

Stock Code : 2364



Twinhead International Corp.

2024 Annual Shareholders' Meeting

Meeting Agenda

June 14, 2024

No. 31, Huaxi Rd., Daliao Dist., Kaohsiung City , Taiwan (R.O.C.)

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Twinhead International Corporation

2024 Shareholders' Meeting Procedure

I. Call the Meeting to Order

II. Chairperson Remarks

III. Report Items

IV. Acknowledgement

V. Discussions

VI. Extraordinary Motions

VII. Adjournment

Twinhead International Corporation

2024 Shareholders' Meeting Agenda

Time: 9:30 a.m., June 14, 2024 (Fri.)

Place: No. 31, Huaxi Road, Dafa Industrial Park, Daliao District,
Kaohsiung City

I. Report Items

- (I) Audit Committee presents 2023 audit report of the Company.
- (II) To report 2023 employees' and directors' remuneration.
- (III) The Company's report shows no cash dividend distribution for 2023.

II. Acknowledgement

- (I) 2023 Business Report
- (II) 2023 Financial Statements (unconsolidated and consolidated)
- (III) 2023 Earnings Distribution Table

III. Discussions:

- (I) 2023 capitalization of retained earnings.

IV. Extraordinary Motions

V. Adjournment

Report Items

Report No.1: Audit Committee presents 2023 audit report of the Company.

Explanation: The Company's 2023 Audit Committee's Review Report (please refer to page 13 of this agenda for details of the Audit Committee's Review Report).

Resolution:

Report No.2: To report 2023 employees' and directors' remuneration.

Explanation: I. In accordance with Article 22-1 in Articles of Incorporation, if the Company generates profits during the year, an allocation of no less than 5% shall be made as the remuneration to employees and no more than 4% as the remuneration to directors according to laws. However, the profit should be reserved first for offsetting of accumulated losses if any.

II. The Company reached resolutions respectively at the fifth meeting of the 14th session of the Board on December 27, 2023 and the sixth meeting of the 14th session of the Board on March 13, 2024 to determine the provision ratio based on income before tax (profit before deducting employee remuneration and director's remuneration) for distributing 8% as employee remuneration and 3% as director remuneration. The total remuneration of employees is NT\$9,816,068 and the total remuneration of directors is NT\$3,681,025.

III. The employees' and directors' remuneration are to be distributed in cash. The employees' remuneration will be distributed to the full-time employees of the Company only.

Resolution:

Proposal 3: The Company's report of no cash dividend distribution for 2023.

Explanation: Considering the Company's financial planning, the sixth meeting of the 14th session of the Board of Directors on March 13, 2024 resolved to distribute share dividends of common shares and not distribute cash dividends of common shares.

Resolution:

Acknowledgement

Proposal No.1 Proposed by the Board of Directors

Summary: Acknowledgement of 2023 business report.

Explanation: I. The Company's 2023 business report (please refer to page 14 of this agenda) has been approved by the 14th Board of Directors in the 16th meeting on March 13, 2024. The Audit Committee examined and issued the audit report.

II. Proposed for acknowledgement.

Resolution:

Proposal No.2 Proposed by the Board of Directors

Summary: Acknowledgement of the 2023 Financial Statements
(unconsolidated and consolidated)

Explanation: I. The Company's 2023 financial statements (unconsolidated and consolidated, please refer to page 15-22 of this agenda) have been approved by the 14th Board of Directors in the 16th meeting on March 13, 2024, were audited by CPA Stella Huang and CPA WU, CHUNG-SHUN of KPMG (please refer to page 23-28 of this agenda). Audit Committee examined and issued the audit report.

II. Proposed for acknowledgement.

Resolution:

Proposal No.3 Proposed by the Board of Directors

Summary: Acknowledgement of 2023 earnings distribution

Explanation: I. According to the Articles of Incorporation, the Company should issue a total of \$2,124 as dividends of Type A registered preference shares for the year of 2023, with the proposed book closure date on July 12, 2024 and the dividend issuance date on August 2, 2024.

II. The Company's 2023 net income after tax was \$108,816,091. In accordance with the Company Act and the Articles of Incorporation, a 10% legal capital reserve of \$10,420,846 shall be set aside, and 2023 dividends on preference shares of \$2,124 shall be distributed at first. Retained earnings available for distribution was \$103,583,256. The proposed stock dividend per share is \$3, with a total of \$92,997,600.

III. The Company's 2023 Earnings Distribution Table (please refer to page 29 of this agenda) has been approved by the by the 14th Board of Directors in the 16th meeting on March 13, 2024. The Audit Committee examined and issued the audit report.

IV. Proposed for acknowledgement.

Resolution:

Discussions

Proposal No.1 Proposed by the Board of Directors

Summary: Discussion for 2023 capital increase out of surplus profit.

Explanation: I. In order to replenish operating capital, it is proposed to issue new shares out of surplus profit of 2023, with a total of \$92,997,600 and 9,299,760 shares at a par value of \$10 per share. News shares to be issued on the capital increase out of surplus profit shall be distributed, with no consideration paid, to the shareholders as registered in the shareholders roster on the record date at the rate circa 300 per 1,000 shares. The shareholder with fractional shares may apply to the Company's agent for stock affairs to pair fractional shares into a whole share within 5 days from the record date. For shares remained factional with or without being paired, upon expiration of the said period, cash will be paid according to their par value (and rounded to the nearest full New Taiwan Dollar) instead, and the Chairman is authorized to look for specified persons to buy the fraction of shares according to the face value. For shareholders who participate in the book entry operation of shares, the fractional share amount less than one share will be used as the cost of handling the book entry operation.

II. Rights and obligations of the new shares issued in the capital increase are the same as the former shares.

III. After this proposal is passed by the

shareholders' meeting and approved by the competent authority, the Board will be authorized to set a new base date for capital increase and share allotment and other related matters. It is proposed that the Board of Directors would be authorized to deal with the adjustment due to regulation of competent authority or objective environment.

- IV. If the Company subsequently repurchases the Company's shares for transfer or cancellation of treasury shares, or affects the number of outstanding shares for any reasons and the shareholder payout ratio changes thereby, the chairman will be authorized to handle relevant matters with full authority.
- V. Proposed for discussion.

Resolution:

Extraordinary Motions

Adjournment

Twinhead International Corporation: Audit Report by Audit Committee

Hereby

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 WU, CHUNG-SHUN with KPMG Taiwan. The above statements and documents have been audited by the Audit Committee, and no non-compliance was found. 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.

As above
2024 Shareholders' Meeting

Convener of Audit Committee: Yuan-Chuan Lee

March 14, 2024

Twinhead International Corporation

2023 Business Report

I. Overview of Operation and Achievement of Project Implementation:

The Company's consolidated revenue in 2023 was NT\$1,080,619 thousand, the operating gross profit was NT\$396,776 thousand, and the operating gross profit margin was 36%.

II. Overview of Production and Sales and Profitability:

The Company's major products are military/industrial-grade rugged portable computers. In 2023, the consolidated sales volume was 51,172 units, with a sales amount of NT\$1,000,933 thousand, including the sales of other electronic components, making the total sales amount reach NT\$1,080,619 thousand.

III. Overview of Profit or Loss and Execution of Income and Expenditure Budget:

In 2023, due to the adjustment in channel development, which gradually reached certain results and benefited from the decrease in raw material prices and freight charges, the annual revenue and profit increased compared with 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.

IV. Business Strategy and Vision:

For business operation: In addition to strengthening the established distribution system in Europe and the United States and deepening cooperative development with major customers, we also continue to adjust the structure of channels in mainland China and other third world countries, so as to establish the basis for future stability and growth for the Company.

For products: In addition to continuing to launch rugged portable devices with different target clients for the current vertical market, we will also invest in the research and development of new products with potential in accordance with technological trends.

For organizational costs: We continue to promote the refinement and rationalization of the organization and its processes, strive to reduce costs and improve efficiency and profitability.

Looking forward to 2024: We will continue to work diligently to strengthen the operations of our subsidiaries and forge local strategic partners to increase market penetration and the number of bidding. With the increasing brand awareness and image, it is expected that in 2024 we will be able to continue to grow and achieve our operational goals.

Person in Charge: Yu-Jen Kao Manager: Su-Fu Kao Accounting Head: Hung-Jung Wang

(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)

	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 332,304	25	193,170	17	2100	\$ 552,000	42	579,000
1170 Accounts receivable, net (notes 6(b) and 6(q))	44,514	3	82,589	7	2130	17,208	1	5,310
1180 Accounts receivable — related parties, net (notes 6(b), 6(q) and 7)	71,794	6	64,491	6	2150	61	-	221
130x Inventories (note 6(c))	241,260	18	239,197	21	2170	97,953	8	108,352
1410 Prepayments	6,490	1	6,356	-	2200	78,033	6	63,877
1470 Other current assets	1,566	-	441	-	2220	1,384	-	437
Total current assets	697,928	53	586,244	51	2250	9,759	1	7,843
Non-current assets:								
1520 Financial assets measured at fair value through other comprehensive income-non-current (note 6(d))	53	-	679	-	2280	16,638	1	15,069
1600 Property, plant and equipment (notes 6(f), 6(j) and 8)	264,009	20	271,122	23	2300	13,625	1	14,915
1755 Right-of-use assets (note 6(g))	79,314	6	14,748	1		786,661	60	795,024
1760 Investment property, net (notes 6(h), 6(l) and 8)	139,957	10	141,360	12		6,831	1	6,908
1840 Deferred income tax assets (note 6(n))	32,874	2	32,874	3	2550	62,808	4	230
1920 Refundable deposits	7,660	1	5,810	1	2580	10,339	1	8,690
1942 Long-term accounts receivable- related parties (notes 6(b), 6(q) and 7)	75,702	6	80,292	7	2670	79,978	6	15,828
1995 Other non-current assets	22,381	2	23,126	2		866,639	66	810,852
Total non-current assets	621,950	47	570,011	49				
Total assets	\$ 1,319,878	100	\$ 1,156,255	100				
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (notes 6(i) and 8)								
Current contract liabilities (note 6(q))								
Notes payable								
Accounts payable								
Other payables (notes 6(m) and 6(r))								
Other payables-related parties (note 7)								
Provisions — current (note 6(j))								
Current lease liabilities (note 6(k))								
Other current liabilities								
Total current liabilities								
Non-Current liabilities:								
Provisions — non-current (note 6(j))								
Non-current lease liabilities (note 6(k))								
Other non-current liabilities (notes 6(e) and 7)								
Total non-current liabilities								
Total liabilities								
Equity (notes 6(d) and 6(o)):								
Share capital:								
Ordinary shares	309,991	23	247,993	21				
Preference shares	11	-	11	-				
Capital surplus	310,002	23	248,004	21				
Retained earnings:	35	-	35	-				
Legal reserve	10,778	1	2,818	-				
Retained earnings	114,006	9	79,758	7				
Other equities:	124,784	10	82,576	7				
Exchange differences on translation of foreign financial statements	31,970	2	32,903	3				
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(13,552)	(1)	(18,115)	(1)				
Total equity	18,418	1	14,788	2				
Total liabilities and equity	\$ 1,319,878	100	\$ 1,156,255	100				

(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)	<u>678,605</u>	<u>65</u>	<u>625,445</u>	<u>70</u>
	Gross profit from operations	367,142	35	267,064	30
5910	Less: Unrealized profit on affiliated transactions (note7)	<u>627</u>	-	<u>1,126</u>	-
5900	Gross profit	<u>366,515</u>	<u>35</u>	<u>265,938</u>	<u>30</u>
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	<u>103,433</u>	<u>10</u>	<u>89,825</u>	<u>10</u>
	Total operating expenses	<u>269,205</u>	<u>26</u>	<u>227,288</u>	<u>26</u>
6900	Net operating income	<u>97,310</u>	<u>9</u>	<u>38,650</u>	<u>4</u>
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	<u>(12,357)</u>	<u>(1)</u>	<u>(16,159)</u>	<u>(2)</u>
	Total non-operating income and expenses	<u>11,894</u>	<u>1</u>	<u>40,948</u>	<u>5</u>
	Income from continuing operations before tax	109,204	10	79,598	9
7950	Less: Income tax expense (note 6(n))	<u>388</u>	-	-	-
	Net income	<u>108,816</u>	<u>10</u>	<u>79,598</u>	<u>9</u>
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	<u>(45)</u>	-	<u>(1,124)</u>	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(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	<u>(933)</u>	-	<u>(9,298)</u>	<u>(1)</u>
8300	Other comprehensive income (loss), net	<u>(978)</u>	-	<u>(10,422)</u>	<u>(1)</u>
	Total comprehensive income (loss)	<u>\$ 107,838</u>	<u>10</u>	<u>69,176</u>	<u>8</u>
9750	Basic earnings per share (in New Taiwan dollar) (note 6(p))	<u>\$ 3.51</u>		<u>2.57</u>	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(p))	<u>\$ 3.50</u>		<u>2.56</u>	

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		Total share capital	Retained earnings		Total retained earnings	Exchange differences on translation of foreign financial statements	Total other equity interest		
	Ordinary shares	Preference share		Capital surplus	Legal reserve			Retained earnings	Total retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
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	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	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)

	<u>2023</u>	<u>2022</u>
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	<u>41,028</u>	<u>62,409</u>
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	<u>20,391</u>	<u>(86,106)</u>
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	<u>16,895</u>	<u>51,728</u>
Total changes in operating assets and liabilities, net	<u>37,286</u>	<u>(34,378)</u>
Total adjustments	<u>78,314</u>	<u>28,031</u>
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	<u>181,275</u>	<u>98,157</u>
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	<u>3,085</u>	<u>(12,970)</u>
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	<u>(45,226)</u>	<u>(81,434)</u>
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	<u>\$ 332,304</u>	<u>193,170</u>

See accompanying notes to parent company only financial statements.

(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)

	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 364,910	28	230,416	20	2100	42	579,000	50
1170 Accounts receivable, net (notes 6(b) and 6(p))	52,666	4	89,909	8	2130	1	10,572	1
1180 Accounts receivable—related parties, net (notes 6(b), 6(p) and 7)	165	-	701	-	2150	-	221	-
130x Inventories (note 6(c))	259,697	20	255,455	22	2170	8	109,894	10
1470 Prepayments and other current assets	11,655	1	9,426	1	2200	6	71,483	6
Total current assets	<u>689,093</u>	<u>53</u>	<u>585,907</u>	<u>51</u>	<u>2250</u>	<u>1</u>	<u>8,663</u>	<u>1</u>
Non-current assets:					<u>2280</u>	<u>2</u>	<u>17,066</u>	<u>1</u>
1517 Non-current financial assets at fair value through other comprehensive income (note 6(d))	53	-	679	-	2300	1	15,638	1
1600 Property, plant and equipment (notes 6(e), 6(r) and 8)	265,169	20	272,693	23		1	6,908	1
1755 Right-of-use assets (note 6(f))	94,680	7	30,269	2	2550	5	3,812	-
1760 Investment property, net (notes 6(g), 6(k) and 8)	189,339	14	192,916	17	2580	-	6,731	1
1840 Deferred income tax assets (note 6(m))	37,174	3	43,378	4	2670	-	597	-
1920 Refundable deposits	9,049	1	7,202	1		6	18,048	2
1995 Other non-current assets	22,424	2	23,283	2		67	830,585	72
Total non-current assets	<u>617,888</u>	<u>47</u>	<u>570,420</u>	<u>49</u>				
Equity attributable to owners of parent (notes 6(d) and 6(n)):								
Share capital:								
Ordinary shares					3110	24	247,993	22
Preference shares					3120	-	11	-
Capital surplus					3200	24	248,004	22
Retained earnings:						-	35	-
Legal reserve					3310	1	2,818	-
Retained earnings					3350	9	79,758	7
Other equities:						10	82,576	7
Exchange differences on translation of foreign financial statements					3410	2	32,903	3
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income					3420	(1)	(18,115)	(2)
Total equity attributable to owners of parent						1	14,788	1
Non-controlling interests						35	345,403	30
Total equity					36xx	(2)	(19,661)	(2)
Total liabilities and equity	<u>\$ 1,306,981</u>	<u>100</u>	<u>1,156,327</u>	<u>100</u>		<u>100</u>	<u>1,156,327</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Ordinary Share)

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
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))	<u>683,843</u>	<u>64</u>	<u>635,281</u>	<u>68</u>
5900	Gross profit	<u>396,776</u>	<u>36</u>	<u>298,856</u>	<u>32</u>
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	<u>19</u>	<u>-</u>	<u>71</u>	<u>-</u>
	Total operating expenses	<u>324,587</u>	<u>30</u>	<u>277,511</u>	<u>30</u>
6900	Net operating income	<u>72,189</u>	<u>6</u>	<u>21,345</u>	<u>2</u>
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	<u>(12,674)</u>	<u>(1)</u>	<u>(11,446)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>37,900</u>	<u>4</u>	<u>57,141</u>	<u>6</u>
	Income from continuing operations before tax	110,089	10	78,486	8
7950	Less: Income tax expense (note 6(m))	<u>6,702</u>	<u>1</u>	<u>977</u>	<u>-</u>
	Net income	<u>103,387</u>	<u>9</u>	<u>77,509</u>	<u>8</u>
8300	Other comprehensive income (loss) (note 6(n)):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(45)	-	(1,124)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(45)</u>	<u>-</u>	<u>(1,124)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(851)	-	(11,085)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(851)</u>	<u>-</u>	<u>(11,085)</u>	<u>(1)</u>
8300	Other comprehensive income (loss), net	<u>(896)</u>	<u>-</u>	<u>(12,209)</u>	<u>(1)</u>
	Total comprehensive income (loss)	<u>\$ 102,491</u>	<u>9</u>	<u>65,300</u>	<u>7</u>
	Net income (loss) attributable to:				
8610	Owners of parent	\$ 108,816	10	79,598	8
8620	Non-controlling interests	<u>(5,429)</u>	<u>(1)</u>	<u>(2,089)</u>	<u>-</u>
		<u>\$ 103,387</u>	<u>9</u>	<u>77,509</u>	<u>8</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 107,838	9	69,176	7
8720	Non-controlling interests	<u>(5,347)</u>	<u>-</u>	<u>(3,876)</u>	<u>-</u>
		<u>\$ 102,491</u>	<u>9</u>	<u>65,300</u>	<u>7</u>
9750	Basic earnings per share (in New Taiwan dollar) (note 6(o))	<u>\$ 3.51</u>		<u>2.57</u>	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(o))	<u>\$ 3.50</u>		<u>2.56</u>	

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of 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		Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	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
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

Disposal of equity investments at fair value through other comprehensive income

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)

	<u>2023</u>	<u>2022</u>
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	<u>33,042</u>	<u>50,055</u>
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	<u>31,906</u>	<u>(57,520)</u>
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	<u>10,711</u>	<u>42,953</u>
Total changes in operating assets and liabilities, net	<u>42,617</u>	<u>(14,567)</u>
Total adjustments	<u>75,659</u>	<u>35,488</u>
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	<u>179,527</u>	<u>104,491</u>
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	<u>2,783</u>	<u>(13,536)</u>
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	<u>(47,836)</u>	<u>(83,719)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>20</u>	<u>(13,309)</u>
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	<u>\$ 364,910</u>	<u>230,416</u>

See accompanying notes to consolidated financial statements.



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Twinhead International Corp.:

Opinion

We have audited the parent company only financial statements of Twinhead International Corp. (“the Company”), which comprise the balance sheets as of December 31, 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.



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Independent Auditors' Report

To the Board of Directors of Twinhead International Corp.:

Opinion

We have audited the consolidated financial statements of Twinhead International Corp. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 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.

Twinhead International Corporation

Earnings Distribution Table

2023

	Unit: New Taiwan
Dollars	<u>Amount</u>
Beginning unappropriated earnings	9,797,766
Less:	
Disposal of financial assets measured at fair value through other comprehensive income	4,607,631
Adjusted undistributed earnings at the beginning of the period	5,190,135
Plus:	
Net income after tax for 2023	108,816,091
Less:	
2023 Statutory reserves appropriated	10,420,846
Distribution details	
(I) 2023 Cash dividends to special share holders	2,124
(II) Bonuses to shareholders (share of NT\$3, NT\$0 in cash)	92,997,600
Ending unappropriated earnings	<u><u>10,585,656</u></u>

Person in Charge: Yu-Jen Kao Manager: Su-Fu Kao Accounting Head: Hung-Jung Wang

Twinhead International Corporation: Articles of Incorporation

Chapter 1 General Terms

- Article 1: The Company is organized in accordance with the provisions of the Company Act regarding joint-stock companies, and is officially named as TWINHEAD INTERNATIONAL CORP.
- Article 2: The businesses operated by the Company are as follows:
1. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing.
 2. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.
 3. All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1: The Company may provide endorsements and guarantees to external parties due to business relationships.
- Article 2-2: The total amount of the Company's reinvestment may not be restricted by Article 13 of the Company Act, but shall not exceed 500% of the Company's paid-in share capital.
- Article 3: The Company is located in Taiwan and may, if necessary, by resolution of the Board, establish branches, factories, or offices at home and/or abroad.
- Article 4: The Company's announcement shall be handled in accordance with Article 28 of the Company Act.

Chapter 2 Shares

- Article 5: The total capital of the Company is NT\$7.0 billion, divided into 700 million shares, with a par value of NT\$10 per share, and can be issued in installments. Special shares may be issued among the shares mentioned above.
- The total capital in the preceding Paragraph includes employee stock option certificates of NT\$500 million, divided into 50 million shares, with a face value of NT\$10 per share, which can be issued in installments. The issuance method shall be determined by the Board of Directors.
- Article 5-1: The special shares issued by the Company are Class A registered special shares, and their relevant rights, obligations and other important matters are as follows:
- Class A registered special shares
1. The Company's annual net income, in addition to making up for losses in previous years and allocating for taxable contributions and statutory surplus reserves in accordance with the law, shall give priority to paying dividends and bonuses at an annual interest rate of 20% (calculated based on the par value of the share).

2. Dividends and bonuses will be paid in cash once a year. The dividends and bonuses payable in the previous year, calculated based on the actual number of issuance dates, will be paid after the annual shareholders' meeting and the payment date is approved. However, when being converted into common shares, they will be paid until the end of the previous year.
3. If there is no surplus in any certain year or the surplus is not sufficient to pay special share dividends and bonuses, they shall be accumulated and made up first when there is any surplus in subsequent 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.
4. Special shares may be converted into common shares with the same number of shares upon request in June annually, one year after the issuance date.
5. When the Company is liquidated, special shares will have priority in repayment order over common shares, but the remaining assets of the Company will be distributed within the limit of the issuance amount. Except as stipulated herein, Class A registered special shares shall have no other rights and obligations.

Article 6: After the Company publicly issues shares, the registered shares issued are not required to print physical stock certificates, but shall be registered with the depository and clearing institution.

Article 7: The share transfers shall be suspended within 60 days before each regular shareholders' meeting or within 30 days before an extraordinary shareholders' meeting, or within five days before the base date on which the Company decides to distribute dividends, bonuses or any other benefits.

Chapter 3 Shareholders' Meeting

Article 8: The shareholders' meetings are divided into two types respectively known as regular meetings and extraordinary meetings. Regular meetings are held once a year, within six months after the end of each fiscal year, and the Board of Directors shall notify all shareholders 30 days in advance for convening the meeting. Extraordinary meetings shall be convened in accordance with the laws when necessary.

Article 8-1: The Company's shareholders' meeting may be held in a virtual manner or via any other means announced by the central competent authority.

Article 9: Any shareholder unable to attend the shareholders' meeting for any reason may issue a power of attorney issued by the Company stating

the scope of authorization and appoint a proxy to attend on his/her/its behalf.

Article 10: Each shareholder of the Company has one voting right for each share of common share he/she/it holds. Shareholders of Class A registered special shares shall have no voting rights.

Article 11: Resolutions of shareholders' meetings, unless otherwise provided by the Company Act, will be deemed reached by any meeting attended by shareholders holding more than half of the total number of issued shares and with the consent of more than half of the voting rights from the shareholders present.

Chapter 4 Directors

Article 12: The Company shall have seven to fifteen directors, and the Board of Directors shall determine the number of directors to be elected within the range specified therein. The election of directors adopts the candidate nomination system stipulated in Article 192-1 of the Company Act, and shareholders shall elect directors from the list of director candidates. The term of office is three years, and may be subject to re-election. The total number of shares of the Company held by all directors shall not be less than the percentage prescribed by the competent authority in accordance with the law.

Article 12-1: Of the number of members of the Board mentioned above, the minimum number of independent directors shall be three or one-fifth of the seats in the Board. Their election shall adopt the candidate nomination system in Article 192-1 of the Company Act and shall be elected by shareholders from the list of independent director candidates.

Article 13: When directors organize a Board meeting, the chairman may be elected at any meeting attended by more than two-thirds of the directors present and consent of more than half of the directors present, and may elect a vice-chairman may be elected among the directors. The chairman of the Board shall comprehensively manage the Company's affairs in accordance with laws, Articles of Incorporation, resolutions of the shareholders' meetings and Board meetings. If the chairman of the Board is unable to perform the duties for any reason, the proxy shall handle relevant affairs in accordance with the provisions of the Company Act.

Article 14: When the vacancy of seats of directors reaches one-third or all independent directors are dismissed, the Company shall convene an extraordinary shareholders' meeting for by-election within 60 days from the date of occurrence of such fact. If a director or independent director is dismissed for any reason and the number of directors' seats is insufficient to meet the requirements of laws or Articles of Incorporation, a by-election shall be held at the latest shareholders' meeting. However, the term of office of any by-elected director shall

not be longer than the original term.

Article 15: Except for the first meeting of the Board of Directors of each session in accordance with the provisions of the Company Act, the Board meeting shall be convened at least once every quarter by the chairman, who shall serve as the chair of the meeting. If the chairman is unable to perform the duties for any reason, his/her proxy shall be determined in accordance with Article 208 of the Company Act. If the chairman deems it necessary or upon the request of more than half of the directors, the chairman may convene an extraordinary board meeting with the chairman serving as the chair.

Article 16: Except as otherwise stated in the Company Act or other laws and regulations, any resolution on any proposal at a board of directors meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors. Any director unable to attend the meeting for any reason may issue a power of attorney specifying the scope of authorization to appoint another director to attend the meeting on his/her/its behalf, but one director may only be entrusted by another director.

Article 17: (Deleted)

Article 18: The remuneration of the chairman, vice chairman and directors shall be determined by the Board of Directors based on their engagement in the Company's operations and the value of their contributions while taking into consideration the common standards among the industry. The Company shall purchase liability insurance for directors in accordance with the law.

Article 19: Unless otherwise provided by law, the following matters shall be submitted to the Board, which shall be carried out based on the resolution reached at a meeting attended by more than two-thirds of the directors and the consent of more than half of the directors present.

1. Issuance of new shares.
2. Issuance of new shares as consideration for the transfer of shares of other companies.
3. Raise corporate bonds.
4. Apply to the court for reorganization.
5. Allocate employee remuneration.

Chapter 5 Managers and Employees

Article 20: The Company shall have one general manager who will be nominated by the chairman, and may have several vice general managers nominated by the general manager, whose appointment and dismissal shall be subject to the approval of the Board.

Chapter 6 Final Accounts

Article 21: The Company shall, at the end of each fiscal year, prepare the following documents by the Board and submit them to the shareholders' meeting

for approval in accordance with the procedures prescribed by the law.

1. Business report 2. Financial statements 3. Proposal for earnings distribution or loss appropriation

Article 22: If there is any surplus in the Company's annual final accounts, taxes shall first be paid and then the accumulated losses shall be made up, and then 10% shall be allocated as a statutory surplus reserve unless that the statutory surplus reserve has reached the amount of the Company's paid-in capital, and the payable and unpaid special share dividends and bonuses will be distributed in priority; in addition, a special surplus reserve may be allocated based on the Company's operational needs and legal provisions. If there is any surplus and undistributed surplus at the beginning of the same period, the Board shall prepare a surplus distribution proposal to be submitted to the shareholders' meeting for resolution. 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.

Article 22-1: If the Company makes any profit during any specific year, it shall allocate no less than 5% in accordance with the law as employee remuneration and no more than 4% as director remuneration. However, if the Company still has any accumulated losses, such profit shall reserve the amount required for making up such losses. The recipients of employee remuneration specified in the preceding Paragraph may include employees of controlling companies or affiliates who meet certain conditions, and the regulations shall be separately formulated by the Board.

Chapter 7 Miscellaneous

Article 23: The Company's organizational regulations and operation rules shall be separately formulated by the Board.

Article 24: Matters not clearly covered herein shall be handled in accordance with the Company Act and other legal provisions.

Article 25: The Articles of Incorporation were formulated on January 13, 1984.

- 1st amendment on January 31, 1984.
- 2nd amendment on February 16, 1984.
- 3rd amendment on November 25, 1985.
- 4th amendment on July 20, 1986.
- 5th amendment on June 10, 1987.
- 6th amendment on January 21, 1988.
- 7th amendment on June 10, 1988.
- 8th amendment on October 20, 1988.
- 9th amendment on April 4, 1989.
- 10th amendment on November 20, 1989.
- 11th amendment on March 12, 1990.
- 12th amendment on October 26, 1990.
- 13th amendment on June 1, 1991.
- 14th amendment on March 28, 1992.
- 15th amendment on May 15, 1993.
- 16th amendment on June 25, 1995.
- 17th amendment on August 30, 1996.
- 18th amendment on April 28, 1997.
- 19th amendment on April 15, 1998.
- 20th amendment on May 19, 1999.
- 21st amendment on April 27, 2000.
- 22nd amendment on May 25, 2001.
- 23rd amendment on May 31, 2002.
- 24th amendment on May 30, 2003.
- 25th amendment on May 27, 2005.
- 26th amendment on June 13, 2008.
- 27th amendment on May 31, 2013.
- 28th amendment on June 23, 2016.
- 29th amendment on June 16, 2017.
- 30th amendment on June 12, 2019.
- 31st amendment on June 30, 2020.
- 32nd amendment on June 10, 2022.
- 33rd amendment on June 13, 2023.

Twinhead International Corporation: Rules and Procedures of Shareholders' Meeting

- I. The rules of procedure for the Company's shareholders' meetings, shall be as provided in the Procedure.
- II. Attending shareholders (or representatives) should wear the attendance certificates. Sign-in may be made in lieu of handing in the sign-in card. The number of shares in attendance is calculated with the sign-in cards handed in.
- III. Attendance and voting at a shareholders' meeting shall be calculated with the number of shares.
- IV. The Company's shareholders' meetings should be convened at the Company's site or other suitable and convenient venues for shareholders to attend. The meetings may not be earlier than 9am or later than 3pm.
- V. Chairperson shall chair the shareholders' meeting if convened by the Board of Directors. If Chairperson is on leave or cannot exercise duties for any reason, Vice Chairperson shall act in his/her place. If there is no Vice Chairperson or Vice Chairperson is also on leave or cannot exercise duties for any reason, Chairperson shall appoint a managing director to act in his/her place. In the absence of a managing director, a director shall be appointed as the deputy. If Chairperson does not appoint a deputy, managing directors and directors shall elect one person among themselves.

If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting.
- VI. The Company may appoint its authorized attorneys, certified public accountants, or related persons to attend a shareholders' meeting. The personnel organizing the shareholders' meeting should wear identification badges or armbands.
- VII. The Company should make an audio and video recording of the entire process of shareholders' meetings and such recordings should be retained for at least one year.
- VIII. The Chair shall immediately call the meeting to order at the appointed meeting time. If the shareholders present represent less than half of the total number of issued shares, the Chair may announce the postponement of the meeting. The number of postponements shall be limited to two times, and the

total delay time shall not exceed one hour. In case of no quorum of shareholders representing at least one third of the issued shares in attendance after two postponements, tentative resolutions may be reached according to the first paragraph of Article 175 of the Company Act. Shareholders are then informed of the results of the tentative resolutions and the shareholders' meeting is reconvened within one month.

If the number of shares in attendance reaches more than half of the Company's issued shares before the conclusion of the current meeting, the Chair may ask the shareholders' meeting to re-vote on the tentative resolutions in accordance with Article 174 of the Company Act.

- IX. When a shareholders' meeting is convened by the Board of Directors, the agenda is determined by the Board of Directors. The meeting shall be proceeded according to the agenda, which cannot be changed unless resolved by the shareholders' meeting.

The rule in the preceding paragraph applies to the shareholders' meeting convened by a party with power to convene but other than the Board of Directors.

Before the conclusion of the agenda (including Extempore motions) mentioned in the two preceding paragraphs, the Chair may not announce adjournment unless resolved by the meeting.

After adjournment, shareholders may not the elect another Chair to continue the meeting at the original venue or at another venue.

- X. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak shall be set by the Chair. If an attending shareholder only presents a speaker's slip without speaking up, it is deemed to have not spoken. When the spoken content is not consistent with the content described in the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chair and the shareholder who is speaking. The Chair shall stop any violations.

- XI. Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed three

minutes.

If the shareholder's speech violates the rules or exceeds the scope of the agenda, the Chair may stop the speech.

XII. When a legal person is appointed to attend as proxy, it may designate only one person to attend in the meeting.

When a legal-person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same proposal.

XIII. After an attending shareholder has spoken, the Chair may respond in person or assign relevant personnel to respond.

XIV. When the Chair thinks that a proposal has been discussed sufficiently to put it to a vote, he/she may announce the discussion closed and call for a vote.

XV. Scrutineers and ballot counters for votes on proposals are appointed by the Chair. However, scrutineers shall be shareholders. Voting results should be reported onsite and recorded.

XVI. During the meeting, the Chair may, at his/her discretion, set a time for recess.

XVII. Unless otherwise required by the Company Act and specified in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote from a majority of the voting rights represented by attending shareholders. If the shareholders express no objection or abstention after the Chair inquires their opinions at the time of a vote, the proposal is deemed to have passed, with the same validity as passed by voting. Each share is entitled to one vote. Type A registered preference shares have no voting rights. When one person is concurrently appointed as the proxy by two or more shareholders to attend a shareholders' meeting, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in voting.

XVIII. When there is an amendment or an alternative to a proposal, the Chair shall present the amended or alternative proposal together with the original proposal and decide the sequence of voting. When any of these proposals is passed, other proposals will then be deemed rejected, and no further voting is required.

XIX. The Chair may instruct pickets (or security guards) to assist in the

maintenance of order. Pickets (or security guards) should wear the armband with the wording “picket” when helping to maintain order.

XX. The Company Act and the Company’s Articles of Incorporation shall apply to the matters not covered by the Procedure.

XXI. The Procedure takes effect when approved by the shareholders’ meeting. This applies to amendments.

Twinhead International Corporation: Shareholdings by Directors

- I. The Company's paid-in capital is NT\$310,002,620, with 31,000,262 shares in issuance.
- II. According to Article 26 of the Securities and Exchange Act, the directors as a while should hold at least 3,600,000 shares.
- III. As of the book closing date for this shareholders' meeting, the numbers of shares held by directors individually and collectively in the shareholders' register are listed in the table below and in compliance with the percentage required by Article 26 of the Securities and Exchange Act.

Title	Account name	Representative	No. of shares held
Chairman	Kaos Enterprise Co., Ltd	Yu-Jen Kao	4,966,643 shares
Director	Kaos Enterprise Co., Ltd	Su-Fu Kao	4,966,643 shares
Director	Kaos Enterprise Co., Ltd	Min-Kung Huang	4,966,643 shares
Director	EUROC Investment Co., Ltd	Mei-Li Tsai	7,500 shares
Director	The 21 st Century Foundation	Cheng-Hu Chow	29,077 shares
Director	Protegas Futuro Holdings, LLC	An Van Nguyen	4,387,943 shares
Director	Ri Yue Kao Investment Co., Ltd	-	103,277 shares
Independent Director	Yuan-Chuan Lee	-	0 share
Independent Director	Tzu-Ping Jen	-	0 share
Independent Director	I-Hsiung Su	-	0 share
Independent Director	CHIU, SHU-HUA	-	0 share
Holdings by directors in total:			9,494,440 shares