 18,765	15,720

(i) Real estate leases

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

(ii) Other leases

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

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

(l) Operating leases

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

(Continued)

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

	December 31, 2023	December 31, 2022
Less than one year	$ 9,196	10,032
One to two years	-	9,196
Total undiscounted lease payments	**$ 9,196**	**19,228**

Rental income from investment properties was $10,032 thousand for the years ended December 31, 2023 and 2022, respectively. The direct expenses from investment properties were $578 thousand and $606 thousand for the years ended December 31, 2023 and 2022, respectively.

(m) Employee benefits

(i) Defined contribution plans

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

The Company's pension costs under the defined contribution plan were $7,152 thousand and $6,655 thousand for the years ended December 31, 2023 and 2022, respectively. Payments were made to the Bureau of Labor Insurance.

(ii) Short-term employee benefit liabilities

	December 31, 2023	December 31, 2022
Compensated absence liabilities	**$ 8,271**	**7,998**

(n) Income taxes

(i) Income tax expenses

The amount of the Company's income tax for the years ended December 31, 2023 and 2022, was as follows:

	2023	2022
Current income tax expense	$ 388	-
Deferred tax expense	-	-
Income tax expense from continuing operations	**$ 388**	**-**

(Continued)

Reconciliations of the Company's income tax expenses and the income before tax for the years ended December 31, 2023 and 2022 were as follows:

		2023	2022
Income before tax	**$**	**109,204**	**79,598**
Income tax using the Company's domestic tax rate	$	21,841	15,920
Adjustment under tax laws		(2,611)	(5,865)
Change in unrecognized deductible temporary differences		(30,991)	2,134
Surtax on unappropriated earnings		388	-
Loss from equity investments under the equity method		2,471	3,232
Overestimate of previous deferred tax assets		538	1,544
Recognition of previously unrecognized tax losses		-	(16,965)
Unrecognized deferred tax assets resulting from tax loss		8,752	-
Income tax expense	**$**	**388**	**-**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax assets

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

		December 31, 2023	December 31, 2022
Deductible temporary differences	$	-	154,955
The carryforward of unused tax losses		1,280,252	1,236,489
	$	**1,280,252**	**1,391,444**

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

(Continued)

As of December 31, 2023, the information of the Company's unutilized business losses for which no deferred tax assets were recognized is as follows:

Year of tax loss occurred	Amount	Year of expiration
2014	$ 34,816	2024
2015	95,026	2025
2016	298,592	2026
2017	71,323	2027
2019	25,418	2029
2020	679,502	2030
2023	75,575	2033
	$ 1,280,252	

2) Recognized deferred tax assets

Changes in the amount of deferred tax assets for 2023 and 2022 were as follows:

	Allowance for inventory valuation	Impairment loss	Loss carryforwards	Others	Total
Balance at January 1, 2023	$ 18,067	11,200	-	3,607	32,874
Recognized in profit or loss	(6,317)	-	5,824	493	-
Balance at December 31, 2023	**$ 11,750**	**11,200**	**5,824**	**4,100**	**32,874**
Balance at January 1, 2022	$ 18,866	11,200	-	2,808	32,874
Recognized in profit or loss	(799)	-	-	799	-
Balance at December 31, 2022	**$ 18,067**	**11,200**	**-**	**3,607**	**32,874**

(iii) Income tax assessment

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

(o) Capital and other equity

As of December 31, 2023 and 2022, 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 30,999 thousand and 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.

(Continued)

For the years ended December 31, 2023 and 2022, the reconciliation of outstanding shares of the Company was as follows:

(Express in thousand shares)

	Ordinary shares		Preference shares	
	2023	**2022**	**2023**	**2022**
Beginning balance on January 1	24,799	24,799	1	1
Issuance of stock dividends	6,200	-	-	-
Balance at December 31	**30,999**	**24,799**	**1**	**1**

(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 was October 22, 2023. The related statutory registration procedure was completed.

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

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

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

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

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

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

(Continued)

(ii) Capital surplus

The Company's capital surplus were as follows:

	December 31, 2023	December 31, 2022
Donation from shareholders	$ 35	35

(iii) Retained earnings－Distribution of retained earnings

1) Legal reserve

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

2) Special earnings reserve

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

3) 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 are 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.

(Continued)

The distributable earnings can be distributed as dividends in consideration of the characteristics of the industrial growth, the Company's financial structure, and the investors' best interests, but at least 50% of the distributable earnings should be distributed to shareholders , except that the cumulative distributable earnings may not be distributed if the cumulative distributable earnings are less than 1% of the paid-in capital. Such distributions, considering the capital surplus, retained earnings, future capital requirements, long-term financial planning, and maintenance of the dividend distribution level, shall be no more than 40% of the total stockholders' bonus, and the rest shall be distributed as 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:

	2022		2021	
	Amount per share (NT dollars)	**Amount**	**Amount per share (NT dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ -	-	1.00	24,799
Stock	2.50	61,998	-	-
Total		**$ 61,998**		**24,799**
Dividends distributed to preference shareholders:				
Cash	$ 2.00	**2**	2.00	**405**

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

On March 13, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings as follows:

	2023	
	Amount per share (NT dollars)	**Amount**
Dividends distributed to ordinary shareholders:		
Stock	$ 3.00	**92,998**
Dividends distributed to preference shareholders:		
Cash	$ 2.00	**2**

(Continued)

(iv) Other equities (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	$ 32,903	(18,115)	14,788
Foreign exchange differences arising from foreign operation	(933)	-	(933)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(45)	(45)
Disposal of finanical assets at fair value through other comprehensive income	-	4,608	4,608
Balance at December 31, 2023	**$ 31,970**	**(13,552)**	**18,418**
Balance at January 1, 2022	$ 42,201	(16,991)	25,210
Foreign exchange differences arising from foreign operation	(9,298)	-	(9,298)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(1,124)	(1,124)
Balance at December 31, 2022	**$ 32,903**	**(18,115)**	**14,788**

(p) Earnings per share

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

(i) Basic earnings per share

	2023	2022
Net income of the Company	$ 108,816	79,598
Dividends on non-redeemable preference shares	(2)	(2)
Net income attributable to ordinary shareholders of the Company	**$ 108,814**	**79,596**
Weighted average number of ordinary shares	**30,999**	**30,999**
Basic earnings per share (in NTD)	**$ 3.51**	**2.57**

(Continued)

(ii) Diluted earnings per share

		2023	2022
Net income attributable to ordinary shareholders of the Company (basic)	$	108,814	79,596
Dividends on non-redeemable preference shares		2	2
Net income attributable to ordinary shareholders of the Company (diluted)	**$**	**108,816**	**79,598**
Weighted average number of ordinary shares outstanding (basic)		30,999	30,999
Effect of dilutive potential ordinary shares			
Effect of remuneration to employees		101	108
Effect of convertible preference shares		1	1
Weighted average number of ordinary shares outstanding (diluted)		**31,101**	**31,108**
Diluted earnings per share (in NTD)	**$**	**3.50**	**2.56**

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

		2023	2022
Primary geographical markets:			
Taiwan	$	91,209	107,728
United States		255,239	273,620
France		98,315	65,162
Germany		134,478	130,722
Hong Kong		135,642	22,612
Others		330,864	292,665
	$	**1,045,747**	**892,509**
Major products/services lines:			
Laptop	$	871,094	716,461
Mainboard		99,031	74,176
Sales of materials and others		75,622	101,872
	$	**1,045,747**	**892,509**

(Continued)

(ii) Contract Balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	$ -	-	116
Accounts receivable	44,514	82,589	59,452
Accounts receivable－related parties	71,794	64,491	56,860
Long-term accounts receivable－related parties	75,702	80,292	82,129
Total	**$ 192,010**	**227,372**	**198,557**
Contract liabilities	**$ 17,208**	**5,310**	**7,029**

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

The contract liabilities are 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 years ended December 31, 2023 and 2022 that were included in the contract liabilities at the beginning of the period were $5,308 thousand and $7,023 thousand, respectively.

(r) 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.

(Continued)

For the years ended December 31, 2023 and 2022, the estimated employee remuneration amounted to $9,816 thousand and $7,155 thousand, respectively, and the estimated directors' remuneration amounted $3,681 thousand and $2,683 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, the related information would be available at the Market Observation Post System Website. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be recognized in profit or loss in the following year. The amounts, as stated in the parent company only financial statements, were identical to those of the actual distributions for 2023 and 2022.

(s) Non-operating income and expenses

(i) Interest income

	2023	2022
Interest income from bank deposits	**$ 6,647**	**1,242**

(ii) Other income

	2023	2022
Rental income	$ 13,533	13,512
Dividend income	-	480
Other income－other	3,260	990
Total other income	**$ 16,793**	**14,982**

(iii) Other gains and losses

	2023	2022
Gains on disposal of property, plant and equipment	$ 66	-
Gains on disposal of non-current assets classified as held for sale	17,141	-
Foreign exchange gain (loss), net	(2,560)	56,241
Others	(1,403)	(4,092)
Other gains and losses, net	**$ 13,244**	**52,149**

(iv) Finance costs

	2023	2022
Interest expense	**$ 12,433**	**11,266**

(Continued)

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount.

2) Concentration of credit risk

As of December 31, 2023 and 2022, 57% and 41%, respectively, of the accounts receivable were from the sales to one customer. In addition, for the years ended December 31, 2023 and 2022, 64% and 73%, respectively, of the sales of the Company were concentrated in the Americas and Europe.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings	$ 552,000	554,752	554,752	-	-	-
Notes payable	61	61	61	-	-	-
Accounts payable	97,953	97,953	97,953	-	-	-
Other payables (including related parties)	79,417	79,417	79,417	-	-	-
Lease liabilities	79,446	83,622	18,189	17,958	47,475	-
Guarantee deposits received	3,207	3,207	3,107	100	-	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	$ 812,095	819,025	753,492	18,058	47,475	-
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	$ 579,000	583,185	583,185	-	-	-
Notes payable	221	221	221	-	-	-
Accounts payable	108,352	108,352	108,352	-	-	-
Other payables (including related parties)	64,314	64,314	64,314	-	-	-
Lease liabilities	15,299	15,461	15,230	231	-	-
Guarantee deposits received	3,207	3,207	-	3,107	100	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	$ 770,404	774,753	771,315	3,338	100	-

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

(Continued)

(iii) Currency risk

1) Exposure to foreign currency risk

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

		Foreign currency	Exchange rate	TWD
December 31, 2023				
Financial assets:				
Monetary assets:				
USD	$	23,665	30.71	726,752
Financial liabilities:				
Monetary liabilities:				
USD	$	1,605	30.71	49,290
December 31, 2022				
Financial assets:				
Monetary assets:				
USD	$	19,547	30.71	600,288
Financial liabilities:				
Monetary liabilities:				
USD	$	1,814	30.71	55,708

2) Sensitivity analysis

The Company's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of December 31, 2023 and 2022, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the years ended December 31, 2023 and 2022 by $6,775 thousand and $5,446 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 Company aggregately discloses its exchange gains and losses on monetary items. The Company's exchange gains (losses), including realized and unrealized, were $(2,560) thousand and $56,241 thousand for the years ended December 31, 2023 and 2022, respectively.

(Continued)

(iv) Interest rate risk analysis

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

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

If the interest rate had increased/decreased by 1%, the Company's net income before tax would have decreased/increased by $5,520 thousand and $5,790 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowings at floating rates.

(v) Fair value

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Company's financial assets and liabilities 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:

	December 31, 2023				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (overseas)	**$ 53**	**-**	**-**	**53**	**53**

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

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.

(Continued)

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

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2023	$ 679
Total loss recognized:	
In other comprehensive income	(45)
Disposal	(581)
Balance at December 31, 2023	**$ 53**
Balance at January 1, 2022	$ 1,803
Total loss recognized:	
In other comprehensive income	(1,124)
Balance at December 31, 2022	**$ 679**

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

(Continued)

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Comparative listed company	· Multiplier of price-to-book ratio (As of December 31, 2023 and 2022 were 0.08 and 0.08~1.00) · Market illiquidity discount rate (As of December 31, 2023 and 2022 were 20%)	The estimated fair value would increase (decrease) if · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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

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

			Other comprehensive income	
	Input	Assumptions	Favorable	Unfavorable
December 31, 2023				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	$ 3	(3)
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)

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

(Continued)

(u) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Accounts receivable

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

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

(Continued)

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

2) Investments

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

3) Guarantees

The Company's policy allows it to provide financial guarantees to companies which it has business relationship with, as well as those companies who hold more than 50% of the voting rights of the company, either directly or indirectly. As of December 31, 2023 and 2022, the Company did not provide any financial guarantees to its subsidiaries.

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

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

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

The Company does not hedge against investments in subsidiaries.

(Continued)

2) Interest rate risk

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

(v) Capital management

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

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

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

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

	December 31, 2023	December 31, 2022
Total liabilities	$ **866,639**	**810,852**
Total assets	$ **1,319,878**	**1,156,255**
Debt ratio	**66** %	**70** %

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

The Company's non-cash investing and financing activities in 2023 consisted of the acquisition of right-of-use assets under lease. The Company did not have any noncash investing and financing activities in 2022.

For the years ended December 31, 2023 and 2022, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes Acquisition right-of-use assets	December 31, 2023
Short-term borrowings	$ 579,000	(27,000)	-	552,000
Lease liabilities	15,299	(17,770)	81,917	79,446
Total liabilities from financing activities	$ **594,299**	**(44,770)**	**81,917**	**631,446**

(Continued)

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

(7) Related-party transactions

(a) Parent company and ultimate controlling party

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

(b) Name and relationship with related party

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

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

(c) Significant transactions with related party

(i) Operating revenue

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

	2023	2022
Subsidiaries		
Durabook Americas Inc.	$ 91,626	91,514
Kunshan Lun Teng System Co., Ltd.	37,626	45,023
Other related parties		
NCS	984	1,101
	$ 130,236	**137,638**

(Continued)

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

(ii) Purchases

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

	2023	2022
Subsidiaries		
Durabook Americas Inc.	$ 968	667

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

(iii) Accounts receivable-related parties

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

Accounts	Type of related partues	December 31, 2023	December 31, 2022
Accounts receivable－related parties	Subsidiaries		
	Durabook Americas Inc.	$ 66,673	60,146
	Kunshan Lun Teng System Co., Ltd.	4,956	4,345
	Other related parties		
	NCS	165	-
		$ 71,794	64,491

As of December 31, 2023 and 2022, the offsetting of long term accounts receivable against the investment of Durabook Americas Inc., accounted for using the equity method amounted to $98,390 thousand and $77,944 thousand, respectively.

(Continued)

(iv) Payables to related parties

The details of the Company's payables to related parties was as follows:

Accounts	Type of related partues	December 31, 2023	December 31, 2022
Other payables－related parties	Subsidiaries		
	Durabook Americas Inc.	$ 1,225	314
	Kunshan Lun Teng System Co., Ltd.	159	123
		$ 1,384	**437**

(v) Purchase of supplies on behalf

As of December 31, 2023 and 2022, the net amount of accounts receivable derived from the purchase of supplies on behalf of Twinhead Kunshan Technology Co., Ltd. and the accounts payable derived from purchase of goods from Twinhead Kunshan Technology Co., Ltd. in prior years after offsetting against the investment of Twinhead Kunshan Technology Co., Ltd. accounted for using the equity method amounted to $75,702 thousand and $80,292 thousand, respectively (recorded under long-term receivables – related party).

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2023	2022
Short-term employee benefits	$ 26,652	23,809
Post-employment benefits	216	216
	$ 26,868	**24,025**

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Property, plant and equipment	Short-term borrowings	$ 256,134	263,374
Investment property	Short-term borrowings	139,957	141,360
		$ 396,091	**404,734**

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

(12) Other

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

By function	Year ended December 31, 2023			Year ended December 31, 2022		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	34,215	135,997	170,212	29,488	121,015	150,503
Labor and health insurance	3,649	9,964	13,613	3,204	9,093	12,297
Pension	1,763	5,389	7,152	1,579	5,076	6,655
Remuneration of directors	-	6,798	6,798	-	5,686	5,686
Others	2,233	3,909	6,142	1,889	3,400	5,289
Depreciation (note)	4,972	20,078	25,050	4,931	17,052	21,983
Amortization	-	13,012	13,012	-	12,194	12,194

Note: Depreciation expenses for investment property recognized under other income and expenses amounted to $1,403 thousand for the years ended December 31, 2023 and 2022, respectively.

The Company's number of employees for the years ended December 31, 2023 and 2022 and additional information on employee benefits are as follows :

	2023	2022
Number of employees	178	171
Number of directors who were not employees	9	9
The average employee benefit	$ 1,166	1,079
The average salaries and wages	$ 1,007	929
The adjustments to the average salaries and wages	8.40 %	
Supervisor remuneration	$ -	-

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

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

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

(b) Managers' and employees' remuneration policy

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

(Continued)

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the years ended December 31, 2023:

(i) Loans extended to other parties: None.

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

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

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

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	I1, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	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 Americas Inc.	Subsidiary	(Sale)	(91,626)	(9) %	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	66,673 (Note 1)	35 %	
Durabook Americas Inc.	The Company	Parent company	Purchase	91,626	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	(165,063)	(99) %	

Note 1: The Company's accounts receivable was offset against the credit balance of the investments of Durabook Americas Inc., accounted for using the equity method.

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

(in Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Notes 1 and 5)	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
The Company	Twinhead Kunshan Technology Co., Ltd.	Subsidiary	313,042 (Note 3)	-	313,042 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	-	-
The Company	Durabook Americas Inc.	Subsidiary	165,063 (Note 4)	0.60	98,390 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	9,194	-

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

Note 2: Until March 13, 2024.

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.

(Continued)

Note 4: As of December 31, 2023, the Company's accounts receivable from Durabook Americas Inc. were $165,063 thousand. The overdue receivables of $98,390 thousand were reclassified to long-term receivables.

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 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
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Book value			
The Company	Durabook Americas Inc.	U.S.A.	The trading of computers and computer peripheral equipment	73,442	73,442	769	80.000 %	(7,132) (Note 2)	(27,145)	(21,716)	Subsidiary
The Company	Twinhead (Asia) Pte Ltd.	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (Note 3)	9,359	9,359	Subsidiary
Twinhead (Asia) Pte Ltd.	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,194	(71)	(71)	Subsidiary

Note 1: The exchange rate as of December 31, 2023 : USD1=TWD30.71.

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

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

(c) Information on investment in Mainland China:

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

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2023	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2023	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of December 31, 2023	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Twinhead Kunshan Technology Co., Ltd.	Sales and production of PDAs, calculators and their parts, and computer keyboards	383,875 (USD12,500)	(2)	383,875 (USD12,500)	-	-	383,875 (USD12,500)	10,955	100.00 %	10,955	(255,804)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	122,840 (USD4,000)	(2)	61,420 (USD2,000)	-	-	61,420 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng System Co., Ltd.	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,449 (USD210)	(2)	6,449 (USD210)	-	-	6,449 (USD210)	(1,039)	100.00 %	(1,039)	19,341	-

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

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

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

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

(4) Other methods: EX: delegated investments.

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

Note 3: The exchange rate as of December 31, 2023 : USD1=TWD30.71.

(ii) Limitation on investment in Mainland China:

Accumulated investment amount in Mainland China as of December 31, 2023 (Note 1)	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
491,667 (USD16,010)	491,667 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of December 31, 2023: USD1=TWD30.71.

(Continued)

Note 3: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau Ministry of Economic Affairs, on June 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:

As of December 31, 2023, the net amount of accounts receivable derived from the purchase of supplies on behalf of Twinhead Kunshan Technology Co., Ltd. and the accounts payable derived from purchase of goods from Twinhead Kunshan Technology Co., Ltd. in prior years after offsetting against the investment of Twinhead Kunshan Technology Co., Ltd. accounted for using equity method amounted to $75,702 thousand (recognized under long term receivable －related parties). As the net receivables were outstanding for a period exceeding the normal payment term, the Company reclassified them under long term accounts receivable.

(d) Major shareholders:

Unit: share

Shareholding / Shareholder's Name	Shares	Percentage
Kaos Enterprise Co., Ltd.	4,966,643	16.02 %
Protegas Futuro Holdings, LLC	4,387,943	14.15 %
Outstanding Corporation	2,055,600	6.63 %
KANG EEL SHIUAN Co., Ltd.	1,739,158	5.61 %

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2023.

Twinhead International Corp.

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Petty cash		$ 198
Bank deposits	Demand deposits	33,442
	Checking deposits	1,886
	Foreign currency deposits	
	USD2,550 thousand, @30.71	78,305
	Other foreign currency deposits	300
	Subtotal	113,933
	Time deposits (Maturity date: January 3, 2024 to January 29, 2024)	
	USD7,104 thousand, @30.71	218,173
		$ 332,304

Twinhead International Corp.

Statement of trade receivables (including related parties)

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Customer	Description	Amount	Note
Related parties:			
Durabook Americas Inc.	Arising from operating activities	66,673	
Kunshan Lun Teng System Co., Ltd.	〃	4,956	
NCS Technologies, Inc.	〃	165	
		71,794	
Non-related parties:			
A	Arising from operating activities	11,354	
B	〃	9,322	
Others (amount individually less than 5%)	〃	23,838	
		44,514	
		$ 116,308	

Twinhead International Corp.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net realizable value	Note
Finished goods	$ 80,743	70,641	Market value is determined at net realizable value
Work in progress	8,185	8,185	〃
Raw materials and supplies	206,776	167,370	〃
Goods in transit	4,306	4,306	〃
Total	300,010	**250,502**	
Less: allowance for inventory valuation	58,750		
	$ 241,260		

Statement of prepayments

Item	Description	Amount	Note
Other prepayments		$ 2,727	
Vat-input tax		2,300	
Prepaid insurance		1,358	
Advance payments		105	
		$ 6,490	

Twinhead International Corp.

Statement of other current assets

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Temporary payments		$ 738	
Prepaid income tax		318	
Other receivable		510	
		$ 1,566	

Twinhead International Corp.

Statement of financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Company	Balance Beginning of period		Increase		Decrease		Balance End of period		Pledged as collateral	Note
	Shares (in thousands)	Fair value	Shares (in thousands)	Amount	Shares (in thousands)	Amount (Note 1)	Shares (in thousands)	Fair value		
EUROC Venture Capital Corp.	80	$ 622	-	-	80	622 (Note 2)	-	-	None	
Ambicion Co., Ltd.	1	57	-	-	-	4 (Note 1)	1	53	〃	
Adolite Inc.	400	-	-	-	-	-	400	-	〃	
Durabook Federal, Inc.	19	-	-	-	-	-	19	-	〃	
		$ 679		**-**		**626**		**53**		

Note 1: The decrease was unrealized losses from investment in equity instruments measured at fair value through other comprehensive income $4 thousand.

Note 2: Investee company completed the liquidation process. The decrease represented a cumulative loss of $41 thousand and the liquidation proceed of $581 thousand.

Twinhead International Corp.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

	Balance Beginning of period		Increase		Decrease		Balance End of period			Market value or Book value			
Company	Shares (in thousands)	Amount	Shares (in thousands)	Amount (Note 1)	Shares (in thousands)	Amount (Note 2)	Shares (in thousands)	Ownership (%)	Amount	Unit Price	Gross Price	Pledged as collateral	Note
Durabook Americas Inc.	769	$ (5,483) (Note 3)	-	20,773	-	22,422	769	80.000	(7,132) (Note 3)	-	(100,034)	None	
Twinhead (Asia) Pte Ltd.	5,872	-	-	9,438	-	9,438	5,872	100.000	-	-	(234,832)	〃	
		$ (5,483)		30,211		31,860			(7,132)		(334,866)		

Note 1: The amount is derived from $9,359 thousand of investment gain from subsidiaries, $79 thousand of unrealized gain from sales, $327 thousand of translation effects from foreign operations, $20,446 thousand of the changes in long-term accounts receivable from related parties offsetting with the investments accounted for using the equity method.

Note 2: The amount is derived from $21,716 thousand of investment loss from subsidiaries, $706 thousand of unrealized loss from sales $1,260 thousand of translation effects from foreign operations, $8,178 thousand of the changes in long-term accounts receivable from related parties offsetting with the investments accounted for using the equity method.

Note 3: Credit balance of investments accounted for under the equity method was recognized under other non-current liabilities.

Twinhead International Corp.

Statement of other non-current assets

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Unamortized mold		$ 22,381	

Twinhead International Corp.

Statement of short-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Type	Lender	Ending Balance	Term	Interest Rate (%)	Line of Credit	Collateral	Note
Secured bank loans	First Bank Nanmen Branch	$ 200,000	Within one year	2.13	292,130	Secured	Please refer to note 8
〃	Hua Nan Bank Hsin Tien Branch	140,000	〃	2.13	200,000	〃	〃
〃	Chang Hwa Bank Pei Hsin Branch	70,000	〃	2.13	155,710	〃	〃
〃	Taiwan Cooperative Bank Baociao Branch	52,000	〃	2.13	150,000	〃	〃
〃	Land Bank of Taiwan Hsin Tien Branch	-	〃	-	100,000	〃	〃
Unsecured loans	Mega International Commercial Bank Neihu Branch	30,000	Within one year	2.13	50,000	-	-
〃	Bank of Taiwan Yanping Branch	60,000	〃	2.12	60,000	-	-
〃	The Shanghai Commerical & Savings Bank Hsin Yi Branch	-	〃	-	70,000	-	-
		$ 552,000					

Twinhead International Corp.

Statement of notes payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Company	Description	Amount	Note
Non-related parties:			
C Company	Arising from operating activities	$ 39	
D Company	〃	22	
		$ 61	

Statement of trade payables

Company	Description	Amount	Note
Non-related parties:			
E Company	Arising from operating activities	$ 9,094	
F Company	〃	7,558	
G Company	〃	7,333	
H Company	〃	6,761	
I Company	〃	5,767	
Others (amount individually less than 5%)	〃	61,440	
		$ 97,953	

Twinhead International Corp.

Statement of other payables (including related parties)

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Company	Description	Amount
Related parties:		
Durabook Americas Inc.		$ 1,225
Kunshan Lun Teng System Co., Ltd.		159
		1,384
Non-related parties:		
Accrued year-end bonuses		26,133
Wages and salaries payable		12,640
Remuneration to employees		9,816
Compensated absence liabilities		8,271
Compensation due to directors and supervisors		3,681
Others (amount individually less than 5%)		17,492
Subtotal		78,033
		$ 79,417

Statement of provisions

Item	Description	Amount	Note
Current:			
Short-term provision for sales returns and allowances		$ 5,093	
Short term provision for warranty		4,380	
Others (amount individually less than 5%)		286	
		$ 9,759	
Non-Current:			
Long-term provision for decommissioning		$ 3,729	
Long-term provision for warranty		3,102	
		$ 6,831	

Twinhead International Corp.

Statement of other current liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Temporary receipts		$ 11,366	
Receipts under custody		2,259	
		$ 13,625	

Statement of operating revenue

For the year ended December 31, 2023

Item	Quantity (in unit)	Amount	Note
Laptop	19,662	$ 871,094	
Mainboard	31,556	99,031	
Sales of materials and others	-	75,622	
		$ 1,045,747	

Note: The amount was net of sales returns and allowances.

Twinhead International Corp.

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Subtotal	Amount: Total
Cost of goods sold (in-house manufacturing):		
Direct raw material		
Beginning raw material inventory (including beginning good in transit $2,453 thousand)	$ 389,337	
Add: Raw material purchased	624,830	
Less: Ending raw material inventory (including ending good in transit $4,306 thousand)	211,082	
Scrapping of raw material	192,536	
Raw materials sold	2,998	
Transferred to manufacturing and operating expenses	6,832	
Others	594	
Subtotal	600,125	
Direct labor	11,371	
Manufacturing expenses	53,263	
Manufacturing costs	664,759	
Add: Beginning work-in-process	13,351	
Less: Ending work-in-process	8,185	
Cost of finished goods	669,925	
Add: Beginning finished goods	81,803	
Less: Ending finished goods	80,743	
Transferred to manufacturing and operating expenses	1,346	
Others	23	
Total: cost of goods sold (in-house manufacturing)		669,616
Costs of raw material sold		2,998
Decline in market value of inventory		5,991
Operating costs		**$ 678,605**

Twinhead International Corp.

Statement of selling expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		$ 24,627	
Advertising expense		9,854	
Depreciation		2,824	
Others		16,441	
		$ 53,746	

Statement of administrative expenses

Item	Description	Amount	Note
Salaries		$ 63,412	
Professional service expenses		7,112	
Depreciation		6,563	
Others		34,939	
		$ 112,026	

Twinhead International Corp.

Statement of researchand development expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		$ 47,958	
Testing and inspection fee		15,038	
Mold charge		13,012	
Depreciation		10,691	
Development consumables		7,202	
Others		9,532	
		$ 103,433	

For statement of changes in property, plant and equipment, please refer to note 6(f).
For statement of changes in accumulated depreciation of property, plant and equipment, please refer to note 6(f).
For statement of changes in accumulated impairment of property, plant and equipment, please refer to note 6(f).
For statement of changes in right-of-use assets, please refer to note 6(g).
For statement of changes in accumulated depreciation of right-of-use assets, please refer to note 6(g).
For statement of changes in investment property, please refer to note 6(h).
For statement of changes in accumulated depreciation of investment property, please refer to note 6(h).
For statement of other income, please refer to note 6(s).
For statement of other gain and losses, net, please refer to note 6(s).
For statement of finance cost, please refer to note 6(s).

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' Report

To the Board of Directors of Twinhead International Corp.:

Opinion

We have audited the consolidated financial statements of Twinhead International Corp. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters to be communicated in our report.

Inventory measurement

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

Twinhead International Corp. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

Notes to Readers

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

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

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 364,910	28	230,416	20
1170	Accounts receivable, net (notes 6(b) and 6(p))	52,666	4	89,909	8
1180	Accounts receivable－related parties, net (notes 6(b), 6(p) and 7)	165	-	701	-
130x	Inventories (note 6(c))	259,697	20	255,455	22
1470	Prepayments and other current assets	11,655	1	9,426	1
	Total current assets	689,093	53	585,907	51
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	53	-	679	-
1600	Property, plant and equipment (notes 6(e), 6(r) and 8)	265,169	20	272,693	23
1755	Right-of-use assets (note 6(f))	94,680	7	30,269	2
1760	Investment property, net (notes 6(g), 6(k) and 8)	189,339	14	192,916	17
1840	Deferred income tax assets (note 6(m))	37,174	3	43,378	4
1920	Refundable deposits	9,049	1	7,202	1
1995	Other non-current assets	22,424	2	23,283	2
	Total non-current assets	617,888	47	570,420	49
	Total assets	$ 1,306,981	100	1,156,327	100

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(h) and 8)	$ 552,000	42	579,000	50
2130	Current contract liabilities (note 6(p))	20,050	1	10,572	1
2150	Notes payable	61	-	221	-
2170	Accounts payable	100,236	8	109,894	10
2200	Other payables (notes 6(l) and 6(q))	82,694	6	71,483	6
2250	Provisions－current (note 6(i))	10,416	1	8,663	1
2280	Current lease liabilities (note 6(j))	19,852	2	17,066	1
2300	Other current liabilities (note 7)	13,859	1	15,638	1
	Total current liabilities	799,168	61	812,537	70
	Non-Current liabilities:				
2550	Provisions－non-current (note 6(i))	6,831	1	6,908	1
2580	Non-current lease liabilities (note 6(j))	65,515	5	3,812	-
2645	Guarantee deposits received	6,672	-	6,731	1
2670	Other non-current liabilities	564	-	597	-
	Total non-current liabilities	79,582	6	18,048	2
	Total liabilities	878,750	67	830,585	72
	Equity attributable to owners of parent (notes 6(d) and 6(n)):				
	Share capital:				
3110	Ordinary shares	309,991	24	247,993	22
3120	Preference shares	11	-	11	-
		310,002	24	248,004	22
3200	Capital surplus	35	-	35	-
	Retained earnings:				
3310	Legal reserve	10,778	1	2,818	-
3350	Retained earnings	114,006	9	79,758	7
		124,784	10	82,576	7
	Other equities:				
3410	Exchange differences on translation of foreign financial statements	31,970	2	32,903	3
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(13,552)	(1)	(18,115)	(2)
		18,418	1	14,788	1
	Total equity attributable to owners of parent	453,239	35	345,403	30
36xx	**Non-controlling interests**	(25,008)	(2)	(19,661)	(2)
	Total equity	428,231	33	325,742	28
	Total liabilities and equity	$ 1,306,981	100	1,156,327	100

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023 Amount	2023 %	2022 Amount	2022 %
4000	**Operating revenues (notes 6(p) and 7)**	$ 1,080,619	100	934,137	100
5000	**Operating costs (notes 6(c), 6(e), 6(f), 6(i), 6(j) and 6(l))**	683,843	64	635,281	68
5900	**Gross profit**	396,776	36	298,856	32
6000	**Operating expenses (notes 6(b), 6(e), 6(f), 6(j), 6(k), 6(l), 6(q) and 7):**				
6100	Selling expenses	77,681	7	60,965	7
6200	Administrative expenses	143,454	13	126,650	13
6300	Research and development expenses	103,433	10	89,825	10
6450	Impairment loss determined in accordance with IFRS 9	19	-	71	-
	Total operating expenses	324,587	30	277,511	30
6900	**Net operating income**	72,189	6	21,345	2
7000	**Non-operating income and expenses (notes 6(d), 6(e), 6(g), 6(j), 6(k) and 6(r)):**				
7100	Interest income	6,758	1	1,398	-
7010	Other income	33,517	3	37,443	4
7020	Other gains and losses	10,299	1	29,746	3
7050	Finance costs	(12,674)	(1)	(11,446)	(1)
	Total non-operating income and expenses	37,900	4	57,141	6
	Income from continuing operations before tax	110,089	10	78,486	8
7950	**Less: Income tax expense (note 6(m))**	6,702	1	977	-
	Net income	103,387	9	77,509	8
8300	**Other comprehensive income (loss) (note 6(n)):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(45)	-	(1,124)	-
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	(45)	-	(1,124)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(851)	-	(11,085)	(1)
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	(851)	-	(11,085)	(1)
8300	**Other comprehensive income (loss), net**	(896)	-	(12,209)	(1)
	Total comprehensive income (loss)	**$ 102,491**	**9**	**65,300**	**7**
	Net income (loss) attributable to:				
8610	Owners of parent	$ 108,816	10	79,598	8
8620	Non-controlling interests	(5,429)	(1)	(2,089)	-
		$ 103,387	**9**	**77,509**	**8**
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 107,838	9	69,176	7
8720	Non-controlling interests	(5,347)	-	(3,876)	-
		$ 102,491	**9**	**65,300**	**7**
9750	**Basic earnings per share (in New Taiwan dollar) (note 6(o))**	**$ 3.51**		**2.57**	
9850	**Diluted earnings per share (in New Taiwan dollar) (note 6(o))**	**$ 3.50**		**2.56**	

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent												
	Share capital				Retained earnings			Total other equity interest					
	Ordinary shares	Preference share	Total share capital	Capital surplus	Legal reserve	Retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 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)	-	-	-	-	-	79,598	79,598	-	-	-	79,598	(2,089)	77,509
Other comprehensive income (loss)	-	-	-	-	-	-	-	(9,298)	(1,124)	(10,422)	(10,422)	(1,787)	(12,209)
Total comprehensive income (loss)	-	-	-	-	-	79,598	79,598	(9,298)	(1,124)	(10,422)	69,176	(3,876)	65,300
Balance at December 31, 2022	247,993	11	248,004	35	2,818	79,758	82,576	32,903	(18,115)	14,788	345,403	(19,661)	325,742
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)	-	-	-	-	-	108,816	108,816	-	-	-	108,816	(5,429)	103,387
Other comprehensive income (loss)	-	-	-	-	-	-	-	(933)	(45)	(978)	(978)	82	(896)
Total comprehensive income (loss)	-	-	-	-	-	108,816	108,816	(933)	(45)	(978)	107,838	(5,347)	102,491
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(4,608)	(4,608)	-	4,608	4,608	-	-	-
Balance at December 31, 2023	**$ 309,991**	**11**	**310,002**	**35**	**10,778**	**114,006**	**124,784**	**31,970**	**(13,552)**	**18,418**	**453,239**	**(25,008)**	**428,231**

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

		2023	2022
Cash flows from (used in) operating activities:			
Net income before tax	$	110,089	78,486
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation		31,189	28,090
Amortization		13,125	12,326
Impairment loss determined in accordance with IFRS 9		19	71
Interest expense		12,674	11,446
Interest income		(6,758)	(1,398)
Dividend income		-	(480)
Loss on disposal of property, plant and equipment		(66)	-
Gain on disposal of non-current assets held for sales		(17,141)	-
Total adjustments to reconcile profit		33,042	50,055
Changes in operating assets and liabilities:			
Net changes in operating assets:			
Notes receivable		-	116
Accounts receivable		37,222	(19,073)
Accounts receivable－related parties		536	(774)
Other receivables		-	1,222
Inventories		(4,242)	(43,246)
Prepayments and other current assets		(1,610)	4,235
Total changes in operating assets, net		31,906	(57,520)
Net changes in operating liabilities:			
Contract liabilities		9,478	(7,882)
Notes payable		(160)	44
Accounts payable		(9,658)	34,433
Other payables		11,115	9,682
Provisions		1,676	2,513
Other current liabilities		(1,707)	5,091
Other non-current liabilities		(33)	(928)
Total changes in operating liabilities, net		10,711	42,953
Total changes in operating assets and liabilities, net		42,617	(14,567)
Total adjustments		75,659	35,488
Cash inflow generated from operating activities		185,748	113,974
Interest received		6,358	1,288
Interest paid		(11,883)	(10,505)
Income taxes paid		(696)	(266)
Net cash flows from operating activities		179,527	104,491
Cash flows from (used in) investing activities:			
Proceeds from disposal of financial assets at fair value through other comprehensive income		581	-
Proceeds from disposal of non-current assets classified as held for sale		20,001	-
Acquisition of property, plant and equipment		(3,749)	(2,929)
Proceeds from disposal of property, plant and equipment		66	-
Increase in refundable deposits		(1,850)	(4)
Increase in other non-current assets		(12,266)	(11,083)
Dividends received		-	480
Net cash flows from (used in) investing activities		2,783	(13,536)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		120,000	80,000
Decrease in short-term borrowings		(147,000)	(121,000)
Payment of lease liabilities		(20,139)	(16,887)
Cash dividends paid		(2)	(25,204)
Interest paid		(695)	(628)
Net cash flows used in financing activities		(47,836)	(83,719)
Effect of exchange rate changes on cash and cash equivalents		20	(13,309)
Net increase (decrease) in cash and cash equivalents		134,494	(6,073)
Cash and cash equivalents at beginning of period		230,416	236,489
Cash and cash equivalents at end of period	**$**	**364,910**	**230,416**

See accompanying notes to consolidated financial statements.

(1) Company history

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

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

The consolidated financial statements were approved by the Board of Directors and issued on March 13, 2024.

(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)

(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 material policies

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

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise specified in the notes to accounting policies.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollar, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

(Continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup transactions and balances, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies to align with those used by the Group.

(ii) List of subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Name of investor	Name of subsidiary	Principal activity	Percentage of ownership December 31, 2023	Percentage of ownership December 31, 2022	Remarks
The Company	Durabook Americas Inc. (Durabook)	The trading of computers and computer peripheral equipment	80.000 %	80.000 %	
The Company	Twinhead (Asia) Pte Ltd. (Twinhead (Asia))	Investment holding	100.000 %	100.000 %	
Twinhead (Asia) Pte Ltd.	Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	
Twinhead (Asia) Pte Ltd.	Twinhead Kunshan Technology Co., Ltd. (Twinhead Kunshan)	Sales and production of PDAs, calculators and their parts, and computer keyboards	100.000 %	100.000 %	
Twinhead (Asia) Pte Ltd.	Kunshan Lun Teng System Co., Ltd. (Kunshan Lun Teng)	Import and export of computers, electronic components, and digital cameras, and technical consultant services	100.000 %	100.000 %	

(d) Foreign currencies

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(Continued)

(g) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

(Continued)

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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

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

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

(Continued)

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

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

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

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

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

(Continued)

5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) 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.

(j) Property, plant and equipment

(i) Recognition and measurement

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

(Continued)

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

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

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

1)	Buildings	4~62 years
2)	Machinery	2~15 years
3)	Other equipment	2~10 years

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

(k) Leases

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

(i) As a lessee

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

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

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

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

— fixed payments, including in-substance fixed payments;

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

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

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

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

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

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

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

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

— there is any lease modifications

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

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

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

(Continued)

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

(ii) As a lessor

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

(l) Investment property

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

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

(m) Impairment of non-financial assets

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

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

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

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

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

(Continued)

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

(n) Provisions

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

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

(o) Revenue

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

(i) Sale of goods

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

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

(ii) Financing components

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

(p) Government grants

The Group recognizes an unconditional government grant related to the U.S. Paycheck Protection Program in profit or loss as non-operating income.

(Continued)

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(r) Income taxes

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

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

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

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

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

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

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

(Continued)

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

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

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

1) the same taxable entity; or

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

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

(s) Earnings per share

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

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. It has been identified that the Group has only one reportable segment.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

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

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

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

Inventory measurement

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash	$ 381	291
Checking and demand deposits	143,853	168,705
Time deposits	220,676	61,420
Cash and cash equivalents per consolidated statements of cash flows	**$ 364,910**	**230,416**

The Group's exposure to interest rate risk and the sensitivity analysis for the financial instruments held by the Group are disclosed in note 6(s).

(b) Accounts receivables (including related parties)

	December 31, 2023	December 31, 2022
Accounts receivable	$ 52,666	89,909
Accounts receivable－related parties	165	774
Less: allowance for impairment	-	73
	$ 52,831	**90,610**

(Continued)

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 (including related parties). To measure the expected credit losses, accounts receivable (including related parties) 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:

	December 31, 2023		
	Gross carrying amount (Including related parties)	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 45,974	-	-
1 to 30 days past due	6,812	-	-
31 to 60 days past due	45	-	-
	$ 52,831		**-**

	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**

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

	2023	**2022**
Balance at beginning of the period	$ 73	-
Impairment losses recognized	19	71
Amounts written off	(94)	-
Effect of changes in exchange rate	2	2
Balance at end of the period	**$ -**	**73**

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

(Continued)

(c) Inventories

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

	December 31, 2023	December 31, 2022
Merchandise	$ 5,285	3,714
Finished goods	74,184	71,391
Work in progress	8,185	13,351
Raw materials and supplies	167,311	164,439
Goods in transit	4,732	2,560
	$ 259,697	**255,455**

As of December 31, 2023 and 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:

	2023	2022
Loss on decline in market value of inventory	**$ 7,106**	**10,712**

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Unlisted stocks (domestic)	$ -	622
Unlisted stocks (overseas)	53	57
Total	**$ 53**	**679**

(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.

In addition, EUROC Venture Capital Corp. was dissolved on May 10, 2022, by a resolution of the shareholders' meeting, with the base date set on May 31, 2022, and as of December 21, 2023, the liquidation process was completed. The Group received liquidation proceeds amounting to $581 thousand, and transferred $4,608 thousand of the cumulative loss from other equity to retained earnings. The dividend income from the investee amounted to $480 thousand for the year ended December 31, 2022.

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

(Continued)

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

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

(e) Property, plant and equipment

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

		Land	Buildings	Machinery	Other equipment	Total
Cost or deemed cost:						
Balance as of January 1, 2023	$	118,425	430,842	183,342	115,429	848,038
Additions		-	743	851	2,155	3,749
Disposal		-	-	(996)	(50,867)	(51,863)
Reclassification		(2,752)	(3,615)	-	-	(6,367)
Effect of changes in exchange rates		-	-	(66)	(90)	(156)
Balance as of December 31, 2023	**$**	**115,673**	**427,970**	**183,131**	**66,627**	**793,401**
Balance as of January 1, 2022	$	118,425	430,730	182,372	113,257	844,784
Additions		-	112	1,060	1,757	2,929
Disposal		-	-	(151)	(74)	(225)
Effect of changes in exchange rates		-	-	61	489	550
Balance as of December 31, 2022	**$**	**118,425**	**430,842**	**183,342**	**115,429**	**848,038**
Depreciation and impairment loss:						
Balance as of January 1, 2023	$	10,593	274,228	179,264	111,260	575,345
Depreciation		-	4,614	851	2,935	8,400
Disposal		-	-	(996)	(50,867)	(51,863)
Reclassification		-	(3,507)	-	-	(3,507)
Effect of changes in exchange rates		-	-	(59)	(84)	(143)
Balance as of December 31, 2023	**$**	**10,593**	**275,335**	**179,060**	**63,244**	**528,232**
Balance as of January 1, 2022	$	10,593	269,594	178,561	107,890	566,638
Depreciation		-	4,634	799	3,054	8,487
Disposal		-	-	(151)	(74)	(225)
Effect of changes in exchange rates		-	-	55	390	445
Balance as of December 31, 2022	**$**	**10,593**	**274,228**	**179,264**	**111,260**	**575,345**
Carrying value:						
December 31, 2023	**$**	**105,080**	**152,635**	**4,071**	**3,383**	**265,169**
December 31, 2022	**$**	**107,832**	**156,614**	**4,078**	**4,169**	**272,693**
January 1, 2022	**$**	**107,832**	**161,136**	**3,811**	**5,367**	**278,146**

(i) Impairment loss and subsequent reversal

As of December 31, 2023 and 2022, the accumulated property impairment amounted to $10,593 thousand. The above accumulated asset impairment was recognized based on the carrying value of the factory land at Da Fa Industrial exceeding its estimated recoverable amount. After assessment, no additional impairment loss should be recognized for the years ended December 31, 2023 and 2022.

(Continued)

(ii) Collateral

As of December 31, 2023 and 2022, the Group's property, plant and equipment were provided as pledged assets; please refer to note 8.

(iii) Sales

The land and factory located in Linyuan were reclassified to non-current assets held for sales in March 2023 and was subsequently sold in May 2023 for a net price of $20,001 thousand. As the result, gains on disposal of $17,141 thousand were recognized and recorded under other gains and losses.

(f) Right-of-use assets

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

	Land	Building	Machinery	Total
Cost:				
Balance at January 1, 2023	$ 10,978	82,172	2,641	95,791
Additions	-	79,694	4,942	84,636
Disposal	-	(69,914)	-	(69,914)
Effect of changes in exchange rates	(183)	(68)	-	(251)
Balance at December 31, 2023	**$ 10,795**	**91,884**	**7,583**	**110,262**
Balance at January 1, 2022	$ 10,809	77,926	2,641	91,376
Additions	-	3,433	-	3,433
Effect of changes in exchange rates	169	813	-	982
Balance at December 31, 2022	**$ 10,978**	**82,172**	**2,641**	**95,791**
Depreciation:				
Balance at January 1, 2023	$ 1,045	62,602	1,875	65,522
Depreciation	260	18,990	803	20,053
Disposal	-	(69,914)	-	(69,914)
Effect of changes in exchange rates	(21)	(58)	-	(79)
Balance at December 31, 2023	**$ 1,284**	**11,620**	**2,678**	**15,582**
Balance at January 1, 2022	$ 772	46,115	1,347	48,234
Depreciation	262	16,069	528	16,859
Effect of changes in exchange rates	11	418	-	429
Balance at December 31, 2022	**$ 1,045**	**62,602**	**1,875**	**65,522**
Carrying value:				
December 31, 2023	**$ 9,511**	**80,264**	**4,905**	**94,680**
December 31, 2022	**$ 9,933**	**19,570**	**766**	**30,269**
January 1, 2022	**$ 10,037**	**31,811**	**1,294**	**43,142**

(Continued)

(g) Investment property

	Land and improvements	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2023	$ 95,830	174,282	270,112
Effect of changes in exchange rates	-	(1,454)	(1,454)
Balance at December 31, 2023	**$ 95,830**	**172,828**	**268,658**
Balance as at January 1, 2022	$ 95,830	172,938	268,768
Effect of changes in exchange rates	-	1,344	1,344
Balance at December 31, 2022	**$ 95,830**	**174,282**	**270,112**
Depreciation and impairment loss:			
Balance at January 1, 2023	$ -	77,196	77,196
Depreciation	-	2,736	2,736
Effect of changes in exchange rates	-	(613)	(613)
Balance at December 31, 2023	**$ -**	**79,319**	**79,319**
Balance at January 1, 2022	$ -	73,926	73,926
Depreciation	-	2,744	2,744
Effect of changes in exchange rates	-	526	526
Balance at December 31, 2022	**$ -**	**77,196**	**77,196**
Carrying value:			
Balance at December 31, 2023	**$ 95,830**	**93,509**	**189,339**
Balance at December 31, 2022	**$ 95,830**	**97,086**	**192,916**
Balance at January 1, 2022	**$ 95,830**	**99,012**	**194,842**
Fair value:			
Balance at December 31, 2023			**$ 623,984**
Balance at December 31, 2022			**$ 589,920**
Balance at January 1, 2022			**$ 589,920**

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

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

The investment properties of the Group are located at Kunshan City, Jiangsu Province, China and Xindian Dist., New Taipei City, Taiwan. The range of yields applied to the net annual rentals to determine the fair value of the property for which the current prices in an active market are unavailable was 1.04%~5.50% and 1.58%~6.60% for the years ended December 31, 2023 and 2022, respectively.

(Continued)

As of December 31, 2023 and 2022, the Group's investment properties were provided as pledged assets; please refer to note 8.

(h) Short-term borrowings

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

	December 31, 2023			
	Currency	**Interest rate (%)**	**Maturity year**	**Amount**
Unsecured loans	TWD	2.12~2.13	2024	$ 90,000
Secured bank loans	TWD	2.13	2024	462,000
Total				**$ 552,000**

	December 31, 2022			
	Currency	**Interest rate (%)**	**Maturity year**	**Amount**
Unsecured loans	TWD	2.05	2023	$ 70,000
Secured bank loans	TWD	1.92~2.16	2023	509,000
Total				**$ 579,000**

As of December 31, 2023 and 2022, the unused credit facilities amounted to $524,240 thousand and $394,240 thousand, respectively.

Please refer to note 6(s) for the Group's risk exposures relating to interest rate, currency, and liquidity risk.

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

(i) Provisions

	Decommissioning liabilities	**Other**	**Total**
Balance as of January 1, 2023	$ 3,729	11,842	15,571
Provisions made during the year	-	6,784	6,784
Provisions used during the year	-	(3,754)	(3,754)
Provisions reversed during the year	-	(1,357)	(1,357)
Effect of changes in exchange rates	-	3	3
Balance as of December 31, 2023	**$ 3,729**	**13,518**	**17,247**
Current	$ -	10,416	10,416
Non-current	3,729	3,102	6,831
	$ 3,729	**13,518**	**17,247**

(Continued)

	Decommissioning liabilities	Other	Total
Balance as of January 1, 2022	$ 3,729	9,329	13,058
Provisions made during the year	-	5,981	5,981
Provisions used during the year	-	(3,396)	(3,396)
Provisions reversed during the year	-	(187)	(187)
Effect of changes in exchange rates	-	115	115
Balance as of December 31, 2022	**$ 3,729**	**11,842**	**15,571**
Current	$ -	8,663	8,663
Non-current	3,729	3,179	6,908
	$ 3,729	**11,842**	**15,571**

(i) Decommissioning liabilities

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

(ii) Other provisions

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

(j) Lease liabilities

The Group's lease liabilities were as follow:

	December 31, 2023	December 31, 2022
Current	**$ 19,852**	**17,066**
Non-current	**$ 65,515**	**3,812**

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	**$ 695**	**628**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 1,044**	**525**

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

	2023	2022
Total cash outflow for leases	**$ 21,878**	**18,040**

(Continued)

(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.

(k) Operating leases

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

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

		December 31, 2023	December 31, 2022
Less than one year	$	23,237	17,820
One to two years		14,041	9,196
Two to three years		7,737	-
Total undiscounted lease payments	**$**	**45,015**	**27,016**

Rental income from investment properties was $24,167 thousand and $24,259 thousand for the years ended December 31, 2023 and 2022, respectively. The direct expenses from investment properties were $1,427 thousand and $1,460 thousand for the years ended December 31, 2023 and 2022, respectively.

(l) Employee benefits

(i) Defined contribution plans

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

(Continued)

The employees of the Durabook Americas Inc. could choose a specific ratio (adjusted by the inflation rate) to contribute their own pensions under the definition of the pension plan. The employees contribute 50% of the pension voluntarily and the contribution shall not exceed a specific ratio of the salary. Durabook Americas Inc. recognized the amount of the retirement fund that should be allocated according to the pension plan as current expense.

Except for the two subsidiaries of the Group, namely, Twinhead (Asia) Pte. Ltd. and Twinhead Enterprises (BVI) Ltd., which are not eligible for the pension plan, the defined benefit plan of the other subsidiaries (Twinhead Kunshan Technology Co., LTD., and Kunshan Lun Teng System Co., Ltd.) are based on the local regulations of their respective locations; and all the contributions made to such plans are recognized as current expenses.

The Group's pension costs under the defined contribution plan were $8,239 thousand and $7,729 thousand for the years ended December 31, 2023 and 2022, respectively.

(ii) Short-term employee benefit liabilities

		December 31, 2023	December 31, 2022
Compensated absence liabilities	**$**	**9,014**	**8,640**

(m) Income taxes

(i) Income tax expenses

The amount of the Group's income tax for the years ended December 31, 2023 and 2022, was as follows:

		2023	2022
Current income tax expense			
Current period	$	428	200
Adjustment for prior periods		(24)	19
		404	219
Deferred tax expense			
Origination and reversal of temporary differences		6,298	758
Income tax expense from continuing operations	**$**	**6,702**	**977**

(Continued)

Reconciliations of the Group's income tax expenses and the income before tax for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Income before tax	**$ 110,089**	**78,486**
Income tax using the Company's domestic tax rate	$ 22,018	15,697
Effect of tax rates in foreign jurisdiction	10,993	2,178
Adjustment under tax laws	(2,620)	(5,769)
Loss from equity investments under the equity method	2,471	3,232
Dividend income	-	(96)
Recognition of previously unrecognized tax losses	-	(16,723)
Unrecognized deferred tax assets resulting from tax loss	8,752	-
Surtax on unappropriated earnings	388	-
Overestimate of previous deferred tax assets	538	1,544
Change in unrecognized deductible temporary differences	(30,991)	2,134
Underestimate of previous income tax	-	19
Others	(4,847)	(1,239)
In come tax expense	**$ 6,702**	**977**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2023	December 31, 2022
Deductible temporary differences	$ -	154,955
The carryforward of unused tax losses	1,579,793	1,731,143
	$ 1,579,793	**1,886,098**

Tax losses of a company can be carried forward to offset its future taxable income for a period of ten years in accordance with the Income Tax Act of the ROC. Based on the local tax credit regulations, losses incurred by foreign consolidated subsidiaries can be deducted from their income tax. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(Continued)

As of December 31, 2023, the information of the Group's unutilized business losses for which no deferred tax assets were recognized is as follows:

a) Taiwan

Year of tax loss occurred	Amount	Year of expiration
2014	$ 34,816	2024
2015	95,026	2025
2016	298,592	2026
2017	71,323	2027
2019	25,418	2029
2020	679,502	2030
2023	75,575	2033
	$ 1,280,252	

b) United States (Federal tax)

Year of tax loss occurred	Amount	Year of expiration
2012	$ 9,462	2032
2013	16,247	2033
2014	6,717	2034
2015	44,122	2035
2016	45,799	2036
2018	35,853	2038
2019	52,602	2039
2020	38,360	2040
2021	19,594	2041
2022	11,065	2042
2023	19,720	2043
	$ 299,541	

2) Recognized deferred tax assets

Changes in the amount of deferred tax assets for 2023 and 2022 were as follows:

Deferred tax assets:

	Loss carryforwards	Allowance for inventory valuation	Impairment loss	Others	Total
Balance at January 1, 2023	$ 6,468	21,433	11,200	4,277	43,378
Recognized in profit or loss	(743)	(6,152)	-	596	(6,299)
Effect of change in exchange rate	99	(2)	-	(2)	95
Balance at December 31, 2023	**$ 5,824**	**15,279**	**11,200**	**4,871**	**37,174**

(Continued)

	Loss carryforwards	Allowance for inventory valuation	Impairment loss	Others	Total
Balance at January 1, 2022	$ 6,054	21,927	11,200	3,864	43,045
Recognized in profit or loss	(242)	(828)	-	312	(758)
Effect of change in exchange rate	656	334	-	101	1,091
Balance at December 31, 2022	**$ 6,468**	**21,433**	**11,200**	**4,277**	**43,378**

(iii) Income tax assessment

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

(n) Capital and other equity

As of December 31, 2023 and 2022, 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 30,999 thousand and 24,799 thousand ordinary shares were issued. In addition, 1 thousand preference shares were issued. All issued capital was fully paid in. The preference shares were classified under equity.

For the years ended December 31, 2023 and 2022, the reconciliation of outstanding shares of the Company was as follows:

(Express in thousand shares)

	Ordinary shares		Preference shares	
	2023	**2022**	**2023**	**2022**
Beginning balance on January 1	24,799	24,799	1	1
Issuance of stock dividends	6,200	-	-	-
Balance at December 31	**30,999**	**24,799**	**1**	**1**

(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 was October 22, 2023. The related statutory registration procedure was completed.

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

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

(Continued)

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

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

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

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

(ii) Capital surplus

The Company's capital surplus were as follows:

	December 31, 2023	December 31, 2022
Donation from shareholders	$ 35	35

(iii) Retained earnings－Distribution of retained earnings

1) Legal reserve

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

(Continued)

2) Special earnings reserve

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

3) Distribution of retained earnings

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 are 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 characteristics of the industrial growth, the Company's financial structure, and the investors' best interests, but at least 50% of the distributable earnings should be distributed to shareholders , except that the cumulative distributable earnings may not be distributed if the cumulative distributable earnings are less than 1% of the paid-in capital. Such distributions, considering the capital surplus, retained earnings, future capital requirements, long-term financial planning, and maintenance of the dividend distribution level, shall be no more than 40% of the total stockholders' bonus, and the rest shall be distributed as 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.

(Continued)

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:

	2022		2021	
	Amount per share (NT dollars)	**Amount**	**Amount per share (NT dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ -	-	1.00	24,799
Stock	2.50	61,998	-	-
Total		**$ 61,998**		**24,799**
Dividends distributed to preference shareholders:				
Cash	$ 2.00	**2**	2.00	**405**

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

On March 13, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings as follows:

	2023	
	Amount per share (NT dollars)	**Amount**
Dividends distributed to ordinary shareholders:		
Stock	$ 3.00	**92,998**
Dividends distributed to preference shareholders:		
Cash	$ 2.00	**2**

(Continued)

(iv) Other equities (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance at January 1, 2023	$ 32,903	(18,115)	548	15,336
Foreign exchange differences arising from foreign operation	(933)	-	82	(851)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(45)	-	(45)
Disposal of financial assets at fair value through other comprehensive income	-	4,608	-	4,608
Balance at December 31, 2023	**$ 31,970**	**(13,552)**	**630**	**19,048**
Balance at January 1, 2022	$ 42,201	(16,991)	2,335	27,545
Foreign exchange differences arising from foreign operation	(9,298)	-	(1,787)	(11,085)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(1,124)	-	(1,124)
Balance at December 31, 2022	**$ 32,903**	**(18,115)**	**548**	**15,336**

(o) Earnings per share

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

(i) Basic earnings per share

	2023	2022
Net income of the Company	$ 108,816	79,598
Dividends on non-redeemable preference shares	(2)	(2)
Net income attributable to ordinary shareholders of the Company	**$ 108,814**	**79,596**
Weighted average number of ordinary shares outstanding	**30,999**	**30,999**
Basic earnings per share (in NTD)	**$ 3.51**	**2.57**

(Continued)

(ii) Diluted earnings per share

	2023	2022
Net income attributable to ordinary shareholders of the Company (basic)	$ 108,814	79,596
Dividends on non-redeemable preference shares	2	2
Net income attributable to ordinary shareholders of the Company (diluted)	**$ 108,816**	**79,598**
Weighted average number of ordinary shares outstanding (basic)	30,999	30,999
Effect of dilutive potential ordinary shares		
Effect of remuneration to employees	101	108
Effect of convertible preference shares	1	1
Weighted average number of ordinary shares outstanding (diluted)	**31,101**	**31,108**
Diluted earnings per share (in NTD)	**$ 3.50**	**2.56**

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023	2022
Primary geographical markets:		
United States	$ 273,005	287,863
Hong Kong	135,642	22,612
Germany	134,478	130,722
France	98,315	65,162
Taiwan	91,279	107,843
China	44,973	58,488
Others	302,927	261,447
	$ 1,080,619	**934,137**
Major products/services lines:		
Laptop	$ 901,976	748,585
Mainboard	98,957	74,212
Sales of materials and others	79,686	111,340
	$ 1,080,619	**934,137**

(Continued)

(ii) Contract Balance

		December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	$	-	-	116
Accounts receivable		52,666	89,909	70,836
Accounts receivable－related parties		165	774	-
Less: allowance for impairment		-	73	-
Total	**$**	**52,831**	**90,610**	**70,952**
Contract liabilities	**$**	**20,050**	**10,572**	**18,454**

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

The contract liabilities are 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 December 31, 2023 and 2022 that were included in the contract liabilities at the beginning of the period were $9,524 thousand and $10,863 thousand, respectively.

(q) 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.

(Continued)

For the years ended December 31, 2023 and 2022, the estimated employee remuneration amounted to $9,816 thousand and $7,155 thousand, respectively, and the estimated directors' remuneration amounted $3,681 thousand and $2,683 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, the related information would be available at the Market Observation Post System Website. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be recognized in profit or loss in the following year. The amounts, as stated in the consolidated financial statements, were identical to those of the actual distributions for 2023 and 2022.

(r) Non-operating income and expenses

(i) Interest income

	2023	2022
Interest income from bank deposits	**$ 6,758**	**1,398**

(ii) Other income

	2023	2022
Rental income	$ 27,669	27,739
Dividend income	-	480
Government grants	-	8,234
Other	5,848	990
Other income	5,848	9,224
Total other income	**$ 33,517**	**37,443**

(iii) Other gains and losses

	2023	2022
Gains on disposal of property, plant and equipment	$ 66	-
Gains on disposal of non-current assets held for sales	17,141	-
Foreign exchange gains (losses), net	(3,208)	35,349
Others	(3,700)	(5,603)
Other gains and losses, net	**$ 10,299**	**29,746**

(iv) Finance costs

	2023	2022
Interest expense	**$ 12,674**	**11,446**

(Continued)

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount.

2) Concentration of credit risk

As of December 31, 2023 and 2022, 21% and 37%, respectively, of the accounts receivable were from the sales to one customer. In addition, for the years ended December 31, 2023 and 2022, 65% and 73%, respectively, of the sales of the Group were concentrated in the Americas and Europe.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	Over 5 years
December 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings	$ 552,000	554,752	554,752	-	-	-
Notes payable	61	61	61	-	-	-
Accounts payable	100,236	100,236	100,236	-	-	-
Other payables	82,694	82,694	82,694	-	-	-
Lease liabilities	85,367	89,807	21,615	20,717	47,475	-
Guarantee deposits received	6,672	6,672	3,107	100	3,465	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	$ 827,041	**834,235**	**762,478**	**20,817**	**50,940**	**-**
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	$ 579,000	583,185	583,185	-	-	-
Notes payable	221	221	221	-	-	-
Accounts payable	109,894	109,894	109,894	-	-	-
Other payables	71,483	71,483	71,483	-	-	-
Lease liabilities	20,878	21,357	17,413	2,234	1,710	-
Guarantee deposits received	6,731	6,731	3,524	3,107	100	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	$ 788,218	**792,884**	**785,733**	**5,341**	**1,810**	**-**

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

(Continued)

(iii) Currency risk

1) Exposure to foreign currency risk

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

	Foreign currency	Exchange rate	NTD
December 31, 2023			
Financial assets:			
Monetary items:			
USD	$ 23,689	30.71	727,489
Financial liabilities:			
Monetary items:			
USD	$ 1,574	30.71	48,338
December 31, 2022			
Financial assets:			
Monetary items:			
USD	$ 19,600	30.71	601,916
Financial liabilities:			
Monetary items:			
USD	$ 1,815	30.71	55,739

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of December 31, 2023 and 2022, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the years ended December 31, 2023 and 2022 by $6,792 thousand and $5,462 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant.

3) Foreign exchange gain and loss on monetary item

Due to the numerous types of functional currency, the Group aggregately discloses its exchange gains and losses on monetary items. The Group's exchange gains (losses), including realized and unrealized, were $(3,208) thousand and $35,349 thousand for the years ended December 31, 2023 and 2022, respectively.

(iv) Interest rate risk analysis

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

(Continued)

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

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have decreased/increased by $5,520 thousand and $5,790 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowings at floating rates.

(v) Fair value

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group’s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, 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, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2023				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income					
Unlisted stocks (overseas)	$ 53	-	-	53	53

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

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.

(Continued)

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)
Disposal	(581)
Balance at December 31, 2023	**$ 53**
Balance at January 1, 2022	$ 1,803
Total loss recognized:	
In other comprehensive income	(1,124)
Balance at December 31, 2022	**$ 679**

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

(Continued)

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Comparative listed company	· Multiplier of price-to-book ratio (As of December 31, 2023 and 2022 were 0.08 and 0.08~1.00 respectively.) · Market illiquidity discount rate (As of December 31, 2023 and 2022 were 20%)	The estimated fair value would increase (decrease) if · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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

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

			Other comprehensive income	
	Input	**Assumptions**	**Favorable**	**Unfavorable**
December 31, 2023				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	$ 3	(3)
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)

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)

(t) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Accounts receivable

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

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

(Continued)

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

2) Investments

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

3) Guarantees

The Group's policy allows it to provide financial guarantees to companies which it has business relationship with, as well as those companies who hold more than 50% of the voting rights of the company, either directly or indirectly. As of December 31, 2023 and 2022, the Company did not provide any financial guarantees to its subsidiaries.

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

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

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

(Continued)

2) Interest rate risk

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

(u) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares to settle long-term liabilities.

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

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

	December 31, 2023	December 31, 2022
Total liabilities	$ **878,750**	**830,585**
Total assets	$ **1,306,981**	**1,156,327**
Debt ratio	**67** %	**72** %

As of December 31, 2023, there were no material changes to the capital management of the Group.

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

The Group's investing and financing activities that did not affect the current cash flow in the years ended December 31, 2023 and 2022 were to obtain right-of-use assets under leases.

For the years ended December 31, 2023 and 2022, the reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes		
	January 1, 2023	Cash flows	Acquisition right-of-use assets	Effect of changes in exchange rate	December 31, 2023
Short-term borrowings	$ 579,000	(27,000)	-	-	552,000
Lease liabilities	20,878	(20,139)	84,636	(8)	85,367
Guarantee deposits received	6,731	-	-	(59)	6,672
Total liabilities from financing activities	$ **606,609**	**(47,139)**	**84,636**	**(67)**	**644,039**

(Continued)

	January 1, 2022	Cash flows	Non-cash changes: Acquisition right-of-use assets	Non-cash changes: Effect of changes in exchange rate	December 31, 2022
Short-term borrowings	$ 620,000	(41,000)	-	-	579,000
Lease liabilities	33,922	(16,887)	3,433	410	20,878
Guarantee deposits received	6,676	-	-	55	6,731
Total liabilities from financing activities	**$ 660,598**	**(57,887)**	**3,433**	**465**	**606,609**

(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)

(b) Significant transactions with related party

(i) Operating revenue

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

	2023	2022
Other related parties:		
NCS	**$ 984**	**3,027**

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:

Account	Type of related parties	December 31, 2023	December 31, 2022
Accounts receivable－related parties	Other related parties:		
	NCS	**$ 165**	**701**

(Continued)

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2023	2022
Short-term employee benefits	$ 26,652	23,809
Post-employment benefits	216	216
	$ 26,868	**24,025**

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Property,plant and equipment	Short-term borrowings	$ 256,134	263,374
Investment property	Short-term borrowings	139,957	141,360
		$ 396,091	**404,734**

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

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

By function / By nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	34,215	167,412	201,627	29,488	148,476	177,964
Labor and health insurance	3,649	12,527	16,176	3,204	11,615	14,819
Pension	1,763	6,476	8,239	1,579	6,150	7,729
Remuneration of directors	-	6,798	6,798	-	5,686	5,686
Others	2,233	4,223	6,456	1,889	3,762	5,651
Depreciation (note)	4,972	23,481	28,453	4,931	20,415	25,346
Amortization	-	13,125	13,125	-	12,326	12,326

Note: Depreciation expenses for investment property recognized under other gains and losses amounted to $2,736 thousand and $2,744 thousand for the years ended December 31, 2023 and 2022, respectively.

(Continued)

(13) Other disclosures

(a) Information on significant transactions:

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

(i) Loans extended to other parties: None.

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

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

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

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2021	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	I1, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	30,800	
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	63,609	
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	53	0.691 %	53	4,630	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	8,969	
The Company	Durabook Federal, Inc	-	Non-current financial assets at fair value through other comprehensive income	19	-	19.000 %	-	5	

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

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

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

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

(in thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Durabook	Subsidiary	(Sale)	(91,626)	(9) %	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	66,673 (Note 1)	35 %	Note 2
Durabook Americas Inc.	The Company	Parent company	Purchase	91,626	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	(165,063)	(99) %	Note 2

Note 1: The Company's accounts receivable was offset against the credit balance of 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	313,042 (Note 3)	-	313,042 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable (Note 3)	-	-

(Continued)

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	Durabook	Subsidiary	165,063 (Note 4)	0.60	98,390 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	9,194	-

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

Note 2: Until March 13, 2024.

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

Note 4: As of December 31, 2023, the Company's accounts receivable from Durabook were $165,063 thousand. The overdue receivables of $98,390 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	91,626	The transaction is not significantly different from normal transactions	8.48 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	37,626	The transaction is not significantly different from normal transactions	3.48 %
0	The Company	Durabook	1	Accounts receivable－related parties	66,673	The receivables can be offset with accounts payable from purchase or be O/A 60 days	5.10 %
0	The Company	Twinhead Kunshan Technology Co., Ltd.	1	Long-term accounts receivable－related parties	75,702 (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.	5.79 %

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 credit balance of 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 years ended December 31, 2023 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2020	Net income (loss) of investee	Investment income (losses)	Remarks
				December 31, 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	80.00 %	(7,132) (Note 3)	73,442	(27,145)	(21,716)	Subsidiary (Note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.00 %	- (Note 4)	539,919	9,359	9,359	Subsidiary (Note 2)

(Continued)

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2020	Net income (loss) of investee	Investment income (losses)	Remarks
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Book value				
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.00 %	1,194	1,388	(71)	(71)	Subsidiary (Note 2)

Note 1: The exchange rate as of December 31, 2023 : USD1=TWD30.71.

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 credit balance of the investments of Durabook, accounted for using the equity method.

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

(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 December 31, 2023	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2020	Investment income (losses) (Note 2)	Book value as of December 31, 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	383,875 (USD12,500)	(2)	383,875 (USD12,500)	-	-	383,875 (USD12,500)	10,955	100.00 %	383,875 (USD12,500)	10,955	(255,804)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	122,840 (USD4,000)	(2)	61,420 (USD2,000)	-	-	61,420 (USD2,000)	-	- %	61,420 (USD2,000)	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,449 (USD210)	(2)	6,449 (USD210)	-	-	6,449 (USD210)	(1,039)	100.00 %	6,449 (USD210)	(1,039)	19,341	-

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

(1) Through transferring the investment to third-region existing companies then investing in Mainland China.

(2) Remittance from third-region companies to invest in Mainland China (Through Twinhead (Asia) Ptd Ltd. invest in Mainland china).

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

(4) Other methods: EX: delegated investments.

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

Note 3: The exchange rate as of December 31, 2023 : USD1=TWD30.71.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 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	491,667 (USD16,010)	491,667 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of December 31, 2023: USD1=TWD30.71.

Note 3: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau Ministry of Economic Affairs, on June 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

Shareholding / Shareholder's Name	Shares	Percentage
Kaos Enterprise Co., Ltd.	4,966,643	16.02 %
Protegas Futuro Holdings, LLC	4,387,943	14.15 %
Outstanding Corporation	2,055,600	6.63 %
KANG EEL SHIUAN Co., Ltd.	1,739,158	5.61 %

(14) Segment information

(a) General information

The Group is mainly engaged in the design, manufacture and sale of computers, as well as related products. The management regularly reviews the Group's overall performance to evaluate the efficiency of each segment and allocate its resources accordingly. The Group is identified as a sole operating segment.

(b) Information about the products and services

Revenue from the external customers of the Group was as follows:

Products and services	2023	2022
Laptop	$ 901,976	748,585
Mainboard	98,957	74,212
Sales of materials and others	79,686	111,340
Total	**$ 1,080,619**	**934,137**

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets.

Geographic information	2023	2022
Revenue from external customers:		
United States	$ 273,005	287,863
Hong Kong	135,642	22,612
Germany	134,478	130,722
France	98,315	65,162
Taiwan	91,279	107,843
China	44,973	58,488
Others	302,927	261,447
Total	**$ 1,080,619**	**934,137**

(Continued)

Geographical information		**December 31, 2023**	**December 31, 2022**
Non-current assets:			
Taiwan	$	505,661	450,356
China		60,683	63,126
United States		5,268	5,679
Total	**$**	**571,612**	**519,161**

Non-current assets include property, plant and equipment, right-of-use assets, investment property and other assets, not including financial instruments, deferred tax assets, and rights arising from insurance contract.

(d) Information about major customers

For the years ended December 31, 2023 and 2022, the Group's major customers whose revenue was 10% or more of the net sales were as follows:

		2023	**2022**
Customer D	$	142,804	106,163
Customer P		(Note 1)	95,129

Note 1: Revenue from the aforementioned customers was less than 10% of the net sales in 2023.

VI. Financial difficulties experienced by the Company or its affiliates during the most recent year and as of the publication date of this annual report and impact on the Company's financials: None.

Seven. Review and Analysis of Financial Position, Financial Performance and Risks

I. Financial position

Major reason and impact of significant changes in assets, liabilities and equity during the most recent 2 years:

Comparative Statement of Financial Position

Unit: Thousand New Taiwan Dollars

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	585,907	689,093	103,186	17.61
Non-current assets	570,420	617,888	47,468	8.32
Total assets	1,156,327	1,306,981	150,654	13.03
Current liabilities	812,537	799,168	(13,369)	(1.65)
Non-current liabilities	18,048	79,582	61,534	340.95
Total liabilities	830,585	878,750	48,165	5.80
Share capital	248,004	310,002	61,998	25.00
Capital surplus	35	35	-	-
Retained earnings	82,576	124,784	42,208	51.11
Other equity	14,788	18,418	3,630	24.55
Non-controlling interests	(19,661)	(25,008)	(5,437)	27.20
Total equity	325,742	428,231	102,489	31.46

Explanation for significant changes:

1. The increase in non-current liabilities during the period was mainly due to the increase in lease liabilities.
2. The increase in share capital during the period is mainly due to the capitalization of earnings through the issuance of new shares.
3. The increase in retained earnings during the period is mainly due to the increase in profits of the period.
4. The increase in other equities during period is mainly due to the disposal of equity instruments measured at fair value through other comprehensive income.

II. Financial performance

(I) Main reason for the material changes in operating revenue, operating profit and pre-tax income for the most recent two years:

Unit: thousand New Taiwan Dollars

Item \ Year	2022	2023	Amount of changes	Rate of changes (%)
Operating revenue	934,137	1,080,619	146,482	15.68
Operating cost	635,281	683,843	48,562	7.64
Gross profit	298,856	396,776	97,920	32.76
Operating expenses	277,511	324,587	47,076	16.96
Net operating profit	21,345	72,189	50,844	238.20
Non-operating revenue and expense	57,141	37,900	(19,241)	(33.67)
Net profit before tax	78,486	110,089	31,603	40.27
Income tax expense	(977)	(6,702)	(5,725)	585.98
Net income for the period	77,509	103,387	25,878	33.39

Explanation for significant changes:

1. The increase in operating profit was mainly due to the increase in operating revenue and gross profit.
2. The decrease in non-operating revenue and expense was due to the decrease in gains on foreign exchange

(II) Sales volume forecast and the basis therefor, the effect upon the company's financial operations and measures to be taken in response: None.

III. Cash flows

(I) Liquidity analysis for the most recent two years

Unit: thousand New Taiwan Dollars

Item	2022	2023	Amount of changes	Change %
Operating activities	104,491	179,527	75,036	71.81
Investing activities	(13,536)	2,783	16,319	120.56
Financing activities	(83,719)	(47,836)	35,883	42.86
Effects of changes in exchange rates	(13,309)	20	13,329	100.15
Net cash (outflow) inflow	(6,073)	134,494	140,567	2,314.62

Explanation for changes in ratios:

1. The increase in net cash inflows from operating activities: Mainly due to the increase in profit of this year.
2. The increase in net cash inflow from investing activities: Mainly due to the disposal of non-current assets held for sale.
3. The decrease in net cash outflows from financing activities: Mainly due to debt repayment and the decrease in cash dividends.
4. Effects of changes in exchange rates: Mainly due to the decrease in gains and losses on the exchange differences resulting from translating the financial statements in foreign operations.

(II) Remedy for Cash Deficit and Liquidity Analysis: Not applicable: None.
(III) Cash Flow Analysis for the Coming Year:

Unit: thousand New Taiwan Dollars

Opening balance of cash (2024/1/1)	Net cash flow from operating activities throughout the year	Cash outflow throughout the year	Cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Wealth management plan
364,910	177,645	108,789	433,766	-	-

Explanation for analysis of change in cash flow:
1. Operating activities: Estimated cash inflows were mainly due to operating profit.
2. Annual cash outflows: Estimated cash outflows were mainly due to debt repayment and other capital expenditures.

IV. Impact of major capital expenditures during the most recent year on financials and business

(I) Major capital expenditure items and source of capital: None.
(II) Expected benefits: None.

V. Equity investment policy during the most recent year, main reasons for the resulting profits/losses, improvement plan and equity investment plan for the coming year

The Company reinvests mainly in our subsidiaries. There is no other investment plan the coming year currently.

VI. Analysis and assessment of risks for the most recent year and as of the publication date of this annual report

(I) Impact of interest rate and exchange rate changes and inflation on the Company's profit and loss and countermeasures going forward

1. Interest rates: The change in interest rates was insignificant during the most recent year. Hence, interest rate fluctuations are unlikely to cause significant risks.
2. Exchange rates: To manage exchange rate risks, the Company keeps its net position of foreign currencies to a certain amount.
   The Company's credits and debts denominated in foreign currencies are affected by exchange rates. However, the net position of such credits and debts is not significant. The impact of exchange rate changes is thus limited to a certain level.
3. Inflation: The Company keeps an eye on market price trends, adopts a flexible strategy and proactively negotiates with suppliers to mitigate the effects of inflation.

(II) Policies, main reasons for profit or loss and countermeasures going forward regarding highly risky and highly leveraged investments, lending to others, endorsements/guarantees and derivatives transactions

The Company is not engaged in highly risky or highly leveraged investments. Lending to others, endorsements/guarantees and transaction of derivatives are in accordance with regulations set by competent authorities and the Company's Procedures for Asset Acquisitions/Disposals; Procedures for Lending, Endorsements and Guarantees and corresponding measures.

(III) R&D plans and expected R&D expenses

1. The Company plans to develop and launch the following products and services in 2024:

(1) Rugged mobile devices

- Next-generation rugged laptops with the newest computing platform and in data transmission specifications
- High-speed computing mobile workstations with disk arrays
- Light-weight, high-performance tablets with Windows operating system
- Development of peripheral products for a variety of use cases in the industrial and military markets

(2) Artificial intelligence

Predictive service with cloud, big data and analytics for customers to manage and analyze products

2. The Company has placed a long-term emphasis on product innovation and the development and training of R&D talents. Significant resources are invested on the development and mass production of next-generation products, as well as the effective monitoring of market dynamics and product trends. In adherence to the tradition of continued innovations, the Company plans to spend about 8% of sales on R&D in 2024. We continue to develop new products and applications and work with channel partners to expand markets and use cases.

(IV) Changes in important policies and laws domestic and overseas on the Company's financials and business and the countermeasures

The Company stays abreast of changes in important policies and laws domestic and overseas and responds to amendments of relevant regulations by competent authorities. The Company has adopted corresponding measures and hence there is no significant influence on financials or business.

(V) Impact of technological changes (including information and communication security risks) and industrial changes on the Company's financials and business and the countermeasures

The Company keeps a close eye on the development of relevant sectors and evaluates the impact of technological changes on its financials and business and devises countermeasures accordingly. Hence, technological change has no significant effects on the Company's financials or business yet.

(VI) Impact of company image changes on corporate crisis management and the countermeasures

The Company has not experienced changes in its corporate image. The Company has established a corporate website, spokesperson system, investor relations and customer feedback mechanism. We disclose significant news and announcements according to relevant laws and we create a transparent channel for communication and mutual trust to maintain a good corporate image.

(VII) Expected benefits, potential risks of acquisitions and countermeasures

No M&A plan as of the publication date of this annual report

(VIII) Expected benefits and potential risks of factory facilities expansion and countermeasures

No factory expansion plan s of the publication date of this annual report

(IX) Risks of sale/purchase concentration and countermeasures

Diversified sales/purchases and hence no overconcentration risks

(X) Impact and risks of significant ownership transfers or changes among directors, supervisors or major shareholders with at least a 10% stake and countermeasures

No such circumstances as of the publication date of this annual report

(XI) Impact and risks of change of control and countermeasures

No such circumstances as of the publication date of this annual report

(XII) Litigation or non-litigation events

None.

(XIII) Other important risks and countermeasures

Below is an analysis and assessment of the Company's cybersecurity risks:

1. Network security risks: The Company has deployed firewall equipment and systems and established a mechanism to block cyberattacks. Log-on authority has been set up to mitigate the risk of cyberattacks.
2. Mail security risks: The Company has deployed a mail filtering system with a set of rules governing external emails. Virus information is updated from time to time. Regular scans are conducted. Suspicious emails that may contain viruses are isolated, to avoid computer systems from attacks of virus files or links.
3. Personal computer risks: The Company installs endpoint anti-virus software on employees' computers. Virus codes are updated daily and infected computer files are isolated, to avoid virus attacks.
4. System control and damage risks: The Company implements authorization management on important files. System files are regularly and routinely backed up and storage media is kept at the safe with a bank. This ensures remote backups and reduces recovery risks in event of system abnormality.
5. Information and software risks: The Company's IT department conducts software audits from time to time each year. Each department is staffed with a software auditor, to support the IT department in the inspection and audit of software installed for employees.

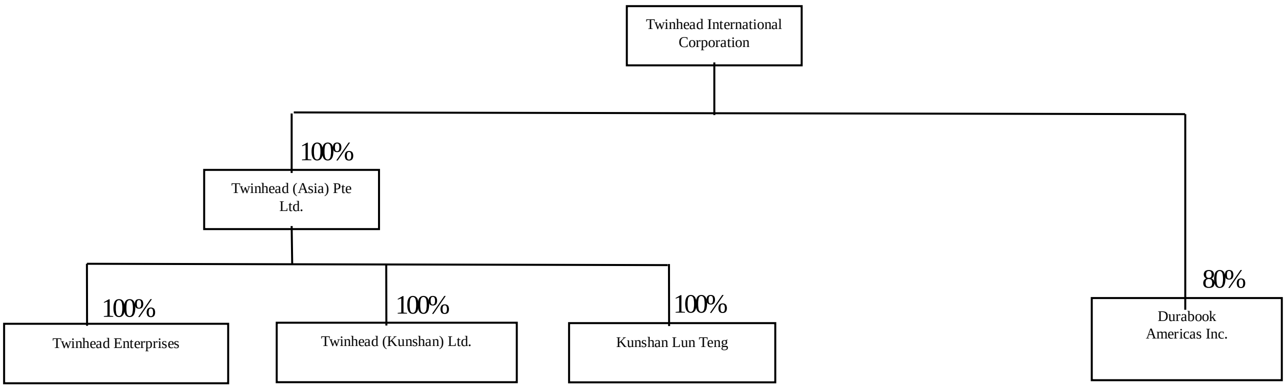
VII. Other important matters: None.

Eight. Special Notes

I. Data on affiliated enterprises (as of the publication date of this annual report)

(I) Consolidated business report of affiliated enterprises

1. Organization chart of affiliated enterprises



2. Basic data of individual affiliated enterprises

Unit: NT$1,000; foreign currency 1,000

Enterprise name	Establishment date	Address	Paid-up capital (Note)	Principal business activities or production item
Durabook Americas Inc.	1989/7/12	48329 Fremont Blvd , Fremont, CA94538,USA	USD2,962 (NTD78,761)	R&D and trading of computers and peripherals
Twinhead (Asia)	1997/3/1	51,Anson Rd.,#02-61,Anson Centre,Singapore,079904	SGD5,872 (NTD486,297)	Investment holding
Twinhead Enterprises (B.V.I.)(B.V.I.) Ltd.	1997/2/12	DrakeChambers,Tortola,BritishVirginIsland	USD50 (NTD1,388)	Investment holding
Twinhead (Kunshan) Ltd.	2001/2/22	No. 89, First Avenue, Kunshan Integrated Free Trade Zone, Jiangsu Province	USD12,500 (NTD429,582)	Factory facilities leasing to other companies
Kunshan Lun Teng (B.V.I.) Ltd.	2012/3/6	Room 406, Yuda Commercial Square, No. 6 Leshan Road, Yushan Town, Kunshan, Jiangsu Province	USD210 (NTD6,332)	Trading of computers, peripherals and digital camera and technical consultation services

Note: NT$ amounts based on historical exchange rates

3. Data on same shareholders of the companies with controlling and subordinate relationships according to Article 369-3 of the Company Act: none

4. Industries covered by the scope of businesses for all affiliated enterprises: Please refer to (2).
Please explain the division of work and the dealing of businesses if affiliated enterprises operate in related businesses:
The Company is responsible for manufacturing, sales and after-sales maintenance. Subsidiaries and sub-subsidiaries handle sales and after-sales maintenance.

5. Data on directors, supervisors and managers of affiliated enterprises

Unit: shares; %

Enterprise name	Title	Name or representative		Number of shares held	
				Number of shares	Shareholding ratio
Durabook Americas Inc.	Chairman	Yu-Jen Kao	Representative of Twinhead International Corporation	769,230	80%
	Director	Mei-Li Tsai	Representative of Twinhead International Corporation	769,230	80%
	Director	Su-Fu Kao	Representative of Twinhead International Corporation	769,230	80%
	President	Heng-Chia Wang		-	-

Unit: shares; %

Enterprise name	Title	Name or representative		Number of shares held	
				Number of shares	Shareholding ratio
Twinhead (Asia)	Chairman	Yu-Jen Kao	Representative of Twinhead International Corporation	5,872,420	100.00%
	Director	Mei-Li Tsai	Representative of Twinhead International Corporation	5,872,420	100.00%
	Director	Su-Fu Kao	Representative of Twinhead International Corporation	5,872,420	100.00%
	Director	Jordan Tan Wee Meng		-	-

Unit: shares; %

Enterprise name	Title	Name or representative		Number of shares held	
				Number of shares	Shareholding ratio
Kunshan Lun Teng	Executive Director	Su-Fu Kao	Representative of Twinhead (Asia)	-	100.00%
	Supervisor	Liang-Ching Tsai	Representative of Twinhead (Asia)	-	100.00%
	President	Lee-Wen Liu		-	-

Unit: shares; %

Enterprise name	Title	Name or representative		Number of shares held	
				Number of shares	Shareholding ratio
Twinhead International Corporation (Kunshan) Ltd.	Chairman	Yu-Jen Kao	Representative of Twinhead (Asia)	-	100.00%
	Director	Mei-Li Tsai	Representative of Twinhead (Asia)	-	100.00%
	Director	Su-Fu Kao	Representative of Twinhead (Asia)	-	100.00%
	Supervisor	Liang-Ching Tsai	Representative of Twinhead (Asia)	-	100.00%
	President	Kun-Tsang Hsien		-	-

Unit: shares; %

Enterprise name	Title	Name or representative		Number of shares held	
				Number of shares	Shareholding ratio
Twinhead Enterprises (B.V.I.) Ltd.	Chairman	Yu-Jen Kao	Representative of Twinhead (Asia)	50,000	100.00%
	Director	Mei-Li Tsai	Representative of Twinhead (Asia)	50,000	100.00%
	Director	Su-Fu Kao	Representative of Twinhead (Asia)	50,000	100.00%

6. Operating performance of associates

Unit: Thousand New Taiwan Dollars

Enterprise name	Share Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Net income (loss) (net of tax)	Earnings per share (after tax)
Durabook Americas Inc.	78,761	52,435	177,478	(125,043)	120,120	(22,257)	(27,145)	(28.23)
Twinhead (Asia) Pte Ltd.	486,297	21,164	255,996	(234,832)	-	(500)	9,359	1.59
Twinhead Enterprises (B.V.I.) Ltd.	1,514	1,194	-	1,194	-	(68)	(71)	(1.42)
Twinhead Kunshan Technology Co., Ltd.	497,217	61,739	317,543	(255,804)	-	(1,529)	10,955	-
Lunton Teng	6,332	27,719	8,378	19,341	44,973	(767)	(1,039)	-

Note: Except for the share capital which was calculated based on historical exchange rate, amount in other fields were calculated based on spot rate on December 31, 2023 and average rate of 2023.

(II) Consolidated financial statements of affiliated enterprises

Declaration

The companies that should be included in the Company's 2023 consolidated financial statements of affiliated enterprises (from January 1, 2023 to December 31, 2023) according to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as the companies that should be included in the parent's consolidated financial statements of subsidiaries according to IFRS 10 Consolidated Financial Statements endorsed by the Financial Supervisory Commission. Furthermore, the information that should be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the aforesaid parent's consolidated financial statements of subsidiaries. Therefore, the consolidated financial statements of affiliated enterprises are not prepared separately.

Stated as above

Company: Twinhead International Corp.

Chairman: Yu-Jen Kao

Date: March 13, 2024

(III) Relations report: not applicable

II. Private placement of marketable securities during the most recent year and as of the publication date of this annual report:
None.

III. Holdings or disposal of the Company’s shares by subsidiaries during the most recent year and as of the publication date of this annual report:
None.

IV. Other matters that require additional descriptions:
None.

V. Matters that materially affect shareholders' equity or prices of the securities during the most recent year and as of the publication date of this annual report as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:
None.

Twinhead International Corp. 

Chairman Yu-Jen Kao