Stock Code:2364

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

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES

Consolidated Interim Financial Statements

June 30, 2017 and 2016
(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

To the Board of Directors
Twinhead International Corp.:

We have reviewed the accompanying consolidated balance sheets of Twinhead International Corp. and its subsidiaries (the Group) as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016, the consolidated statements of changes in equity and consolidated statements of cash flows for the six months ended June 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

Except for mentioned in the third paragraph, we conducted our reviews in accordance with Statement on Auditing Standards No. 36 "Review of Financial Statements". A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

We were unable to obtain the reviewed financial statements of certain subsidiaries of the Group, which represent the total assets amounting to $17,577 thousand and $242,832 thousand, constituting 1.51% and 18.00% of the related consolidated total assets; and the total liabilities amounting to $2,176 thousand and $62,513 thousand, constituting 0.29% and 7.32% of the related consolidated total liabilities as of June 30, 2017 and 2016, respectively; as well as the total comprehensive income (loss) amounting to $(850) thousand, $(18,121) thousand, $(1,650) thousand and $(28,851) thousand, constituting 3.21%, 52.54%, 2.05% and 48.23% of the related consolidated total comprehensive income for the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016, respectively.

Based on our reviews, except for the effects of possible adjustments, if any, as might have been determined to be necessary had the financial statements of some consolidated subsidiaries as described in the third paragraph been reviewed by independent accountants, we are not aware of any material modification that should be made to the accompanying consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
August 10, 2017

Notes to Readers

The accompanying consolidated interim financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 interim financial statements are those generally accepted and applied in the Republic of China.

The auditors' review report and the accompanying consolidated interim 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 auditors' review report and consolidated interim financial statements, the Chinese version shall prevail.

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2017 and 2016

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2017, December 31 and June 30, 2016

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2017		December 31, 2016		June 30, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 137,015	12	133,050	11	185,003	14
1150	Notes receivable (note 6(b))	-	-	3	-	5,219	-
1170	Accounts receivable, net (note 6(b))	62,647	5	87,026	7	138,769	10
1200	Other receivables (note 6(b))	43	-	66	-	209	-
130x	Inventories (note 6(c))	234,911	20	212,172	18	255,418	19
1470	Other current assets	12,445	1	18,938	2	13,912	1
	Total current assets	447,061	38	451,255	38	598,530	44
	Non-current assets:						
1543	Financial assets at cost－non-current (note 6(d))	44,859	4	35,890	3	35,890	3
1600	Property, plant and equipment (notes 6(e) and 8)	437,624	38	452,004	39	471,591	35
1760	Investment property, net (notes 6(f) and 8)	149,079	13	149,781	13	150,482	11
1840	Deferred tax assets	51,609	4	52,668	4	53,584	4
1920	Refundable deposits	6,976	1	7,052	1	7,249	1
1995	Other non-current assets	23,569	2	28,373	2	31,625	2
	Total non-current assets	713,716	62	725,768	62	750,421	56
	Total assets	**$ 1,160,777**	**100**	**1,177,023**	**100**	**1,348,951**	**100**

		June 30, 2017		December 31, 2016		June 30, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term borrowings (notes 6(g) and 8)	$ 565,000	49	535,000	46	590,000	44
2150	Notes payable	157	-	179	-	158	-
2170	Accounts payable	98,198	9	75,130	7	154,807	11
2200	Other payables	40,402	3	60,582	5	62,393	5
2250	Provisions－current	4,869	-	5,125	-	4,515	-
2300	Other current liabilities	38,544	3	58,962	5	36,747	3
	Total current liabilities	747,170	64	734,978	63	848,620	63
	Non-Current liabilities:						
2645	Guarantee deposits received	3,268	-	3,532	-	3,533	-
2670	Other non-current liabilities	2,472	-	2,789	-	2,411	-
	Total non-current liabilities	5,740	-	6,321	-	5,944	-
	Total liabilities	752,910	64	741,299	63	854,564	63
	Equity attributable to owners of parent (notes 6(i) and 6(j)):						
	Share capital:						
3110	Common shares	1,439,314	124	1,189,314	101	1,901,445	141
3120	Preferred shares	84	-	84	-	170	-
		1,439,398	124	1,189,398	101	1,901,615	141
3200	Capital surplus	-	-	-	-	3,102	-
3350	Accumulated deficits	(859,183)	(74)	(577,608)	(49)	(1,023,087)	(76)
	Other equities:						
3410	Exchange differences on translation of foreign financial statements	29,590	3	25,872	2	21,662	2
3500	Treasury shares	(202,059)	(17)	(202,059)	(17)	(409,026)	(30)
	Total equity attributable to owners of parent	407,746	36	435,603	37	494,266	37
36xx	**Non-controlling interests**	121	-	121	-	121	-
	Total equity	407,867	36	435,724	37	494,387	37
	Total liabilities and equity	**$ 1,160,777**	**100**	**1,177,023**	**100**	**1,348,951**	**100**

See accompanying notes to consolidated interim financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the three months ended June 30				For the six months ended June 30			
		2017		2016		2017		2016	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue**	$ 136,314	100	235,248	100	275,761	100	506,617	100
5000	**Operating costs (notes 6(c) and 6(h))**	108,301	79	184,112	78	211,106	77	389,718	77
5900	**Gross profit**	28,013	21	51,136	22	64,655	23	116,899	23
6000	**Operating expenses (notes 6(h) and 7):**								
6100	Selling expenses	15,512	11	26,943	12	31,131	11	51,382	10
6200	Administrative expenses	30,311	22	37,372	16	62,363	23	74,710	15
6300	Research and development expenses	17,226	13	21,467	9	36,533	13	42,826	8
	Total operating expenses	63,049	46	85,782	37	130,027	47	168,918	33
6900	**Net operating loss**	(35,036)	(25)	(34,646)	(15)	(65,372)	(24)	(52,019)	(10)
7000	**Non-operating income and expenses (note 6(m)):**								
7010	Other income	6,149	4	8,607	4	10,443	4	14,289	2
7020	Other gains and losses	7,557	6	(6,319)	(3)	(24,207)	(8)	(16,567)	(3)
7050	Finance costs	(2,443)	(2)	(2,725)	(1)	(4,858)	(2)	(5,426)	(1)
	Total non-operating income and expenses	11,263	8	(437)	-	(18,622)	(6)	(7,704)	(2)
7900	**Loss from continuing operations before tax**	(23,773)	(17)	(35,083)	(15)	(83,994)	(30)	(59,723)	(12)
7950	**Less: income tax expense (note 6(i))**	1	-	897	-	81	-	1,146	-
	Net loss	(23,774)	(17)	(35,980)	(15)	(84,075)	(30)	(60,869)	(12)
8300	**Other comprehensive income (loss):**								
8360	**Items that may be reclassified subsequently to profit or loss (note 6(j))**								
8361	Exchange differences on translation of foreign financial statements	(2,674)	(2)	1,490	-	3,718	1	1,051	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total Items that may be reclassified subsequently to profit or loss	(2,674)	(2)	1,490	-	3,718	1	1,051	-
8300	**Other comprehensive income (loss), net**	(2,674)	(2)	1,490	-	3,718	1	1,051	-
	Total comprehensive income (loss)	**$ (26,448)**	**(19)**	**(34,490)**	**(15)**	**(80,357)**	**(29)**	**(59,818)**	**(12)**
	Net loss attributable to:								
8610	Loss attributable to owners of parent	$ (23,774)	(17)	(35,980)	(15)	(84,075)	(30)	(60,869)	(12)
8620	Loss attributable to non-controlling interests	-	-	-	-	-	-	-	-
		$ (23,774)	**(17)**	**(35,980)**	**(15)**	**(84,075)**	**(30)**	**(60,869)**	**(12)**
	Comprehensive income (loss) attributable to:								
8710	Comprehensive income (loss), attributable to owners of parent	$ (26,448)	(19)	(34,490)	(15)	(80,357)	(29)	(59,818)	(12)
8720	Comprehensive income (loss), attributable to non-controlling interests	-	-	-	-	-	-	-	-
		$ (26,448)	**(19)**	**(34,490)**	**(15)**	**(80,357)**	**(29)**	**(59,818)**	**(12)**
9750	**Basic earnings per share (in New Taiwan dollars) (note 6(k))**	**$ (0.16)**		**(0.40)**		**(0.62)**		**(0.67)**	
9850	**Diluted earnings per share (in New Taiwan dollars) (note 6(k))**	**$ (0.16)**		**(0.40)**		**(0.62)**		**(0.67)**	

See accompanying notes to consolidated interim financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Share capital									
	Common shares	Preferred shares	Total share capital	Capital surplus	Accumulated deficits	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 1,901,445	170	1,901,615	3,397	(962,513)	20,611	(409,026)	554,084	121	554,205
Capital surplus used to offset accumulated deficits	-	-	-	(295)	295	-	-	-	-	-
Net loss	-	-	-	-	(60,869)	-	-	(60,869)	-	(60,869)
Other comprehensive income (loss)	-	-	-	-	-	1,051	-	1,051	-	1,051
Total comprehensive income (loss)	-	-	-	-	(60,869)	1,051	-	(59,818)	-	(59,818)
Balance at June 30, 2016	**$ 1,901,445**	**170**	**1,901,615**	**3,102**	**(1,023,087)**	**21,662**	**(409,026)**	**494,266**	**121**	**494,387**
Balance at January 1,2017	$ 1,189,314	84	1,189,398	-	(577,608)	25,872	(202,059)	435,603	121	435,724
Net loss	-	-	-	-	(84,075)	-	-	(84,075)	-	(84,075)
Other comprehensive income (loss)	-	-	-	-	-	3,718	-	3,718	-	3,718
Total comprehensive income (loss)	-	-	-	-	(84,075)	3,718	-	(80,357)	-	(80,357)
Issue of common shares for cash	250,000	-	250,000	-	(197,500)	-	-	52,500	-	52,500
Balance at June 30, 2017	**$ 1,439,314**	**84**	**1,439,398**	**-**	**(859,183)**	**29,590**	**(202,059)**	**407,746**	**121**	**407,867**

See accompanying notes to consolidated interim financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2017	2016
Cash flows from (used in) operating activities:		
Net loss before tax	$ (83,994)	(59,723)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	13,670	15,430
Amortization	6,469	11,337
Interest expense	4,858	5,426
Interest income	(111)	(146)
Dividend income	-	(1,165)
Loss on disposal of property, plant and equipment	8	82
Gain on disposal of investments	-	(682)
Amortization of long-term prepaid rent	130	146
Total adjustments to reconcile profit (loss)	25,024	30,428
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	3	(5,207)
Accounts receivable	24,433	(44,595)
Other receivables	23	(95)
Inventories	(22,739)	20,956
Other current assets	6,647	(157)
Total changes in operating assets, net	8,367	(29,098)
Net changes in operating liabilities:		
Notes payable	(22)	(177)
Accounts payable	23,068	14,186
Other payables	(20,217)	(3,722)
Provisions	(256)	(1,724)
Other current liabilities	(20,216)	(24,931)
Other non-current liabilities	(317)	-
Total changes in operating liabilities, net	(17,960)	(16,368)
Total changes in operating assets and liabilities, net	(9,593)	(45,466)
Total adjustments	15,431	(15,038)
Cash outflow generated from operating activities	(68,563)	(74,761)
Interest received	111	146
Interest paid	(4,821)	(5,470)
Income taxes paid	(257)	(384)
Net cash flows used in operating activities	(73,530)	(80,469)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at cost	(8,969)	-
Proceeds from capital reduction of financial assets at cost	-	7,040
Proceeds from liquidation of subsidiaries	-	34
Acquisition of property, plant and equipment	(3,935)	(1,458)
Proceeds from disposal of property, plant and equipment	-	61
Decrease in refundable deposits	76	31
Increase in other non-current assets	(2,197)	(4,692)
Dividends received	-	1,165
Net cash flows from (used in) investing activities	(15,025)	2,181
Cash flows from (used in) financing activities:		
Increase in short-term loans	192,500	80,000
Decrease in short-term loans	(162,500)	(70,000)
Increase (decrease) in guarantee deposits received	(264)	130
Capital increase by cash	52,500	-
Net cash flows from financing activities	82,236	10,130
Effects of exchange rate changes on cash and cash equivalents	10,284	1,501
Net increase (decrease) in cash and cash equivalents	3,965	(66,657)
Cash and cash equivalents at beginning of period	133,050	251,660
Cash and cash equivalents at end of period	$ **137,015**	**185,003**

See accompanying notes to consolidated interim financial statements.

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, 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 Company and its subsidiaries (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 interim financial statements were reported to the Board of Directors on August 10, 2017.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

(Continued)

The Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IIFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017.

(Continued)

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables. At June 30, 2017, the Group had financial assets measured at cost of $44,859 thousand that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group's profits.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting

(Continued)

date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group's preliminary assessment indicated that the application of IFRS 9 impairment requirements would not generate a material impact.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

1) Sales of goods

For export sales, goods are sold with the term of F.O.B. shipping point, revenue is recognized when the goods are shipped on board at the port; for domestic sales, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Transition

The Group plans to adopt IFRS 15 in its consolidated interim financial statements using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated interim financial statements.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

The Group's preliminary assessment indicated that the application of IFRS 15 Revenue from Contracts with Customers would not have material impact on consolidated interim financial statements.

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(Continued)

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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.

(4) Summary of significant accounting policies

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2016. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2016.

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed 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 by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

(Continued)

(b) Basis of consolidation

Principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2016.

List of subsidiaries included in the consolidated interim financial statements:

Name of investor	Name of investee	Scope of business	Percentage of ownership June 30, 2017	December 31, 2016	June 30, 2016
The Company	Gammatech Computer Corporation	The research, development and trading of computers and computer peripheral equipment	100.000 % (Note 1)	100.000 % (Note 1)	100.000 % (Note 1)
The Company	Twinhead GmbH	The research, development and trading of computers and computer peripheral equipment	- % (Note 2)	- % (Note 2)	- % (Note 2)
The Company	Twinhead (Asia) Pte Ltd.	Investment holding	100.000 %	100.000 %	100.000 %
The Company	Twintek International Corporation	The trading of computers and computer peripheral equipment	99.974 %	99.974 %	99.974 %
The Company	Yu Feng Technology Co., Ltd.	The trading of computers and computer peripheral equipment	99.975 %	99.975 %	99.975 %
Twinhead (Asia) Pte Ltd.	Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	100.000 %
Twinhead (Asia) Pte Ltd.	Twinhead Kunshan Technology Co., Ltd.	Sales and production of PDAs, calculators and their parts, and computer keyboards	100.000 %	100.000 %	100.000 %
Twinhead (Asia) Pte Ltd.	Kunshan Lun Teng System Co., Ltd.	Import and export of computers, electronic components, and digital cameras, and technical consultant services	100.000 %	100.000 %	100.000 %

Note 1: Twintek International Corporation signed a Share Exchange Agreement with Yu Feng Technology Co., Ltd. The transfer date is April 1, 2016. Twintek International Corporation transferred 10,000 shares of Gammatech Computer Corporation to Yu Feng Technology Co., Ltd. Gammatech Computer Corporation is still 100% owned by Twinhead International Corporation and its subsidiaries.

Note 2: Twinhead GmbH International Corporation has completed the liquidation process in June, 2016.

(c) Income tax

Tax expense in the consolidated interim 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.

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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 interim 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 interim 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, 2016. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2016.

(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, 2016. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2016.

(a) Cash and cash equivalents

	June 30, 2017	December 31, 2016	June 30, 2016
Petty cash	$ 503	522	449
Checking and savings deposits	136,512	132,528	184,554
Cash and cash equivalents per statements of cash flow	**$ 137,015**	**133,050**	**185,003**

(b) Notes and accounts receivable, and other receivables

	June 30, 2017	December 31, 2016	June 30, 2016
Notes receivable	$ -	3	5,219
Accounts receivable	63,560	87,993	139,737
Other receivables	43	66	209
Less: allowance for impairment	913	967	968
	$ 62,690	**87,095**	**144,197**

(Continued)

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The Group's aging analysis of overdue notes and accounts receivable, and other receivables was as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Overdue 0~30 days	$ 7,929	10,184	12,873
Overdue 31~180 days	4,177	10,848	4,732
Overdue over 181 days	3,688	32	10
	$ 15,794	**21,064**	**17,615**

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ 967	-	967
Effect of changes in exchange rates	(54)	-	(54)
Balance at June 30, 2017	**$ 913**	**-**	**913**

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 985	-	985
Effect of changes in exchange rates	(17)	-	(17)
Balance at June 30, 2016	**$ 968**	**-**	**968**

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

(c) Inventories

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

	June 30, 2017	December 31, 2016	June 30, 2016
Merchandise	$ 3,613	4,326	6,550
Finished goods	39,653	42,255	48,906
Work in progress	24,984	1,946	13,695
Raw materials and supplies	158,923	143,333	174,607
Goods in transit	7,738	20,312	11,660
Total	**$ 234,911**	**212,172**	**255,418**

As of June 30, 2017, December 31 and June 30, 2016, the Group's inventories were not provided as pledged assets.

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

	For the three months ended June 30		For the six months ended June 30	
	2017	**2016**	**2017**	**2016**
Loss on decline in market value of inventory	$ 3,889	4,791	4,650	6,568
Loss from scrapped inventory	14	2,225	61	3,261
Total	**$ 3,903**	**7,016**	**4,711**	**9,829**

(d) Financial assets carried at cost－non-current

	Percentage of ownership	Investment cost	Amount
June 30, 2017			
Investments:			
EUROC Venture Capital Corp.	10.000	$ 28,160	28,160
Printec Japan	9.000	2,715	2,715
Ambicion Co., Ltd.	0.944	5,015	5,015
Adolite Inc.	0.426	8,969	8,969
Total		**$ 44,859**	**44,859**
December 31, 2016			
Investments:			
EUROC Venture Capital Corp.	10.000	$ 28,160	28,160
Printec Japan	9.000	2,715	2,715
Ambicion Co., Ltd.	0.944	5,015	5,015
Total		**$ 35,890**	**35,890**
June 30, 2016			
Investments:			
EUROC Venture Capital Corp.	10.000	$ 28,160	28,160
Printec Japan	9.000	2,715	2,715
Ambicion Co., Ltd.	1.225	5,015	5,015
Total		**$ 35,890**	**35,890**

(Continued)

In June, 2017, the Group had invested in Adolite Inc. with the amount of USD298 thousand (TWD8,969 thousand). The acquisition price had been fully paid in June 2017.

On May 10, 2016, the shareholders' meeting of EUROC Venture Capital Corp. resolved to decrease its capital by $7,040 thousand. The returned capital had been fully received in June, 2016.

Besides, the impairment loss which was recognized in prior. Please refer to note (13)(a)(iii).

(e) Property, plant and equipment

	Land	Buildings	Machinery	Other equipment	Total
Carrying value:					
January 1, 2017	$ 107,832	245,050	87,978	11,144	452,004
June 30, 2017	$ 107,832	239,798	77,536	12,458	437,624
January 1, 2016	$ 107,832	256,644	114,178	12,786	491,440
June 30, 2016	$ 107,832	251,233	101,125	11,401	471,591

For the six months ended June 30, 2017 and 2016, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on property, plant and equipment. For the information on depreciation expenses for the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016, please refers to note 12; for pledged property, plant and equipment, please refers to note 8; for other relative information, please refers to note 6(e) of the consolidated financial statements for the year ended December 31, 2016.

(f) Investment property

For the six months ended June 30, 2017 and 2016, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on investment properties. For the information on depreciation expenses for the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016, please refers to notes 6(m) and 12; for pledged investment properties, please refers to note 8; for other related information, please refers to note 6(f) of the consolidated financial statements for the year ended December 31, 2016.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(f) of the consolidated financial statements for the year ended December 31, 2016.

(g) Short-term loans

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

	June 30, 2017			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Unsecured loans	TWD	1.82~2.00	2017	$ 245,000
Secured bank loans	TWD	1.66~1.88	2017~2018	320,000
Total				**$ 565,000**

(Continued)

	December 31, 2016			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Unsecured loans	TWD	1.82~2.00	2017	$ 255,000
Secured bank loans	TWD	1.66~1.88	2017	280,000
Total				**$ 535,000**

	June 30, 2016			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Unsecured loans	TWD	1.85~2.00	2016~2017	$ 270,000
Secured bank loans	TWD	1.65~1.88	2016	320,000
Total				**$ 590,000**

As of June 30, 2017, December 31 and June 30, 2016, the unused credit facilities amounted to $492,080 thousand, $529,400 thousand and $506,800 thousand, respectively.

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

(h) Employee benefits

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

	For the three months ended June 30		**For the six months ended June 30**	
	2017	**2016**	**2017**	**2016**
Operating costs	$ 475	962	956	1,892
Operating expenses	1,366	1,752	2,759	3,538
Total	**$ 1,841**	**2,714**	**3,715**	**5,430**

For other relative information, please refers to note 6(j) to the consolidated financial statements for the year ended December 31, 2016.

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(i) Income tax

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

The Group's income tax expense are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Current income tax expense				
Current period	$ 1	897	81	1,146
Income tax expenses on continuing operations	**$ 1**	**897**	**81**	**1,146**

The ROC income tax authorities have examined the Company's income tax returns for all years through 2015.

The components of unappropriated earnings were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Deficits of year 1997 and prior years	$ -	-	-
Deficits of year 1998 and thereafter	(859,183)	(577,608)	(1,023,087)
	$ (859,183)	**(577,608)**	**(1,023,087)**

	June 30, 2017	December 31, 2016	June 30, 2016
Balance of imputation credit account (ICA)	**$ 17,548**	**17,548**	**17,548**

As of June 30, 2017 and 2016, there was no imputation credit ratio because of accumulated deficits.

According to the amended Income Tax Act, the amount of the deductible tax of an individual shareholder residing in the territory of the ROC is calculated at 50% of the original tax deduction ratio starting from 2015. However, if the gross dividends or the gross earnings received by a shareholder residing outside the territory of the ROC contain any income subject to a 10% surcharge on profit-seeking income tax which was actually paid under the provisions of Article 66-9, half of the amount of the surcharge on profit-seeking income tax may used to offset against the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(Continued)

(j) Capital and other equity

Except for those mentioned below, there were no significant changes in capital for the six months ended June 30, 2017 and 2016. For other related information, please refers to note 6(l) to the consolidated financial statements for the year ended December 31, 2016.

(i) Capital stock

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

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

2) Dividends are paid annually after being approved and declared in the annual common stockholders' meeting. Dividends are calculated based on the prior year's days outstanding; however, upon conversion of their preferred stock into common stock, the 20% cumulative convertible preferred stockholders waive their rights to the current year's profit distribution.

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

4) One year after issuance, the 20% cumulative convertible preferred stockholders may, at their option, in June of every year, exchange their convertible preferred shares for common shares at a 1:1 ratio.

5) A 20% cumulative convertible preferred stockholder has a higher claim than the common stockholders to the remaining assets in the event of the Company's liquidation, and is limited to the issuance amount of the 20% cumulative convertible preferred stock. Unless otherwise stipulated in the articles of incorporation, a 20% cumulative preferred stockholder has no other rights or obligations.

To strengthen the financial structure, the Board of the Directors of the Company resolved to carry out a capital reduction plan to offset the accumulated deficits of $962,217 thousand, with a reduction ratio of 50.6% approximately. The aforementioned reduction was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C., on August 8, 2016. On August 11, 2016, the board of directors of the Company approved the effective date of the reduction to be August 12, 2016. The capital reduction has been registered.

(Continued)

To increase working capital and strengthen the financial structure, the Board of the Directors of the Company resolved to conduct the first private placement of common stocks on June 23, 2016. The estimated shares shall not exceed 50,000 thousand shares, with a par value of $10 per share. Both on January 23, 2017 and December 14, 2016, the board of directors of the Company approved a resolution to issue 25,000 thousand shares of common stocks for cash, with the par value of $10 per share. The prices of private placement of common stock were $2.1 and $2.2 per share, respectively, with the dates of the capital increase on February 2, 2017 and December 19, 2016, respectively. The capital increase were completed, and the total number of shares had been subscribed in full on January 25, 2017 and December 16, 2016, respectively.

To increase working capital and strengthen the financial structure, the Board of the Directors of the Company resolved to conduct the first private placement of common stocks on June 16, 2017. The limit of the shares to be issued for this private placement is 55,000 thousand shares, with a par value of $10 per share.

(ii) Retained earnings－Distribution of retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The remainder can be distributed as dividends in consideration of the overall industry circumstances, the Company's financial structure, and the investors' best interests, but at least 50% of the remainder should be distributed. Such distribution, considering the capital surplus, retained earnings, future profitability, and maintenance of the dividend distribution level, shall be no more than 40% in cash and the rest in stock dividends.

As of December 31, 2016 and 2015, the Company had incurred accumulated deficits. Therefore, no dividends were distributed. Related information would be available at the Market Observation Post System Website.

The Company's accumulated undistributed preferred stock dividend of $352 thousand, $344 thousand and $344 thousand as of June 30, 2017, December 31 and June 30, 2016, respectively, will be recognized and distributed if approved in the shareholders' meeting.

(iii) Treasury stock

For the six months ended June 30, 2017 and 2016, none of the shares of the Company held by its subsidiaries were sold.

In order to offset accumulated deficits, the capital reduction has resulted in the decrease of 1,573 thousand shares of the Company held by Twintek International Corporation and of 1,507 thousand shares of the Company held by Yu Feng Technology Co., Ltd. The Company offset treasury stock amounted to $206,967 thousand and paid-in capital amounted to $3,102 thousand, and recognized the difference amounted to $203,865 thousand as accumulated deficits.

As of June 30, 2017 and 2016, the subsidiaries of the Company held 3,008 thousand and 6,088 thousand shares of common stock of the Company. The shares held by the subsidiaries, recorded under treasury stock, were due to the conversion of the Company's convertible bonds which were purchased by the subsidiaries of the Company in prior years. As of June 30, 2017, December 31 and June 30, 2016, the market value of the Company's shares held by the subsidiaries amounted to $7,579 thousand, $7,518 thousand and $10,471 thousand, respectively.

Shares owned by the Company's subsidiaries were treated as treasury stock. The details are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Twintek International Corporation	$ 103,259	103,259	209,026
Yu Feng Technology Co., Ltd.	98,800	98,800	200,000
	$ 202,059	**202,059**	**409,026**

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign
Balance as of January 1, 2017	$ 25,872
Foreign exchange differences arising from foreign operation	3,718
Balance as of June 30, 2017	**$ 29,590**
Balance as of January 1, 2016	$ 20,611
Foreign exchange differences arising from foreign operation	1,051
Balance as of June 30, 2016	**$ 21,662**

(k) Earnings per share

The calculation 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 June 30		For the six months ended June 30	
	2017	**2016**	**2017**	**2016**
Net loss of the Company	$ (23,774)	(35,980)	(84,075)	(60,869)
Dividends on non-redeemable preferred shares	(4)	(9)	(8)	(17)
Net loss attributable to common shareholders of the Company	**$ (23,778)**	**(35,989)**	**(84,083)**	**(60,886)**
Weighted-average number of common shares	**140,923**	**90,923**	**136,503**	**90,923**
Basic earnings per share (in NT dollars)	**$ (0.16)**	**(0.40)**	**(0.62)**	**(0.67)**

(ii) Diluted earnings per share

Due to the anti-dilutive effect, the Company's preferred shares was not included in the weighted-average number of shares outstanding for the calculation of diluted earnings per share.

(l) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of incorporation the Company should contribute no less than 10% of the profit as employee compensation and less than 2% as directors' and supervisors' 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 supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

As of June 30, 2017, December 31 and June 30, 2016, the Company had incurred accumulated deficits. Therefore, no remuneration to employees, as well as directors and supervisors were accrued by the Company. Related information would be available at the Market Observation Post System Website.

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(m) Non-operating income and expenses

(i) Other income

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest income	$ 70	94	111	146
Dividend income	-	1,165	-	1,165
Rental income	3,879	4,299	7,759	8,598
Others	2,200	3,049	2,573	4,380
	$ 6,149	8,607	10,443	14,289

(ii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Foreign exchange gain (loss), net	$ 7,916	(6,568)	(23,475)	(16,465)
Loss on disposal of property, plant and equipment	(8)	(82)	(8)	(82)
Gain on disposal of investments	-	682	-	682
Depreciation of investment property	(351)	(351)	(702)	(702)
Others	-	-	(22)	-
	$ 7,557	(6,319)	(24,207)	(16,567)

(iii) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest expenses	$ 2,443	2,725	4,858	5,426

(n) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk, currency risk, and market risk due to financial instruments. Please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2016.

(i) Market risk－Currency risk

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

		Foreign currency	Exchange rate	TWD
June 30, 2017				
Financial assets:				
Monetary assets:				
USD	$	17,075	30.42	519,422
Financial liabilities:				
Monetary liabilities:				
USD	$	1,959	30.42	59,593
December 31, 2016				
Financial assets:				
Monetary assets:				
USD	$	16,381	32.25	528,287
EUR	$	26	33.90	881
Financial liabilities:				
Monetary liabilities:				
USD	$	1,247	32.25	40,216
June 30, 2016				
Financial assets:				
Monetary assets:				
USD	$	17,703	32.28	571,453
EUR	$	26	35.89	933
Financial liabilities:				
Monetary liabilities:				
USD	$	2,795	32.28	90,223

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The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD and EUR as of June 30, 2017 and 2016, would have increased (decreased) the net loss before tax by $4,598 thousand and $4,822 thousand, respectively. The analysis was performed on the same basis for both periods.

Due to the numerous type of functional currency of the Group, the Group aggregately discloses its exchange gains and losses on monetary items. The Group's exchange losses, including realized and unrealized, were $23,475 thousand and $16,465 thousand for the six months ended June 30, 2017 and 2016, respectively.

(ii) Fair value－Categories and fair value of financial instruments

Except for the followings, the carrying amounts of the Group's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market data and value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	June 30, 2017				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at cost	$ 44,859	-	-	-	-
Loans and receivables					
Cash and cash equivalents	137,015	-	-	-	-
Receivables and other receivables	62,690	-	-	-	-
Refundable deposits	6,976	-	-	-	-
Subtotal	206,681	-	-	-	-
Total	**$ 251,540**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 565,000	-	-	-	-
Notes and accounts payable	98,355	-	-	-	-
Other payables	15,291	-	-	-	-
Guarantee deposits received	3,268	-	-	-	-
Preferred shares	84	-	-	-	-
Total	**$ 681,998**	**-**	**-**	**-**	**-**

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	December 31, 2016				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at cost	$ 35,890	-	-	-	-
Loans and receivables					
Cash and cash equivalents	133,050	-	-	-	-
Receivables and other receivables	87,095	-	-	-	-
Refundable deposits	7,052	-	-	-	-
Subtotal	227,197	-	-	-	-
Total	**$ 263,087**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 535,000	-	-	-	-
Notes and accounts payable	75,309	-	-	-	-
Other payables	26,820	-	-	-	-
Guarantee deposits received	3,532	-	-	-	-
Preferred shares	84	-	-	-	-
Total	**$ 640,745**	**-**	**-**	**-**	**-**

	June 30, 2016				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at cost	$ 35,890	-	-	-	-
Loans and receivables					
Cash and cash equivalents	185,003	-	-	-	-
Receivables and other receivables	144,197	-	-	-	-
Refundable deposits	7,249	-	-	-	-
Subtotal	336,449	-	-	-	-
Total	**$ 372,339**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 590,000	-	-	-	-
Notes and accounts payable	154,965	-	-	-	-
Other payables	32,872	-	-	-	-
Guarantee deposits received	3,533	-	-	-	-
Total	**$ 781,370**	**-**	**-**	**-**	**-**

(Continued)

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES
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(o) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(r) of the consolidated financial statements for the year ended December 31, 2016.

(p) 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, 2016. 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, 2016. For further information, please refer to note 6(x) to the consolidated financial statements for the year ended December 31, 2016.

(7) Related-party transactions

The compensation of the key management personnel comprised the following:

	For the three months ended June 30		For the six months ended June 30	
	2017	**2016**	**2017**	**2016**
Short-term employee benefits	$ 3,743	4,276	7,761	8,562
Post-employment benefits	54	81	108	162
	$ 3,797	**4,357**	**7,869**	**8,724**

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2017	December 31, 2016	June 30, 2016
Land	Short-term borrowings	$ 107,832	107,832	107,832
Buildings	Short-term borrowings	180,044	182,272	184,499
Investment property	Short-term borrowings	149,079	149,781	150,482
		$ 436,955	**439,885**	**442,813**

(9) Commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events

To increase working capital and strengthen the financial structure, the Board of the Directors of the Company approved a resolution on July 31, 2017, to issue 55,000 thousand shares of common stock for cash, with a par value of $10 per share and the price of private placement of common stock was $2.01. The date of the capital increase will be decided by the Chairman as authorized by the Board of Directors.

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

(12) Other

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

By function / By nature	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	8,075	32,439	40,514	14,850	42,546	57,396
Labor and health insurance	771	2,604	3,375	1,254	3,589	4,843
Pension	475	1,366	1,841	962	1,752	2,714
Others	588	1,328	1,916	805	1,480	2,285
Depreciation (note)	4,120	2,016	6,136	5,361	1,940	7,301
Amortization	-	2,988	2,988	-	5,235	5,235

By function / By nature	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	15,274	65,060	80,334	29,304	84,382	113,686
Labor and health insurance	1,641	5,738	7,379	2,431	7,328	9,759
Pension	956	2,759	3,715	1,892	3,538	5,430
Others	1,011	2,594	3,605	1,620	2,957	4,577
Depreciation (note)	9,096	3,872	12,968	10,826	3,902	14,728
Amortization	-	6,469	6,469	231	11,106	11,337

Note: Depreciation expenses for investment property recognized under other income and expenses amounted to $351 thousand, $351 thousand, $702 thousand $702 thousand for the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016.

(b) Seasonality or cyclicality of interim operations

The business of the Group is neither seasonal nor cyclical.

TWINHEAD INTERNATIONAL CORP. AND ITS SUBSIDIARIES
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(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six-month ended June 30, 2017:

(i) Loans extended to other parties: None.

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

(iii) Securities held as of June 30, 2017 (excluding investment in subsidiaries, associates and joint ventures):

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

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	EUROC Venture Capital Corp.	-	Financial assets carried at cost－non-current	2,816	28,160	10.000 %	-	Note 1
The Company	I1, Inc.	-	Financial assets carried at cost－non-current	400	-	2.125 %	-	Note 2
The Company	Trigem Computer Inc.	-	Financial assets carried at cost－non-current	-	-	0.006 %	-	Note 2
The Company	Printec Japan Co., Ltd.	-	Financial assets carried at cost－non-current	-	2,715	9.000 %	-	Note 1
The Company	Ambicion Co., Ltd.	-	Financial assets carried at cost－non-current	1	5,015	0.944 %	-	Note 1
The Company	Adolite Inc.	-	Financial assets carried at cost－non-current	360	8,969	0.426 %	-	Note 1
Twintek International Corporation	Twinhead International Corp.	Parent company	Available-for-sale financial assets－non-current	1,536	3,870	1.067 %	3,870	Note 3
Yu Feng Technology Co., Ltd.	Twinhead International Corp.	Parent company	Available-for-sale financial assets－non-current	1,472	3,709	1.023 %	3,709	Note 3

Note 1: Not listed or OTC, and therefore has no market value.

Note 2: The securities were written down due to impairment loss.

Note 3: Deemed to be treasury shares.

(iv) Accumulated holding amount of a single security in excess of NT$300 million or 20% of the Company's issued share capital: None.

(v) Acquisition of real estate in excess of NT$300 million or 20% of the Company's issued share capital: None.

(vi) Disposal of real estate in excess of NT$300 million or 20% of the Company's issued share capital: None.

(vii) Sales to and purchases from related parties in excess of $100 million or 20% of the Company's issued share capital: None.

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

(in Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Notes 1, 3 and 4)	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount (Note 3)	Action taken		
The Company	Twinhead Kunshan Technology Co., Ltd.	Indirect subsidiary	178,612	-	123,760	The receivable has been traced and recognized as long-term receivable	-	-

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

Note 2: Until August 10, 2017.

Note 3: As of June 30, 2017, the Company had accounts payable to Twinhead Kunshan, which were derived from purchasing goods amounting to $475,645. The Company also had purchased supplies on behalf of Twinhead Kunshan, which resulted in the receivable from Twinhead Kunshan amounting to $78,479. As such, the net accounts receivable amounted to $397,166. The accounts receivable and the long-term receivable then offset the investments accounted for using equity method of Twinhead Kunshan amounting to $218,554.

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

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

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

(x) Business relationships and significant intercompany transactions:

(in Thousands of New Taiwan Dollars)

No. (note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (note 2)	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Gammatech Computer	1	Sales revenue	35,025	The transaction is not significantly different from normal transactions	12.70%
0	The Company	Kunshan Lun Teng	1	Sales revenue	6,319	The transaction is not significantly different from normal transactions	2.29 %
0	The Company	Twinhead Kunshan	1	Purchase	67,192	The purchase price is based on the related parties' cost	24.37%
0	The Company	Gammatech Computer	1	Long-term accounts receivable－related parties	29,467	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	2.54 %
0	The Company	Gammatech Computer	1	Accounts receivable－related parties	50,802	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	4.38 %
0	The Company	Kunshan Lun Teng	1	Accounts receivable－related parties	2,817	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	0.24 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable－related parties	123,760	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	10.66%
0	The Company	Twinhead Kunshan	1	Accounts receivable－related parties	54,852	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	4.73 %

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2017 (excluding information on investees in Mainland China):

(in Thousands of New Taiwan Dollars / in Thousands of U.S. Dollars

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income (loss) of investee	Investment income (losses)	Remarks
				June 30, 2017	December 31, 2016	Shares	Percentage of ownership	Book value			
The Company	Gammatech Computer	U.S.A.	The research, development and trading of computers and computer peripheral equipment	53,079	53,079	297	59.400 %	- (note 3)	(21,034)	(12,494)	100% jointly owned by the Company and its subsidiaries. (note 5)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	(7,036)	(7,036)	Subsidiary (note 5)
The Company	Twintek	Taiwan	The trading of computers and computer peripheral equipment	328,533	328,533	32,853	99.974 %	(2,214)	(5,037)	(5,037)	Subsidiary (note 5)
The Company	Yu Feng	Taiwan	The trading of computers and computer peripheral equipment	397,900	397,900	39,790	99.975 %	(683)	(3,648)	(3,648)	Subsidiary (note 5)

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Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income (loss) of investee	Investment income (losses)	Remarks
				June 30, 2017	December 31, 2016	Shares	Percentage of ownership	Book value			
Twintek	Gammatech Computer	U.S.A.	The research, development and trading of computers and computer peripheral equipment	42,463	42,463	118	23.600 %	(2,961)	(21,034)	(4,964)	100% jointly owned by the Company and its subsidiaries. (note 5)
Yu Feng	Gammatech Computer	U.S.A.	The research, development and trading of computers and computer peripheral equipment	25,803	25,803	85	17.000 %	(2,133)	(21,034)	(3,576)	100% jointly owned by the Company and its subsidiaries. (note 5)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,509	(140)	(140)	Indirect subsidiary (note 5)

Note 1: The exchange rate as of June 30, 2017: USD1=TWD30.42.

Note 2: The Company was established as a limited company.

Note 3: The computer had accounts receivable to Gammatech Computer Corporation, which were derived from sales. The accounts receivable and the long-term receivable then offset the investments accounted for using equity method of Gammatech Computer Corporation amounted to $15,228 thousand.

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

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

(c) Information on investment in Mainland China:

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

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2017	Investment flow during current period		Cumulative investment (amount) from Taiwan as of June 30, 2017	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of June 30, 2017	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Twinhead Kunshan	Sales and production of PDAs, calculators and their parts, and computer keyboards	380,250 (USD12,500)	(2)	380,250 (USD12,500)	-	-	380,250 (USD12,500)	(6,030)	100.00 %	(6,030)	(228,807)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	121,680 (USD4,000)	(2)	60,840 (USD2,000)	-	-	60,840 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,388 (USD210)	(2)	6,388 (USD210)	-	-	6,388 (USD210)	(616)	100.00 %	(616)	9,446	-

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

(1) Remittance from third-region companies to invest in Mainland China (Through Twinhead (Asia) Ptd Ltd. invest in Mainland china).

(2) Through transferring the investment to third-region existing companies then investing 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 amounts of investment income (loss), excluding those of Twinhead Kunshan, were recognized under the equity method based on the financial statements which were not reviewed by the auditors of the Company.

Note 3: The exchange rate as of June 30, 2017: USD1=TWD30.42.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of June 30, 2017 (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	487,024 (USD16,010)	487,024 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of June 30, 2017: USD1=TWD30.42.

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 21, 2017. 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 13, 2017 to June 12, 2020.

(iii) Significant transactions with investees in Mainland China:

Related information is provided in note 13(a)(x).

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(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.