

**TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2024 and 2023**

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

Telephone: (02)5589-9999

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	12~30
(7) Related-party transactions	31~32
(8) Pledged assets	32
(9) Commitments and contingencies	32
(10) Losses due to major disasters	32
(11) Subsequent events	32
(12) Other	32~33
(13) Other disclosures	
(a) Information on significant transactions	34~35
(b) Information on investees	35
(c) Information on investment in Mainland China	36
(d) Major shareholders	37
(14) Segment information	37



安侯建業聯合會計師事務所

KPMG

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

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

Independent Auditors' Review Report

To the Board of Directors
Twinhead International Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Twinhead International Corp. and its subsidiaries ("the Group") as of September 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, as well as the changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4 (b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$81,765 thousand and \$82,547 thousand, constituting 6% and 7% of the consolidated total assets; and the total liabilities amounting to \$15,127 thousand and \$17,935 thousand, both constituting 2% of the consolidated total liabilities as of September 30, 2024 and 2023, respectively; as well as the total comprehensive income (loss) amounting to \$3,992 thousand, \$(7,194) thousand, \$(9,637) thousand and \$(22,816) thousand, constituting 7%, (23)%, (7)% and (26)% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2024 and 2023, respectively.



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024 and 2023, and of its consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, as well as its consolidated cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 12, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2024, December 31 and September 30, 2023

(Expressed in Thousands of New Taiwan Dollar)

Assets		September 30, 2024		December 31, 2023		September 30, 2023				September 30, 2024		December 31, 2023		September 30, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$ 441,312	31	364,910	28	296,905	24	2100	Short-term borrowings (notes 6(h) and 8)	\$ 505,000	35	552,000	42	561,560	46
1170	Accounts receivable, net (notes 6(b) and 6(o))	79,802	5	52,666	4	62,789	5	2130	Current contract liabilities (note 6(o))	17,361	1	20,050	1	11,004	1
1180	Accounts receivable—related parties, net (notes 6(b), 6(o) and 7)	28	-	165	-	41	-	2150	Notes payable	5	-	61	-	-	-
130x	Inventories (note 6(c))	298,769	21	259,697	20	297,130	25	2170	Accounts payable	170,249	12	100,236	8	121,870	10
1476	Other current financial assets	3,603	-	-	-	2,602	-	2200	Other payables (note 6(p))	76,709	5	82,694	6	69,943	6
1470	Prepayments and other current assets	19,145	1	11,655	1	13,786	1	2250	Provisions—current	12,022	1	10,416	1	9,235	1
	Total current assets	<u>842,659</u>	<u>58</u>	<u>689,093</u>	<u>53</u>	<u>673,253</u>	<u>55</u>	2280	Current lease liabilities (note 6(i))	20,187	1	19,852	2	6,444	-
	Non-current assets:							2300	Other current liabilities	17,362	1	13,859	1	12,763	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	54	-	53	-	634	-		Total current liabilities	<u>818,895</u>	<u>56</u>	<u>799,168</u>	<u>61</u>	<u>792,819</u>	<u>65</u>
1600	Property, plant and equipment (notes 6(e) and 8)	264,030	18	265,169	20	266,722	21	2550	Non-Current liabilities:						
1755	Right-of-use assets (note 6(f))	79,603	5	94,680	7	18,791	1	2580	Provisions—non-current	6,403	-	6,831	1	6,846	1
1760	Investment property, net (notes 6(g), 6(j) and 8)	189,318	13	189,339	14	191,838	16	2645	Non-current lease liabilities (note 6(i))	50,527	4	65,515	5	2,762	-
1840	Deferred income tax assets	37,306	3	37,174	3	43,911	4	2670	Guarantee deposits received	6,816	1	6,672	-	6,799	-
1920	Refundable deposits	9,094	1	9,049	1	7,263	1		Other non-current liabilities	1,329	-	564	-	643	-
1995	Other non-current assets	24,437	2	22,424	2	22,282	2		Total non-current liabilities	<u>65,075</u>	<u>5</u>	<u>79,582</u>	<u>6</u>	<u>17,050</u>	<u>1</u>
	Total non-current assets	<u>603,842</u>	<u>42</u>	<u>617,888</u>	<u>47</u>	<u>551,441</u>	<u>45</u>		Total liabilities	<u>883,970</u>	<u>61</u>	<u>878,750</u>	<u>67</u>	<u>809,869</u>	<u>66</u>
								3110	Equity attributable to owners of parent (note 6(m)):						
								3120	Share capital:						
								3150	Ordinary shares	402,989	28	309,991	24	247,993	20
									Preference shares	11	-	11	-	11	-
									Stock dividend to be distributed	-	-	-	-	61,998	5
										<u>403,000</u>	<u>28</u>	<u>310,002</u>	<u>24</u>	<u>310,002</u>	<u>25</u>
								3200	Capital surplus	35	-	35	-	35	-
									Retained earnings:						
								3310	Legal reserve	21,199	1	10,778	1	10,778	1
								3350	Retained earnings	143,561	10	114,006	9	101,466	8
										<u>164,760</u>	<u>11</u>	<u>124,784</u>	<u>10</u>	<u>112,244</u>	<u>9</u>
									Other equity:						
								3410	Exchange differences on translation of foreign financial statements	35,052	3	31,970	2	34,802	3
								3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(13,551)	(1)	(13,552)	(1)	(18,160)	(1)
										<u>21,501</u>	<u>2</u>	<u>18,418</u>	<u>1</u>	<u>16,642</u>	<u>2</u>
									Total equity attributable to owners of parent	<u>589,296</u>	<u>41</u>	<u>453,239</u>	<u>35</u>	<u>438,923</u>	<u>36</u>
								36xx	Non-controlling interests	<u>(26,765)</u>	<u>(2)</u>	<u>(25,008)</u>	<u>(2)</u>	<u>(24,098)</u>	<u>(2)</u>
									Total equity	<u>562,531</u>	<u>39</u>	<u>428,231</u>	<u>33</u>	<u>414,825</u>	<u>34</u>
									Total liabilities and equity	<u>\$ 1,446,501</u>	<u>100</u>	<u>1,306,981</u>	<u>100</u>	<u>1,224,694</u>	<u>100</u>
	Total assets	<u>\$ 1,446,501</u>	<u>100</u>	<u>1,306,981</u>	<u>100</u>	<u>1,224,694</u>	<u>100</u>								

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Ordinary Share)**

	For the three months ended September 30				For the nine months ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenues (notes 6(o) and 7)	\$ 367,254	100	255,052	100	924,297	100	786,686	100
5000 Operating costs (notes 6(c), 6(i), 6(k) and 7)	218,330	59	161,432	63	568,203	61	504,882	64
5900 Gross profit	148,924	41	93,620	37	356,094	39	281,804	36
6000 Operating expenses (notes 6(b), 6(i), 6(k), 6(p) and 7):								
6100 Selling expenses	23,404	6	18,065	7	64,013	7	55,601	7
6200 Administrative expenses	39,663	12	36,891	14	114,500	13	105,749	13
6300 Research and development expenses	26,409	7	25,179	10	75,946	8	77,161	10
6450 Impairment gains determined in accordance with IFRS 9	-	-	-	-	-	-	(73)	-
Total operating expenses	89,476	25	80,135	31	254,459	28	238,438	30
6900 Net operating income	59,448	16	13,485	6	101,635	11	43,366	6
7000 Non-operating income and expenses (notes 6(e), 6(i) and 6(q)):								
7100 Interest income	3,115	1	1,278	-	9,294	1	4,055	-
7010 Other income	8,579	2	7,195	3	23,147	2	21,645	2
7020 Other gains and losses	(9,084)	(2)	9,153	4	8,530	1	28,620	4
7050 Finance costs	(3,255)	(1)	(3,124)	(1)	(10,159)	(1)	(9,315)	(1)
Total non-operating income and expenses	(645)	-	14,502	6	30,812	3	45,005	5
Income from continuing operations before tax	58,803	16	27,987	12	132,447	14	88,371	11
7950 Less: Income tax expense (note 6(l))	1	-	1	-	475	-	1	-
Net income	58,802	16	27,986	12	131,972	14	88,370	11
8300 Other comprehensive income (loss) (note 6(m)):								
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	5	-	-	-	1	-	(45)	-
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	5	-	-	-	1	-	(45)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	253	-	2,898	1	2,329	1	760	-
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	253	-	2,898	1	2,329	1	760	-
8300 Other comprehensive income (loss), net	258	-	2,898	1	2,330	1	715	-
Total comprehensive income (loss)	\$ 59,060	16	30,884	13	134,302	15	89,085	11
Net income (loss) attributable to:								
8610 Owners of parent	\$ 58,779	16	28,669	12	132,976	14	91,668	11
8620 Non-controlling interests	23	-	(683)	-	(1,004)	-	(3,298)	-
	\$ 58,802	16	27,986	12	131,972	14	88,370	11
Comprehensive income (loss) attributable to:								
8710 Owners of parent	\$ 58,356	16	32,381	13	136,059	15	93,522	11
8720 Non-controlling interests	704	-	(1,497)	-	(1,757)	-	(4,437)	-
	\$ 59,060	16	30,884	13	134,302	15	89,085	11
9750 Basic earnings per share (in New Taiwan dollar) (note 6(n))	\$ 1.46		0.71		3.30		2.27	
9850 Diluted earnings per share (in New Taiwan dollar) (note 6(n))	\$ 1.45		0.71		3.29		2.27	

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent											Non-controlling interests	Total equity	
	Share capital				Retained earnings				Other equity		Total equity attributable to owners of parent			
	Ordinary shares	Preference shares	Stock dividend to be distributed	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
Balance at January 1, 2023	\$ 247,993	11	-	248,004	35	2,818	79,758	82,576	32,903	(18,115)	14,788	345,403	(19,661)	325,742
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	-	7,960	(7,960)	-	-	-	-	-	-	-
Cash dividends of preference shares	-	-	-	-	-	-	(2)	(2)	-	-	-	(2)	-	(2)
Stock dividends of ordinary shares	-	-	61,998	61,998	-	-	(61,998)	(61,998)	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-	91,668	91,668	-	-	-	91,668	(3,298)	88,370
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	1,899	(45)	1,854	1,854	(1,139)	715
Total comprehensive income (loss)	-	-	-	-	-	-	91,668	91,668	1,899	(45)	1,854	93,522	(4,437)	89,085
Balance at September 30, 2023	<u>\$ 247,993</u>	<u>11</u>	<u>61,998</u>	<u>310,002</u>	<u>35</u>	<u>10,778</u>	<u>101,466</u>	<u>112,244</u>	<u>34,802</u>	<u>(18,160)</u>	<u>16,642</u>	<u>438,923</u>	<u>(24,098)</u>	<u>414,825</u>
Balance at January 1, 2024	\$ 309,991	11	-	310,002	35	10,778	114,006	124,784	31,970	(13,552)	18,418	453,239	(25,008)	428,231
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	-	-	10,421	(10,421)	-	-	-	-	-	-	-
Cash dividends of preference shares	-	-	-	-	-	-	(2)	(2)	-	-	-	(2)	-	(2)
Stock dividends of ordinary shares	92,998	-	-	92,998	-	-	(92,998)	(92,998)	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-	132,976	132,976	-	-	-	132,976	(1,004)	131,972
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	3,082	1	3,083	3,083	(753)	2,330
Total comprehensive income (loss)	-	-	-	-	-	-	132,976	132,976	3,082	1	3,083	136,059	(1,757)	134,302
Balance at September 30, 2024	<u>\$ 402,989</u>	<u>11</u>	<u>-</u>	<u>403,000</u>	<u>35</u>	<u>21,199</u>	<u>143,561</u>	<u>164,760</u>	<u>35,052</u>	<u>(13,551)</u>	<u>21,501</u>	<u>589,296</u>	<u>(26,765)</u>	<u>562,531</u>

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	For the nine months ended September 30	
	2024	2023
Cash flows from (used in) operating activities:		
Net income before tax	\$ 132,447	88,371
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	23,147	21,185
Amortization	7,572	10,265
Impairment gains determined in accordance with IFRS 9	-	(73)
Interest expense	10,159	9,315
Interest income	(9,294)	(4,055)
Gain on disposal of non-current assets held for sales	-	(17,141)
Total adjustments to reconcile profit	<u>31,584</u>	<u>19,496</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Accounts receivable	(27,136)	27,120
Accounts receivable—related parties	137	733
Inventories	(39,072)	(41,675)
Prepayments and other current assets	(5,523)	(3,894)
Total changes in operating assets, net	<u>(71,594)</u>	<u>(17,716)</u>
Net changes in operating liabilities:		
Contract liabilities	(2,689)	432
Notes payable	(56)	(221)
Accounts payable	70,013	11,976
Other payables	(5,734)	(1,530)
Provisions	1,178	510
Other current liabilities	3,517	(2,789)
Other non-current liabilities	765	46
Total changes in operating liabilities, net	<u>66,994</u>	<u>8,424</u>
Total changes in operating assets and liabilities, net	<u>(4,600)</u>	<u>(9,292)</u>
Total adjustments	<u>26,984</u>	<u>10,204</u>
Cash inflow generated from operating activities	159,431	98,575
Interest received	8,300	3,967
Interest paid	(9,033)	(9,005)
Income taxes paid	(1,459)	(466)
Net cash flows from operating activities	<u>157,239</u>	<u>93,071</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of non-current assets classified as held for sale	-	20,001
Acquisition of property, plant and equipment	(4,219)	(3,206)
Decrease in refundable deposits	-	5
Increase in other financial assets	(3,603)	(2,601)
Increase in other non-current assets	(9,585)	(9,264)
Net cash from (used in) investing activities	<u>(17,407)</u>	<u>4,935</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	333,000	40,000
Decrease in short-term borrowings	(380,000)	(57,440)
Payment of lease liabilities	(14,866)	(12,803)
Cash dividends paid	(2)	(2)
Interest paid	(1,377)	(320)
Net cash flows used in financing activities	<u>(63,245)</u>	<u>(30,565)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(185)</u>	<u>(952)</u>
Net increase in cash and cash equivalents	76,402	66,489
Cash and cash equivalents at beginning of period	<u>364,910</u>	<u>230,416</u>
Cash and cash equivalents at end of period	<u>\$ 441,312</u>	<u>296,905</u>

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

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

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and issued on November 12, 2024.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- 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”

- (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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

(Continued)

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

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

The Group does not expect the following other 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards – Volume 11

(4) Summary of material policies

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(a) Statement of compliance

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

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2023.

The consolidated entities were as follows:

Name of investor	Name of subsidiary	Principal activity	Percentage of ownership			Remarks
			September 30, 2024	December 31, 2023	September 30, 2023	
The Company	Durabook Americas Inc. (Durabook)	The trading of computers and computer peripheral equipment	80.000 %	80.000 %	80.000 %	Note
The Company	Twinhead International (Asia) Pte Ltd. (Twinhead (Asia))	Investment holding	100.000 %	100.000 %	100.000 %	

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Percentage of ownership			Remarks
			September 30, 2024	December 31, 2023	September 30, 2023	
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	100.000 %	Note
Twinhead (Asia)	Twinhead International (Kunshan) Co., Ltd. (Twinhead Kunshan)	Sales and production of PDAs, calculators and their parts, and computer keyboards	100.000 %	100.000 %	100.000 %	
Twinhead (Asia)	Kunshan Lun Teng System Co., Ltd. (Kunshan Lun Teng)	Import and export of computers, electronic components, and digital cameras, and technical consultant services	100.000 %	100.000 %	100.000 %	Note

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

(c) **Income taxes**

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

(Continued)

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

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2023. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Petty cash	\$ 357	381	355
Checking and demand deposits	198,358	143,853	185,298
Time deposits	<u>242,597</u>	<u>220,676</u>	<u>111,252</u>
Cash and cash equivalents per consolidated statements of cash flows	<u>\$ 441,312</u>	<u>364,910</u>	<u>296,905</u>

(b) Accounts receivables (including related parties)

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Accounts receivable	\$ 79,802	52,666	62,789
Accounts receivable—related parties	<u>28</u>	<u>165</u>	<u>41</u>
	<u>\$ 79,830</u>	<u>52,831</u>	<u>62,830</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all accounts receivables (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:

	<u>September 30, 2024</u>		
	<u>Gross carrying amount (Including related parties)</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 74,275	-	-
1 to 30 days past due	<u>5,555</u>	-	-
	<u>\$ 79,830</u>		<u>-</u>

(Continued)

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

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

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

	For the nine months ended September 30	
	2024	2023
Balance at beginning of the period	\$ -	73
Impairment loss reversed	-	(73)
Balance at end of the period	\$ -	-

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

(c) Inventories

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

	September 30, 2024	December 31, 2023	September 30, 2023
Merchandise	\$ 2,153	5,285	6,212
Finished goods	23,258	23,172	26,189
Work in progress	91,301	59,197	87,682
Raw materials and supplies	176,700	167,311	171,020
Goods in transit	5,357	4,732	6,027
	\$ 298,769	259,697	297,130

(Continued)

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

As of September 30, 2024, December 31 and September 30, 2023, the Group's inventories were not provided as pledged assets.

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

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Loss on decline in market value of inventory	<u>\$ 3,048</u>	<u>1,831</u>	<u>6,720</u>	<u>4,186</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ -	-	581
Unlisted stocks (overseas)	<u>54</u>	<u>53</u>	<u>53</u>
Total	<u>\$ 54</u>	<u>53</u>	<u>634</u>

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

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

No strategic investments were disposed for the nine months ended September 30, 2024 and 2023, and there were no transfers of any cumulative gain or loss related to these investments within equity.

(ii) For credit risk and market risk, please refer to note 6(r).

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

(e) Property, plant and equipment

The carrying value of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Other equipment	Total
Carrying value:					
January 1, 2024	\$ <u>105,080</u>	<u>152,635</u>	<u>4,071</u>	<u>3,383</u>	<u>265,169</u>
September 30, 2024	\$ <u>105,080</u>	<u>149,361</u>	<u>5,518</u>	<u>4,071</u>	<u>264,030</u>
January 1, 2023	\$ <u>107,832</u>	<u>156,614</u>	<u>4,078</u>	<u>4,169</u>	<u>272,693</u>
September 30, 2023	\$ <u>105,080</u>	<u>153,802</u>	<u>4,140</u>	<u>3,700</u>	<u>266,722</u>

(Continued)

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

For the nine months ended September 30, 2024 and 2023, except that the Linyuan land and Factory were reclassified to non-current assets held for sales in March 2023 and the transfer was subsequently completed, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on property, plant and equipment. For the information on depreciation expenses for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, please refer to note 12; for the information on pledged property, plant and equipment, please refer to note 8; for other related information, please refer to note 6(e) of the consolidated financial statements for the year ended December 31, 2023.

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

(f) Right-of-use assets

The Group leases many assets including its land, buildings and transportation equipment of the Group were as follows:

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Total</u>
January 1, 2024	\$ <u>9,511</u>	<u>80,264</u>	<u>4,905</u>	<u>94,680</u>
September 30, 2024	\$ <u>9,706</u>	<u>66,465</u>	<u>3,432</u>	<u>79,603</u>
January 1, 2023	\$ <u>9,933</u>	<u>19,570</u>	<u>766</u>	<u>30,269</u>
September 30, 2023	\$ <u>9,924</u>	<u>8,497</u>	<u>370</u>	<u>18,791</u>

For the nine months ended September 30, 2024 and 2023, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on right-of-use assets. For the information on depreciation expenses of right-of-use assets for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, please refer to note 12; for other related information, please refer to note 6(f) of the consolidated financial statements for the year ended December 31, 2023.

(g) Investment property

For the nine months ended September 30, 2024 and 2023, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on investment properties. For the information on depreciation expenses of investment property for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, please refer to note 12; for the information on pledged investment properties, please refer to note 8; for other related information, please refer to note 6(g) of the consolidated financial statements for the year ended December 31, 2023.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(g) of the consolidated financial statements for the year ended December 31, 2023.

(Continued)

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

(h) Short-term borrowings

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

September 30, 2024			
Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	TWD	2.17~2.26	2024~2025
			\$ 125,000
Secured bank loans	TWD	2.02~2.26	2024
			<u>380,000</u>
Total			<u><u>\$ 505,000</u></u>

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
			<u>462,000</u>
Total			<u><u>\$ 552,000</u></u>

September 30, 2023			
Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	TWD	2.13~2.18	2023
			\$ 70,000
Secured bank loans	TWD	2.13	2023~2024
			<u>491,560</u>
Total			<u><u>\$ 561,560</u></u>

As of September 30, 2024, December 31 and September 30, 2023, the unused credit facilities amounted to \$690,000 thousand, \$524,240 thousand and \$460,920 thousand, respectively.

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

(i) Lease liabilities

The Group's lease liabilities were as follow:

	September 30, 2024	December 31, 2023	September 30, 2023
Current	<u>\$ 20,187</u>	<u>19,852</u>	<u>6,444</u>
Non-current	<u>\$ 50,527</u>	<u>65,515</u>	<u>2,762</u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest on lease liabilities	\$ <u>423</u>	<u>84</u>	<u>1,377</u>	<u>320</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>534</u>	<u>334</u>	<u>1,100</u>	<u>654</u>

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

	For the nine months ended September 30	
	2024	2023
Total cash outflow for leases	\$ <u>17,343</u>	<u>13,777</u>

(i) Real estate leases

The Group leases land and buildings for its office space. The leases of its office space typically run for a period of 5 to 7 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases transportation equipments with lease terms of three years. The Group 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.

(j) Operating leases

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Less than one year	\$ 15,878	23,237	24,066
One to two years	11,380	14,041	15,706
Two to three years	<u>-</u>	<u>7,737</u>	<u>11,245</u>
Total undiscounted lease payments	\$ <u>27,258</u>	<u>45,015</u>	<u>51,017</u>

(Continued)

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

(k) Employee benefits

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

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Operating costs	\$ 486	450	1,428	1,311
Operating expenses	<u>1,761</u>	<u>1,630</u>	<u>5,206</u>	<u>4,828</u>
	<u>\$ 2,247</u>	<u>2,080</u>	<u>6,634</u>	<u>6,139</u>

For other related information, please refer to note 6(l) to the consolidated financial statements for the year ended December 31, 2023.

(l) Income taxes

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

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Current income tax expense				
Current period	\$ 1	1	475	25
Adjustment for prior periods	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24)</u>
Income tax expense from continuing operations	<u>\$ 1</u>	<u>1</u>	<u>475</u>	<u>1</u>

The ROC income tax authorities have examined the Company's income tax returns for all years through 2022.

(m) Capital and other equity

Except for the following disclosures, there were no significant changes in capital and other equity for the nine months ended September 30, 2024 and 2023. For other related information, please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2023.

(i) Capital stock

In the shareholders' meeting of the Company held respectively on June 14, 2024 and June 13, 2023, the Company resolved to increase capital from the unappropriated retained earnings amounting to 92,998 thousand and 61,998 thousand, respectively, with par value of \$10 per share, by issuing 9,300 thousand shares and 6,200 thousand shares, respectively. The record date of the aforementioned capital increase has been determined on September 6, 2024 and October 22, 2023, respectively, by the Board of Directors. The related statutory registration procedures have been completed.

(Continued)

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

(ii) Retained earnings — Distribution of retained earnings

In accordance with the Articles of Incorporation, the Company's net earnings should first be used to pay taxes, and then to offset prior years' deficits. Of the remaining balance, 10% is to be appropriated as legal reserve, unless the accumulated legal reserve has reached the Company's paid-in capital, and priority is given to the payment of unpaid dividends to preference shares. In addition, depending on the Company's operational needs and laws and regulations, a special reserve may be set aside. If there 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 by cash, 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 80% of the total stockholders' bonus, and the rest shall be distributed as stock dividends.

On June 14, 2024 and June 13, 2023, the shareholders' meeting resolved to distribute the 2023 earnings and the 2022 earnings, respectively. These earnings were appropriated as follows:

	2023		2022	
	Amount per share (NT dollars)	Amount	Amount per share (NT dollars)	Amount
Dividends distributed to ordinary shareholders:				
Stock	\$ 3.0	<u>92,998</u>	2.5	<u>61,998</u>
Dividends distributed to preference shareholders:				
Cash	\$ 2.0	<u>2</u>	2.0	<u>2</u>

The Company's accumulated undistributed dividends for preference shares amounted to \$2 thousand as of September 30, 2024, December 31 and September 30, 2023, respectively.

(Continued)

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

(iii) Other equities (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non- controlling interests	Total
Balance at January 1, 2024	\$ 31,970	(13,552)	630	19,048
Foreign exchange differences arising from foreign operation	3,082	-	(753)	2,329
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	1	-	1
Balance at September 30, 2024	<u>\$ 35,052</u>	<u>(13,551)</u>	<u>(123)</u>	<u>21,378</u>
Balance at January 1, 2023	\$ 32,903	(18,115)	548	15,336
Foreign exchange differences arising from foreign operation	1,899	-	(1,139)	760
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(45)	-	(45)
Balance at September 30, 2023	<u>\$ 34,802</u>	<u>(18,160)</u>	<u>(591)</u>	<u>16,051</u>

(n) Earnings per share

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

(i) Basic earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Net income of the Company	\$ 58,779	28,669	132,976	91,668
Dividends on non-redeemable preference shares	(1)	(1)	(2)	(2)
Net income attributable to ordinary shareholders of the Company	<u>\$ 58,778</u>	<u>28,668</u>	<u>132,974</u>	<u>91,666</u>
Weighted average number of ordinary shares outstanding	<u>40,299</u>	<u>40,299</u>	<u>40,299</u>	<u>40,299</u>
Basic earnings per share (in NTD)	<u>\$ 1.46</u>	<u>0.71</u>	<u>3.30</u>	<u>2.27</u>

(Continued)

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

(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Net income attributable to ordinary shareholders of the Company (basic)	\$ 58,778	28,668	132,974	91,666
Dividends on non-redeemable preference shares	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 58,779</u>	<u>28,669</u>	<u>132,976</u>	<u>91,668</u>
Weighted average number of ordinary shares outstanding (basic)	40,299	40,299	40,299	40,299
Effect of dilutive potential ordinary shares				
Effect of remuneration to employees	120	71	148	92
Effect of convertible preference shares	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>40,420</u>	<u>40,371</u>	<u>40,448</u>	<u>40,392</u>
Diluted earnings per share (in NTD)	<u>\$ 1.45</u>	<u>0.71</u>	<u>3.29</u>	<u>2.27</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Primary geographical markets:				
America	\$ 85,866	61,449	228,933	203,356
Asia	101,139	109,147	204,888	305,182
Europe	179,638	82,248	487,154	272,458
Others	<u>611</u>	<u>2,208</u>	<u>3,322</u>	<u>5,690</u>
	<u>\$ 367,254</u>	<u>255,052</u>	<u>924,297</u>	<u>786,686</u>

(Continued)

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

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Major products/services lines:				
Laptop	\$ 312,579	217,367	786,232	647,476
Mainboard and accessories	25,028	19,710	72,653	80,870
Sales of materials and others	<u>29,647</u>	<u>17,975</u>	<u>65,412</u>	<u>58,340</u>
	<u>\$ 367,254</u>	<u>255,052</u>	<u>924,297</u>	<u>786,686</u>

(ii) Contract Balance

	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivable	\$ 79,802	52,666	62,789
Accounts receivable – related parties	<u>28</u>	<u>165</u>	<u>41</u>
Total	<u>\$ 79,830</u>	<u>52,831</u>	<u>62,830</u>
Contract liabilities	<u>\$ 17,361</u>	<u>20,050</u>	<u>11,004</u>

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 three months and nine months ended September 30, 2024 and 2023 that were included in the contract liabilities at the beginning of the period were \$17 thousand, \$0 thousand, \$18,391 thousand and \$9,523 thousand, respectively.

(p) Remunerations to employees and directors

In accordance with the Articles of Incorporation, 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 employee remuneration may include the employees of the Company's controlling or affiliated companies who meet certain conditions.

(Continued)

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

For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the estimated employee remuneration amounted to \$5,289 thousand, \$2,577 thousand, \$11,966 thousand and \$8,240 thousand, respectively, and the estimated directors' remuneration amounted to \$1,983 thousand, \$966 thousand, \$4,487 thousand and \$3,090 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and expensed under operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be reflected in profit or loss in the following year.

For the years ended December 31, 2023 and 2022, the Company recognized its employees' compensation of \$9,816 thousand and \$7,155 thousand, respectively, and its directors' remuneration of \$3,681 thousand and \$2,683 thousand, respectively. There was no difference between the distribution and the recognized amounts. For relevant information, please refer to Market Observation Post System.

(q) Non-operating income and expenses

(i) Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest income from bank deposits	\$ <u>3,115</u>	<u>1,278</u>	<u>9,294</u>	<u>4,055</u>

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Rental income	\$ 7,021	6,895	20,889	20,746
Other income – Other	<u>1,558</u>	<u>300</u>	<u>2,258</u>	<u>899</u>
Total other income	<u>\$ 8,579</u>	<u>7,195</u>	<u>23,147</u>	<u>21,645</u>

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Gains on disposal of non-current assets held for sales	\$ -	-	-	17,141
Foreign exchange gains (losses), net	(8,391)	9,834	10,594	13,530
Others	<u>(693)</u>	<u>(681)</u>	<u>(2,064)</u>	<u>(2,051)</u>
Other gains and losses, net	<u>\$ (9,084)</u>	<u>9,153</u>	<u>8,530</u>	<u>28,620</u>

(Continued)

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

(iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest expense	\$ 3,255	3,124	10,159	9,315

(r) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk due to financial instruments. Please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2023.

(i) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	Over 5 years
September 30, 2024						
Non-derivative financial liabilities						
Short-term borrowings	\$ 505,000	506,417	506,417	-	-	-
Notes payable	5	5	5	-	-	-
Accounts payable	170,249	170,249	170,249	-	-	-
Other payables	76,709	76,709	76,709	-	-	-
Lease liabilities	70,714	73,787	21,562	18,218	34,007	-
Guarantee deposits received	6,816	6,816	2,733	3,609	474	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	\$ 829,504	833,996	777,688	21,827	34,481	-
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	-

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
September 30, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 561,560	562,167	562,167	-	-	-
Accounts payable	121,870	121,870	121,870	-	-	-
Other payables	69,943	69,943	69,943	-	-	-
Lease liabilities	9,206	9,433	6,614	2,639	180	-
Guarantee deposits received	6,799	6,799	475	2,733	3,591	-
Preference shares (including preference shares dividends)	11	13	13	-	-	-
	<u>\$ 769,389</u>	<u>770,225</u>	<u>761,082</u>	<u>5,372</u>	<u>3,771</u>	<u>-</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
September 30, 2024			
Financial assets:			
Monetary items:			
USD	\$ 24,936	31.65	789,224
Financial liabilities:			
Monetary items:			
USD	\$ 3,016	31.65	95,456
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

(Continued)

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

	Foreign currency	Exchange rate	NTD
September 30, 2023			
Financial assets:			
Monetary items:			
USD	\$ 19,956	32.27	643,980
Financial liabilities:			
Monetary items:			
USD	\$ 1,985	32.27	64,056

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of September 30, 2024 and 2023, with all other variable factors remaining constant, would have (decreased) increased the net income before tax for the nine months ended September 30, 2024 and 2023 by \$6,938 thousand and \$5,799 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 \$(8,391) thousand, \$9,834 thousand, \$10,594 thousand and \$13,530 thousand for the three months and nine months ended September 30, 2024 and 2023, respectively.

(iii) Interest rate risk analysis

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

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

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have decreased/increased by \$1,968 thousand and \$3,377 thousand for the nine months ended September 30, 2024 and 2023, respectively, with all other variable factors remaining constant. This is mainly due to the Group's time deposits and borrowings at floating rate.

(Continued)

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

(iv) Fair value

1) Categories and fair value of financial instruments

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

September 30, 2024					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (overseas)	\$ <u>54</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>54</u>
December 31, 2023					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (overseas)	\$ <u>53</u>	<u>-</u>	<u>-</u>	<u>53</u>	<u>53</u>
September 30, 2023					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 581	-	-	581	581
Unlisted stocks (overseas)	<u>53</u>	<u>-</u>	<u>-</u>	<u>53</u>	<u>53</u>
Total	<u>\$ 634</u>	<u>-</u>	<u>-</u>	<u>634</u>	<u>634</u>

2) Valuation techniques for financial instruments measured at fair value – Non-derivative financial instruments

If there are quoted prices in active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks used for the fair value of equity instruments and liability instruments traded in active markets.

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.

(Continued)

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

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 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, 2024	\$ 53
Total gain(loss) recognized:	
In other comprehensive income	1
Balance at September 30, 2024	\$ 54
Balance at January 1, 2023	\$ 679
Total gain(loss) recognized:	
In other comprehensive income	(45)
Balance at September 30, 2023	\$ 634

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

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multiplier of price-to-book ratio (As of September 30, 2024, December 31 and September 30, 2023 were 0.08, 0.08 and 0.08~1.00, respectively.) · Market illiquidity discount rate (As of September 30, 2024, December 31 and September 30, 2023 were 20%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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

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

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
September 30, 2024				
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, 2023				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 3	(3)
September 30, 2023				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 40	(40)

(Continued)

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

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.

(s) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(t) of the consolidated financial statements for the year ended December 31, 2023.

(t) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2023. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2023. For further information, please refer to note 6(u) to the consolidated financial statements for the year ended December 31, 2023.

(u) Investing and financing activities not affecting cash flow

The Group's non-cash investing and financing activities for the nine months ended September 30, 2023 consisted of the acquisition of right-of-use assets through leasing. There were no non-cash investing and financing activities for the nine months ended September 30, 2024.

For the nine months ended September 30, 2024 and 2023, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2024	Cash flows	Non-cash changes Effect of changes in exchange rate and others	September 30, 2024
Short-term borrowings	\$ 552,000	(47,000)	-	505,000
Lease liabilities	85,367	(14,866)	213	70,714
Guarantee deposits received	6,672	-	144	6,816
Total liabilities from financing activities	<u>\$ 644,039</u>	<u>(61,866)</u>	<u>357</u>	<u>582,530</u>

	January 1, 2023	Cash flows	Non-cash changes Acquisition right-of-use assets	Effect of changes in exchange rate	September 30, 2023
Short-term borrowings	\$ 579,000	(17,440)	-	-	561,560
Lease liabilities	20,878	(12,803)	895	236	9,206
Guarantee deposits received	6,731	-	-	68	6,799
Total liabilities from financing activities	<u>\$ 606,609</u>	<u>(30,243)</u>	<u>895</u>	<u>304</u>	<u>577,565</u>

(Continued)

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

(7) Related-party transactions

(a) Name and relationship with related party

In this consolidated financial report, the related party having transactions with the Group was listed as below:

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

(b) Significant transactions with related party

(i) Operating revenue

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Other related parties:				
NCS	\$ <u>560</u>	<u>152</u>	<u>934</u>	<u>631</u>

The sales price with related party was not significantly different from normal transactions, and the payment term was 30 days after sales.

(ii) Purchase

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Other related parties:				
NCS	\$ <u>-</u>	<u>-</u>	<u>80</u>	<u>-</u>

The purchase price with related party was not significantly different from normal transactions, and the payment term was 30 days after purchase.

(iii) Accounts receivable-related parties

The details of the Group's accounts receivable from related party were as follows:

<u>Account</u>	<u>Type of related parties</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Accounts receivable—related parties	Other related parties:			
	NCS	\$ <u>28</u>	<u>165</u>	<u>41</u>

(Continued)

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

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 8,707	6,092	22,308	19,230
Post-employment benefits	54	54	162	162
	<u>\$ 8,761</u>	<u>6,146</u>	<u>22,470</u>	<u>19,392</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2024	December 31, 2023	September 30, 2023
Property, plant and equipment	Short-term borrowings	\$ 252,869	256,134	257,223
Investment property	Short-term borrowings	138,904	139,957	140,308
		<u>\$ 391,773</u>	<u>396,091</u>	<u>397,531</u>

(9) Commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other

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

By function	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By nature						
Employee benefits						
Salary	9,285	46,957	56,242	8,287	40,165	48,452
Labor and health insurance	995	3,470	4,465	932	3,088	4,020
Pension	486	1,761	2,247	450	1,630	2,080
Remuneration of directors	-	2,718	2,718	-	1,756	1,756
Others	809	1,862	2,671	579	1,068	1,647
Depreciation (Note)	1,279	5,664	6,943	1,242	5,167	6,409
Amortization	-	2,459	2,459	-	3,250	3,250

(Continued)

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

By function	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By nature						
Employee benefits						
Salary	27,587	136,391	163,978	24,969	121,865	146,834
Labor and health insurance	2,930	10,402	13,332	2,715	9,481	12,196
Pension	1,428	5,206	6,634	1,311	4,828	6,139
Remuneration of directors	-	6,752	6,752	-	5,387	5,387
Others	2,191	4,413	6,604	1,585	3,009	4,594
Depreciation (Note)	3,816	17,268	21,084	3,707	15,427	19,134
Amortization	-	7,572	7,572	-	10,265	10,265

Note: Depreciation expenses for investment property recognized under other gains and losses amounted to \$692 thousand, \$682 thousand, \$2,063 thousand and \$2,051 thousand for the three months and nine months ended September 30, 2024 and 2023, respectively.

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

(Continued)

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

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine months ended September 30, 2024:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of September 30, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(in Thousands of New Taiwan Dollar / in thousands of sheres)

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Il, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	54	0.691 %	54	
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 Dollar)

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)	(96,673)	(11) %	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	85,577 (Note 1)	36 %	Note 2
Durabook Americas Inc.	The Company	Parent company	Purchase	96,673	93 %	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	(188,425)	(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 Dollar)

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	Subsidiary	309,759 (Note 3)	-	309,759 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	-	-
The Company	Durabook	Subsidiary	188,425 (Note 4)	0.73	102,848 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	11,259	-

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

Note 2: Until November 12, 2024.

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 3: It represents the net amount of accounts receivable of the Company derived from the purchase of supplies on behalf of Twinhead Kunshan and accounts payable derived from purchase of goods from Twinhead Kunshan in prior years. Twinhead Kunshan pays the Company with the rental income according to the capital plan.

Note 4: As of September 30, 2024, the Company's accounts receivable from Durabook were \$188,425 thousand. The overdue receivables of \$102,848 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 Dollar)

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			Percentage of the total consolidated revenue or total assets
				Account name	Amount (Note 4)	Trading terms	
0	The Company	Durabook	1	Sales revenue	96,673	The transaction is not significantly different from normal transactions	10.46%
0	The Company	Kunshan Lun Teng	1	Sales revenue	14,513	The transaction is not significantly different from normal transactions	1.57 %
0	The Company	Durabook	1	Accounts receivable – related parties	85,577	The receivables can be offset with accounts payable from purchase or be O/A 60 days	5.92 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable – related parties	75,448 (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.	5.22 %

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 and accounts payable derived from purchase of goods from Twinhead Kunshan in prior years after offsetting against the credit balance of the investment of Twinhead Kunshan, accounted for using the equity method.

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

Note 5: For balance sheet items, over 1% of total consolidated assets, and for profit or loss item, over 1% of total consolidated revenues were selected for disclosure.

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2024 (excluding information on investees in Mainland China):

(in Thousands of New Taiwan Dollar / in Thousands of shares)

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income (loss) of investee	Investment income (losses)	Remarks
				September 30, 2024	December 31, 2023	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 %	(9,950) (Note 3)	(5,019)	(4,015)	Subsidiary (Note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.00 %	- (Note 4)	5,586	5,586	Subsidiary (Note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.00 %	1,158	(36)	(36)	Subsidiary (Note 2)

Note 1: The exchange rate as of September 30, 2024 : USD1=TWD31.65.

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.

(Continued)

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

(c) Information on investment in Mainland China:

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

(in Thousands of New Taiwan Dollar / 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, 2024	Investment flow during current period		Cumulative investment (amount) from Taiwan as of September 30, 2024	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of September 30, 2024	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Twinhead International (Kunshan) Co., Ltd.	Sales and production of PDAs, calculators and their parts, and computer keyboards	395,625 (USD12,500)	(2)	395,625 (USD12,500)	-	-	395,625 (USD12,500)	8,246	100.00 %	8,246	(251,599)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	126,600 (USD4,000)	(2)	63,300 (USD2,000)	-	-	63,300 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng System Co., Ltd	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,647 (USD210)	(2)	6,647 (USD210)	-	-	6,647 (USD210)	(1,571)	100.00 %	(1,571)	14,034	-

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

- (1) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (2) Remittance from third-region companies to invest in Mainland China (Through Twinhead (Asia) Ptd Ltd. invest in Mainland china).
- (3) Through the establishment of third-region companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: The amount of investment income (loss) from Twinhead Kunshan Technology Co., Ltd. were recognized under the equity method based on the financial statements which were reviewed by the auditor of the Company. The amount of investment income (loss) from other investees were recognized under the equity method based on the financial statements which were not reviewed by the auditor of the Company.

Note 3: The exchange rate as of September 30, 2024 : USD1=TWD31.65.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of September 30, 2024 (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	506,717 (USD16,010)	506,717 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of September 30, 2024: USD1=TWD31.65.

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).

(Continued)

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

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	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

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.