

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

**TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2018 and 2017**

**Address: 11F., 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.

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安侯建業聯合會計師事務所
KPMG

台北市11049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 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 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 the Twinhead International Corp. and its subsidiaries of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, 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 Standards (“IASs”) 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 review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. 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 generally accepted auditing standards 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 total assets amounting to \$18,750 thousand and \$18,301 thousand, constituting 1.51% and 1.68% of consolidated total assets as of March 31, 2018 and 2017, respectively, total liabilities amounting to \$3,169 thousand and \$2,174 thousand, constituting 0.39% and 0.33% of consolidated total liabilities as of March 31, 2018 and 2017, respectively, and total comprehensive income (loss) amounting to \$(1,193) thousand and \$(800) thousand, constituting 82.22% and 1.48% of consolidated total comprehensive income (loss) for the three months ended March 31, 2018 and 2017, 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 Twinhead International Corp. and its subsidiaries as of March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditor’s report are Yuan-Sheng Yin and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)
May 9, 2018

Notes to Readers

The accompanying consolidated 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 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 and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2018, and 2017

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2018, December 31 and March 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2018		December 31, 2017		March 31, 2017		March 31, 2017		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets												
Current assets:												
Cash and cash equivalents (note 6(f))	\$ 199,263	16	150,086	13	82,508	8	2100		\$ 575,000	47	520,000	46
Notes receivable (note 6(f))	-	-	-	-	2	-	2150		189	-	170	-
Accounts receivable, net (note 6(b))	98,543	8	80,301	7	69,637	6	2170		160,398	13	103,944	9
Other receivables (note 6(c))	46	-	25	-	44	-	2200		40,229	3	62,796	5
Inventories (note 6(d))	228,078	17	207,574	18	213,295	20	2230		5,975	-	4,754	-
Other current assets	21,183	2	17,314	2	15,441	1	2300		34,397	3	46,599	4
Total current assets	547,113	43	455,300	40	380,927	35			816,188	66	738,263	64
Non-current assets:												
Non-current financial assets at fair value through other comprehensive income (note 6(e))	41,244	3	-	-	-	-	2645		3,268	-	3,268	-
Financial assets at cost — non-current (note 6(f))	-	-	44,859	4	35,890	3			2,828	-	2,508	-
Property, plant and equipment (notes 6(g) and 8)	427,410	35	428,757	37	437,757	40			6,095	-	5,776	-
Investment property, net (notes 6(f) and 8)	148,027	12	148,378	12	149,430	14			822,284	66	744,039	64
Deferred tax assets	43,570	4	43,809	4	51,537	5			1,989,314	161	1,989,314	173
Refundable deposits	6,960	1	6,949	1	6,971	1	3110		84	-	84	-
Other non-current assets — others	24,076	2	24,341	2	25,359	2	3120		1,989,398	161	1,989,398	173
Total non-current assets	691,287	57	697,093	60	706,964	65			(1,407,027)	(114)	(1,406,234)	(121)
Total assets	\$ 1,238,400	100	1,152,393	100	1,087,891	100			\$ 1,238,400	100	1,152,393	100
Liabilities and Equity												
Current liabilities:												
Short-term borrowings (notes 6(f) and 8)												
Notes payable												
Accounts payable												
Other payables												
Provisions — current												
Other current liabilities												
Total current liabilities												
Non-Current liabilities:												
Guarantee deposits received												
Other non-current liabilities — others												
Total non-current liabilities												
Total liabilities												
Equity attributable to owners of parent (note 6(f)):												
Share capital:												
Common shares												
Preferred shares												
Accumulated deficits												
Other equities:												
Exchange differences on translation of foreign financial statements												
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income												
Treasury shares												
Total equity attributable to owners of parent												
Non-controlling interests												
Total equity												
Total liabilities and equity												

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>For the three months ended March 31</u>			
		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(n) and 6(o))	\$ 235,449	100	139,447	100
5000	Operating costs (notes 6(d) and 6(j))	<u>170,929</u>	<u>73</u>	<u>102,805</u>	<u>74</u>
5900	Gross profit	<u>64,520</u>	<u>27</u>	<u>36,642</u>	<u>26</u>
6000	Operating expenses (notes 6(j) and 7):				
6100	Selling expenses	18,052	8	15,619	11
6200	Administrative expenses	31,684	13	32,052	23
6300	Research and development expenses	<u>16,260</u>	<u>7</u>	<u>19,307</u>	<u>14</u>
	Total operating expenses	<u>65,996</u>	<u>28</u>	<u>66,978</u>	<u>48</u>
6900	Net operating loss	<u>(1,476)</u>	<u>(1)</u>	<u>(30,336)</u>	<u>(22)</u>
7000	Non-operating income and expenses (note 6(q)):				
7010	Other income	6,987	3	4,294	3
7020	Other gains and losses	(2,413)	(1)	(31,764)	(22)
7050	Finance costs	<u>(2,509)</u>	<u>(1)</u>	<u>(2,415)</u>	<u>(2)</u>
	Total non-operating income and expenses	<u>2,065</u>	<u>1</u>	<u>(29,885)</u>	<u>(21)</u>
7900	Income (loss) from continuing operations before tax	589	-	(60,221)	(43)
7950	Less: income tax expense (note 6(k))	-	-	<u>80</u>	-
	Net income (loss)	<u>589</u>	<u>-</u>	<u>(60,301)</u>	<u>(43)</u>
8300	Other comprehensive income (loss) (note 6(l)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (note 6(l))				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	2,308	1	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>2,308</u>	<u>1</u>	<u>-</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss (note 6(l))				
8361	Exchange differences on translation of foreign financial statements	(4,348)	(2)	6,392	4
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	<u>(4,348)</u>	<u>(2)</u>	<u>6,392</u>	<u>4</u>
8300	Other comprehensive income (loss), net	<u>(2,040)</u>	<u>(1)</u>	<u>6,392</u>	<u>4</u>
	Total comprehensive income (loss)	<u>\$ (1,451)</u>	<u>(1)</u>	<u>(53,909)</u>	<u>(39)</u>
	Net income (loss) attributable to:				
8610	Income (loss) attributable to owners of parent	\$ 589	-	(60,301)	(43)
8620	Income (loss) attributable to non-controlling interests	-	-	-	-
		<u>\$ 589</u>	<u>-</u>	<u>(60,301)</u>	<u>(43)</u>
	Comprehensive income (loss) attributable to:				
8710	Comprehensive income (loss), attributable to owners of parent	\$ (1,451)	(1)	(53,909)	(39)
8720	Comprehensive income (loss), attributable to non-controlling interests	-	-	-	-
		<u>\$ (1,451)</u>	<u>(1)</u>	<u>(53,909)</u>	<u>(39)</u>
9750	Basic earnings per share (in New Taiwan dollars) (note 6(m))	<u>\$ 0.003</u>		<u>(0.46)</u>	
9850	Diluted earnings per share (in New Taiwan dollars) (note 6(m))	<u>\$ 0.003</u>		<u>(0.46)</u>	

See accompanying notes to consolidated financial statements.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Common shares	Share capital Preference share	Total share capital	Capital surplus	Accumulated deficits	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	\$ 1,189,314	84	1,189,398	-	(577,608)	25,872	-	25,872	(202,059)	435,603	121	435,724
Net loss	-	-	-	-	(60,301)	-	-	-	-	(60,301)	-	(60,301)
Other comprehensive income	-	-	-	-	-	6,392	-	6,392	-	6,392	-	6,392
Total comprehensive income (loss)	-	-	-	-	(60,301)	6,392	-	6,392	-	(53,909)	-	(53,909)
Issuance of common shares for cash	250,000	-	250,000	-	(197,500)	-	-	-	-	52,500	-	52,500
Balance at March 31, 2017	\$ 1,439,314	84	1,439,398	-	(835,409)	32,264	-	32,264	(202,059)	434,194	121	434,315
Balance at January 1, 2018	\$ 1,989,314	84	1,989,398	-	(1,406,234)	27,128	-	27,128	(202,059)	408,233	121	408,354
Effects of retrospective application	-	-	-	-	-	-	(5,923)	(5,923)	-	(5,923)	-	(5,923)
Balance at January 1, 2018 after adjustments	1,989,314	84	1,989,398	-	(1,406,234)	27,128	(5,923)	21,205	(202,059)	402,310	121	402,431
Net income	-	-	-	-	589	-	-	-	-	589	-	589
Other comprehensive income (loss)	-	-	-	-	-	(4,348)	-	(2,308)	-	(2,040)	-	(2,040)
Total comprehensive income (loss)	-	-	-	-	589	(4,348)	-	2,308	-	(1,451)	-	(1,451)
Changes in ownership interests in subsidiaries	-	-	-	-	(1,382)	-	-	-	-	(1,382)	16,518	15,136
Balance at March 31, 2018	\$ 1,989,314	84	1,989,398	-	(1,407,027)	22,780	(3,615)	19,165	(202,059)	399,477	16,639	416,116

See accompanying notes to consolidated financial statements.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2018	2017
Cash flows from (used in) operating activities:		
Net income (loss) before tax	\$ 589	(60,221)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	6,017	7,183
Amortization	2,670	3,481
Interest expense	2,509	2,415
Interest income	(52)	(41)
Amortization of long-term prepaid rent	67	66
Total adjustments to reconcile profit (loss)	<u>11,211</u>	<u>13,104</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	-	1
Accounts receivable	(18,222)	17,446
Other receivables	(6)	37
Inventories	(20,504)	(1,123)
Other current assets	(3,867)	3,497
Total changes in operating assets, net	<u>(42,599)</u>	<u>19,858</u>
Net changes in operating liabilities:		
Notes payable	19	-
Accounts payable	56,454	(1,326)
Other payables	(22,547)	(17,230)
Provisions	1,221	(100)
Other current liabilities	(12,105)	(16,320)
Other non-current liabilities	320	(245)
Total changes in operating liabilities, net	<u>23,362</u>	<u>(35,221)</u>
Total changes in operating assets and liabilities, net	<u>(19,237)</u>	<u>(15,363)</u>
Total adjustments	<u>(8,026)</u>	<u>(2,259)</u>
Cash outflow generated from operating activities	(7,437)	(62,480)
Interest received	37	26
Interest paid	(2,529)	(2,460)
Income taxes paid	(97)	(37)
Net cash flows used in operating activities	<u>(10,026)</u>	<u>(64,951)</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(2,088)	(584)
Increase in refundable deposits	(37)	81
Increase in other non-current assets	(2,405)	(1,171)
Net cash used in investing activities	<u>(4,530)</u>	<u>(1,674)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	55,000	110,000
Decrease in short-term loans	-	(162,500)
Issuance of common shares for cash	-	52,500
Change in non-controlling interests	13,447	-
Net cash flows from financing activities	<u>68,447</u>	<u>-</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,714)</u>	<u>16,083</u>
Net increase (decrease) in cash and cash equivalents	49,177	(50,542)
Cash and cash equivalents at beginning of period	<u>150,086</u>	<u>133,050</u>
Cash and cash equivalents at end of period	<u>\$ 199,263</u>	<u>82,508</u>

See accompanying notes to consolidated financial statements.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

(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 consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies. The Group is mainly engaged in the design, manufacture, sale and development of computers, computer components, peripherals, software, ASIC chips and workstations, and operation of telecommunication-related business.

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

The consolidated financial statements were reported to the Board of Directors and issued on May 9, 2018.

(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, 2018. The differences between the current version and the previous version are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 "Clarifications of 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
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

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

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

(i) IFRS 15 "Revenue from Contracts with Customers"

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

The following are the nature and impacts on changing of accounting policies:

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) Impacts on financial statements

The Group estimates the adoption of IFRS 15 will not have any material impact on its consolidated financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

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

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

The adoption of IFRS 9 did not have any significant impacts on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(c).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

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

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018 (without any changes in the measurement categories and carrying amount on financial liabilities).

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Equity instruments	Available-for-sale (note 1)	44,859	FVOCI	38,936
Trade and other receivables, net	Loans and receivables (note 2)	80,326	Amortized cost	80,326
Refundable deposits	Loans and receivables	6,949	Amortized cost	6,949

Note1: These equity securities that were previously classified as financial assets measured at cost represent the investments that the Group intends to hold for long term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, a decrease of \$5,923 thousand in those assets and other equities, respectively, were recognized on January 1, 2018.

Note2: Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Adjustment on retained earnings	2018.1.1 Adjustment on other equity
Fair value through other comprehensive income						
Financial assets at cost	\$ -	44,859	(5,923)	38,936	-	(5,923)

(b) 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • 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.

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"> • 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 financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2017.

(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 full annual consolidated financial statements.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(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, 2017. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2017.

List of subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Scope of business	Percentage of ownership			Remarks
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	Durabook Americas Inc.	The research, development and trading of computers and computer peripheral equipment	52.000 %	100.000 %	100.000 %	Note 1
The Company	Twinhead (Asia) Pte Ltd.	Investment holding	100.000 %	100.000 %	100.000 %	Note 2
The Company	Twintek International Corporation	The trading of computers and computer peripheral equipment	99.974 %	99.974 %	99.974 %	Note 2
The Company	Yu Feng Technology Co., Ltd.	The trading of computers and computer peripheral equipment	99.975 %	99.975 %	99.975 %	Note 2
Twinhead (Asia) Pte Ltd.	Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	100.000 %	Note 2
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 2

Note 1: In March 2018, the subsidiary of the Group, Durabook Americas Inc. (Durabook), issued 462 thousand common shares for cash amounting to USD462 thousand. The Group did not subscribe any additional shares, resulting in its ownership percentage decreased to 52%.

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

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

(Continued)

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

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

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

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, refundable deposits and other financial assets).

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(d) Revenue from contracts with customers (applicable from January 1, 2018)

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

(i) Sale of goods

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

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

(ii) Financing components

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

(e) Income tax

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

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

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

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(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, 2017. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2017.

(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, 2017. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2017.

(a) Cash and cash equivalents

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Petty cash	\$ 357	491	468
Checking and savings deposits	198,906	149,595	82,040
Cash and cash equivalents per statements of cash flows	<u>\$ 199,263</u>	<u>150,086</u>	<u>82,508</u>

(b) Notes and accounts receivable

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Notes receivable	\$ -	-	2
Accounts receivable	99,416	81,194	70,547
Less: loss allowance	873	893	910
	<u>\$ 98,543</u>	<u>80,301</u>	<u>69,639</u>

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

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on March 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of March 31, 2018 was determined as follows:

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 84,207	0.01%	5
1 to 30 days past due	8,724	2.42%	211
31 to 60 days past due	4,899	4.52%	222
61 to 90 days past due	1,078	21.23%	229
91 to 180 days past due	506	40.16%	204
181 to 365 days past due	<u>2</u>	100.00%	<u>2</u>
	<u>\$ 99,416</u>		<u>873</u>

As of December 31 and March 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Past due 1 to 30 days	\$ 11,142	17,995
Past due 31 to 180 days	5,371	18,917
Past due over 181 days	<u>1,710</u>	<u>457</u>
	<u>\$ 18,223</u>	<u>37,369</u>

The movement in the allowance for notes and accounts receivable was as follows:

	<u>For the three months ended March 31, 2018</u>	<u>For the three months ended March 31, 2017</u>	
		<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Balance on January 1, 2018 and 2017 per IAS 39	\$ 893	967	-
Adjustment on initial application of IFRS 9	<u>-</u>		
Balance on January 1, 2018 per IFRS 9	893		
Foreign exchange losses	<u>(20)</u>	<u>(57)</u>	<u>-</u>
Balance on March 31, 2018 and 2017	<u>\$ 873</u>	<u>910</u>	<u>-</u>

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

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(c) Other receivables

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other receivables—other	\$ <u>46</u>	<u>25</u>	<u>44</u>

As of March 31, 2018, December 31 and March 31, 2017, the Group had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(r).

(d) Inventories

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Merchandise	\$ 6,007	1,219	1,257
Finished goods	21,440	38,868	37,822
Work in progress	68,615	34,546	22,910
Raw materials and supplies	128,687	118,774	140,343
Goods in transit	<u>3,329</u>	<u>14,167</u>	<u>10,963</u>
Total	<u>\$ 228,078</u>	<u>207,574</u>	<u>213,295</u>

As of March 31, 2018, December 31 and March 31, 2017, 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:

	<u>For the three months ended March 31</u>	
	<u>2018</u>	<u>2017</u>
Loss on (reversal of) decline in market value of inventory	\$ (3,936)	761
Loss from scrapped inventory	<u>3,560</u>	<u>47</u>
Total	<u>\$ (376)</u>	<u>808</u>

(e) Financial assets at fair value through other comprehensive income

	<u>March 31, 2018</u>
Equity investments at fair value through other comprehensive income:	
Unlisted stocks (domestic)	27,260
Unlisted stocks (overseas)	<u>13,984</u>
Total	<u>\$ 41,244</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(i) Equity investments at fair value through other comprehensive income

On January 1, 2018, 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. These investments were classified as financial assets at cost on December 31 and March 31, 2017.

No strategic investments were disposed as of March 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

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

(f) Financial assets at cost -- non-current

	Percentage of ownership	Investment cost	Amount
December 31, 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.	0.535	8,969	8,969
Total		<u>\$ 44,859</u>	<u>44,859</u>
March 31, 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
Total		<u>\$ 35,890</u>	<u>35,890</u>

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.

(g) Property, plant and equipment

	Land	Buildings	Machinery	Other equipment	Total
Carrying value:					
January 1, 2018	<u>\$ 107,832</u>	<u>237,334</u>	<u>72,329</u>	<u>11,262</u>	<u>428,757</u>
March 31, 2018	<u>\$ 107,832</u>	<u>236,637</u>	<u>70,309</u>	<u>12,632</u>	<u>427,410</u>
January 1, 2017	<u>\$ 107,832</u>	<u>245,050</u>	<u>87,978</u>	<u>11,144</u>	<u>452,004</u>
March 31, 2017	<u>\$ 107,832</u>	<u>240,219</u>	<u>79,457</u>	<u>10,249</u>	<u>437,757</u>

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For the three months ended March 31, 2018 and 2017, 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 March 31, 2018 and 2017, 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, 2017.

(h) Investment property

For the three months ended March 31, 2018 and 2017, 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 March 31, 2018 and 2017, please refers to notes 6(q) 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, 2017.

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, 2017.

(i) Short-term loans

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

March 31, 2018				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.82~2.00	2018	\$ 255,000
Secured bank loans	TWD	1.66~1.80	2018~2019	<u>320,000</u>
Total				<u>\$ 575,000</u>
December 31, 2017				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.82~1.90	2018	\$ 200,000
Secured bank loans	TWD	1.66~1.80	2018	<u>320,000</u>
Total				<u>\$ 520,000</u>
March 31, 2017				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.82~2.00	2017	\$ 182,500
Secured bank loans	TWD	1.66~1.88	2017~2018	<u>300,000</u>
Total				<u>\$ 482,500</u>

As of March 31, 2018, December 31 and March 31, 2017, the unused credit facilities amounted to \$476,840 thousand, \$534,440 thousand and \$574,220 thousand, respectively.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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The Group has pledged certain assets against the loans; please refers to note 8 for additional information.

(j) Employee benefits

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

	For the three months ended	
	March 31	
	2018	2017
Operating costs	\$ 443	481
Operating expenses	<u>1,523</u>	<u>1,393</u>
Total	<u>\$ 1,966</u>	<u>1,874</u>

For other relative information, please refers to note 6(j) to the consolidated financial statements for the year ended December 31, 2017.

(k) 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.

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing year 2018. The Group spreads the effect of the change amounting to \$5,801 thousand in the tax rate by adjusting the estimated annual effective income tax rate.

The Group's income tax expenses are as follows:

	For the three months ended	
	March 31	
	2018	2017
Current income tax expense		
Current period	\$ -	80
Income tax expense on continuing operations	<u>\$ -</u>	<u>80</u>

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

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(l) Capital and other equity

Except for those mentioned below, there were no significant changes in capital for the three months ended March 31, 2018 and 2017. For other related information, please refer to note 6(l) to the consolidated financial statements for the year ended December 31, 2017.

(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 and bonus to the cumulative convertible preferred stockholders.
- 2) Dividends and bonus 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 cumulative convertible preferred stockholders waive their rights to the current year's profit distribution.
- 3) Dividends and bonus in arrears must be made up in a later year before profits are distributed to common stockholders. Upon conversion of preferred stock into common stock, dividends and bonus in arrears should be paid in full, and a 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 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 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 cumulative convertible preferred stock. Unless otherwise stipulated in the articles of incorporation, a cumulative preferred stockholder has no other rights or obligations.

(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.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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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, 2017 and 2016, 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 \$365 thousand, \$361 thousand and \$348 thousand as of March 31, 2018, December 31 and March 31, 2017, respectively, will be recognized and distributed if approved in the shareholders' meeting.

In March 2018, the subsidiary of the Group, Durabook Americas Inc. (Durabook), issued 462 thousand common shares for cash amounting to USD462 thousand. The Group did not subscribe any additional shares, resulting in a decrease in its ownership percentage. Therefore, the Group debited its retained earnings amounting to \$1,382 thousand.

(iii) Treasury stock

For the three months ended March 31, 2018 and 2017, none of the shares of the Company held by its subsidiaries were sold.

As of March 31, 2018 and 2017, the subsidiaries of the Company both held 3,008 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 March 31, 2018, December 31 and March 31, 2017, the market value of the Company's shares held by the subsidiaries amounted to \$8,601 thousand, \$7,218 thousand and \$8,511 thousand, respectively.

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Twintek International Corporation	\$ 103,259	103,259	103,259
Yu Feng Technology Co., Ltd.	98,800	98,800	98,800
	<u>\$ 202,059</u>	<u>202,059</u>	<u>202,059</u>

(Continued)

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

(iv) Other equities (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2018	\$ 27,128	-	27,128
Effects of retrospective application	-	(5,923)	(5,923)
Balance at January 1, 2018 after adjustments	27,128	(5,923)	21,205
Foreign exchange differences arising from foreign operation	(4,348)	-	(4,348)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,308	2,308
Balance at March 31, 2018	<u>\$ 22,780</u>	<u>(3,615)</u>	<u>19,165</u>
Balance at January 1, 2017	\$ 25,872	-	25,872
Foreign exchange differences arising from foreign operation	6,392	-	6,392
Balance at March 31, 2017	<u>\$ 32,264</u>	<u>-</u>	<u>32,264</u>

(v) Non-controlling interests

	For the three months ended March 31	
	2018	2017
Balance at January 1	\$ 121	121
Increase in non-controlling interests	16,518	-
Balance at March 31	<u>\$ 16,639</u>	<u>121</u>

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

(m) 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	
	March 31	
	2018	2017
Net income (loss) of the Company	\$ 589	(60,301)
Dividends on non-redeemable preferred shares	(4)	(4)
Net income (loss) attributable to common shareholders of the Company	<u>\$ 585</u>	<u>(60,305)</u>
Weighted-average number of common shares	<u>195,923</u>	<u>132,034</u>
Basic earnings per share (in NT dollars)	<u>\$ 0.003</u>	<u>(0.46)</u>

(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.

(n) Revenue from contracts with customers—disaggregation of revenue

	For the three months ended	
	March 31, 2018	
Primary geographical markets:		
Taiwan	\$ 37,417	
United States	105,624	
France	12,120	
Germany	21,262	
Others	<u>59,026</u>	
	<u>\$ 235,449</u>	
Major products/services lines		
Laptop	\$ 161,963	
Mainboard	36,698	
Sales of Materials and others	<u>36,788</u>	
Total	<u>\$ 235,449</u>	

(Continued)

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

(o) Revenue

	For the three months ended March 31, 2017
Sale of goods	\$ <u>139,447</u>

(p) 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 March 31, 2018, December 31 and March 31, 2017, 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.

(q) Non-operating income and expenses

(i) Other income

	For the three months ended March 31	
	2018	2017
Interest income	\$ 52	41
Rental income	3,894	3,880
Others	3,041	373
	\$ 6,987	4,294

(ii) Other gains and losses

	For the three months ended March 31	
	2018	2017
Foreign exchange loss, net	\$ (1,990)	(31,391)
Depreciation of investment property	(351)	(351)
Others	(72)	(22)
	\$ (2,413)	(31,764)

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

(iii) Finance costs

	For the three months ended	
	March 31	
	2018	2017
Interest expenses	\$ 2,509	2,415

(r) 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(p) of the consolidated financial statements for the year ended December 31, 2017.

(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
March 31, 2018			
Financial assets:			
Monetary assets:			
USD	\$ 17,682	29.11	514,723
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,891	29.11	84,157
December 31, 2017			
Financial assets:			
Monetary assets:			
USD	\$ 15,661	29.76	466,071
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,954	29.76	58,151
March 31, 2017			
Financial assets:			
Monetary assets:			
USD	\$ 15,815	30.33	479,669
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,214	30.33	36,821

(Continued)

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

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 as of March 31, 2018 and 2017, would have increased (decreased) the net loss before tax by \$4,306 thousand and \$4,428 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 \$1,990 thousand and \$31,391 thousand for the three months ended March 31, 2018 and 2017, respectively.

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

1) Categories and fair value of financial instruments

Except for the followings, the carrying amounts of the Group's financial assets and liabilities are valued 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.

	Carrying amount	March 31, 2018			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 27,260	-	-	27,260	27,260
Unlisted stocks (overseas)	13,984	-	-	13,984	13,984
Subtotal	41,244	-	-	41,244	41,244
Financial assets measured at amortized cost					
Cash and cash equivalents	199,263	-	-	-	-
Accounts receivable	98,543	-	-	-	-
Other receivables	46	-	-	-	-
Refundable deposits	6,960	-	-	-	-
Subtotal	304,812	-	-	-	-
Total	\$ 346,056	-	-	41,244	41,244
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 575,000	-	-	-	-
Notes and accounts payable	160,587	-	-	-	-
Other payables	14,937	-	-	-	-
Guarantee deposits received	3,268	-	-	-	-
Preferred shares	84	-	-	-	-
Total	\$ 753,876	-	-	-	-

(Continued)

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

		December 31, 2017				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at cost	\$	44,859	-	-	-	-
Loans and receivables						
Cash and cash equivalents	150,086	-	-	-	-	-
Accounts receivable	80,301	-	-	-	-	-
Other receivables	25	-	-	-	-	-
Refundable deposits	6,949	-	-	-	-	-
Subtotal	237,361	-	-	-	-	-
Total	\$	282,220	-	-	-	-
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	520,000	-	-	-	-
Notes and accounts payable	104,114	-	-	-	-	-
Other payables	16,915	-	-	-	-	-
Guarantee deposits received	3,268	-	-	-	-	-
Preferred shares	84	-	-	-	-	-
Total	\$	644,381	-	-	-	-
		March 31, 2017				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at cost	\$	35,890	-	-	-	-
Loans and receivables						
Cash and cash equivalents	82,508	-	-	-	-	-
Accounts receivable	69,639	-	-	-	-	-
Other receivables	44	-	-	-	-	-
Refundable deposits	6,971	-	-	-	-	-
Subtotal	159,162	-	-	-	-	-
Total	\$	195,052	-	-	-	-
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	482,500	-	-	-	-
Notes and accounts payable	73,983	-	-	-	-	-
Other payables	20,897	-	-	-	-	-
Guarantee deposits received	3,532	-	-	-	-	-
Preferred shares	84	-	-	-	-	-
Total	\$	580,996	-	-	-	-

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

- 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.

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

- 3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2018	\$ 38,936
Total gains recognized:	
In other comprehensive income	2,308
Balance at March 31, 2018	\$ 41,244

- (s) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(q) of the consolidated financial statements for the year ended December 31, 2017.

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

(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, 2017. 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, 2017. For further information, please refer to note 6(r) to the consolidated financial statements for the year ended December 31, 2017.

(7) **Related-party transactions**

The compensation of the key management personnel comprised the following:

	For the three months ended	
	March 31	
	2018	2017
Short-term employee benefits	\$ 4,057	4,018
Post-employment benefits	54	54
	<u>\$ 4,111</u>	<u>4,072</u>

(8) **Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Land	Short-term borrowings	\$ 107,832	107,832	107,832
Buildings	Short-term borrowings	176,703	177,817	181,158
Investment property	Short-term borrowings	148,027	148,378	149,430
		<u>\$ 432,562</u>	<u>434,027</u>	<u>438,420</u>

(9) **Commitments and contingencies: None.**

(10) **Losses due to major disasters: None.**

(11) **Subsequent events**

Twinhead International (Kunshan) Corp., a wholly-owned affiliate, reached an agreement with a non-related party in April 2018 that includes leasing plants and selling facilities. The amount of the selling facilities price was NTD6,944 thousand (approximately CNY1,500 thousand), resulting in an estimated loss of NTD61,716 thousand. As of May 9, 2018, the transaction has yet to be completed.

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

(12) Other

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

By nature	By function Three months ended March 31, 2018			Three months ended March 31, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	7,438	34,145	41,583	7,199	32,621	39,820
Labor and health insurance	901	2,890	3,791	870	3,134	4,004
Pension	443	1,523	1,966	481	1,393	1,874
Others	387	1,580	1,967	423	1,266	1,689
Depreciation (note)	2,924	2,742	5,666	4,976	1,856	6,832
Amortization	-	2,670	2,670	-	3,481	3,481

Note: Depreciation expenses for investment property recognized under other income and expenses amounted to \$351 thousand for both three months ended March 31, 2018 and 2017.

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

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

(13) Other disclosures**(a) Information on significant transactions:**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three month ended March 31, 2018:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

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

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.	-	Non-current financial assets at fair value through other comprehensive income	2,816	27,260	10.000 %	27,260	
The Company	II, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	Note 1
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	Note 1
The Company	Printec Japan Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	-	-	9.000 %	-	
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	5,015	0.944 %	5,015	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	8,969	0.535 %	8,969	
Twintek International Corporation	Twinhead International Corp.	Parent company	Non-current financial assets at fair value through other comprehensive income	1,536	4,392	0.772 %	4,392	Note 2
Yu Feng Technology Co., Ltd.	Twinhead International Corp.	Parent company	Non-current financial assets at fair value through other comprehensive income	1,472	4,209	0.740 %	4,209	Note 2

Note 1: The securities were written down due to impairment loss.

Note 2: 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	Action taken		
The Company	Twinhead Kunshan Technology Co., Ltd.	Indirect subsidiary	152,767 (note 3)	-	128,409 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	-	-

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

Note 2: Until May 9, 2018.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 3: As of March 31, 2018, the Company had accounts payable to Twinhead Kunshan, which were derived from purchasing goods amounting to \$485,237 thousand. The Company also had purchased supplies on behalf of Twinhead Kunshan, which resulted in the receivable from Twinhead Kunshan amounting to \$113,543 thousand. As such, the net accounts receivable amounted to \$371,694 thousand. The accounts receivable and the long-term accounts receivable then offset the investments accounted for using equity method of Twinhead Kunshan amounting to \$218,927 thousand.

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

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

(x) Business relationships and significant intercompany transactions:

(in Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Durabook Americas Inc.	1	Sales revenue	41,911	The transaction is not significantly different from normal transactions	17.80%
0	The Company	Kunshan Lun Teng	1	Sales revenue	2,284	The transaction is not significantly different from normal transactions	0.97 %
0	The Company	Twinhead Kunshan	1	Purchase	10,401	The purchase price is based on the related parties' cost	4.42 %
0	The Company	Durabook Americas Inc.	1	Accounts receivable — related parties	41,959	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	3.39 %
0	The Company	Kunshan Lun Teng	1	Accounts receivable — related parties	1,487	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	0.12 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable — related parties	128,409	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	10.37%
0	The Company	Twinhead Kunshan	1	Accounts receivable — related parties	24,358	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	1.97 %

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 financial statements.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance		Book value	Net income (loss) of investee	Investment income (losses)	Remarks
				March 31, 2018	December 31, 2017	Shares	Percentage of ownership				
The Company	Durabook Americas Inc.	U.S.A.	The research, development and trading of computers and computer peripheral equipment	53,079	53,079	297	30.890 % (note 4)	7,299	(808)	(480)	52% 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 3)	-	14,765	14,765	Subsidiary (note 5)
The Company	Twintek	Taiwan	The trading of computers and computer peripheral equipment	328,533	328,533	32,853	99.974 %	4,860	(227)	(227)	Subsidiary (note 5)
The Company	Yu Feng	Taiwan	The trading of computers and computer peripheral equipment	397,900	397,900	39,790	99.975 %	4,383	(174)	(174)	Subsidiary (note 5)

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income (loss) of investee	Investment income (losses)	Remarks
				March 31, 2018	December 31, 2017	Shares	Percentage of ownership	Book value			
Twintek	Durabook Americas Inc.	U.S.A.	The research, development and trading of computers and computer peripheral equipment	42,463	42,463	118	12.270 % (note 4)	4,222	(808)	(191)	52% jointly owned by the Company and its subsidiaries. (note 5)
Yu Feng	Durabook Americas Inc.	U.S.A.	The research, development and trading of computers and computer peripheral equipment	25,803	25,803	85	8.840 % (note 4)	3,042	(808)	(137)	52% 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 %	1,433	(43)	(43)	Indirect subsidiary (note 5)

Note 1: The exchange rate as of March 31, 2018: USD1=TWD29.11.

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

Note 3: Please refer to note 13(g)(viii).

Note 4: In March 2018, Durabook Americas Inc. (Durabook) issued 462 thousand common shares for cash amounting to USD462 thousand. The Group did not subscribe any additional shares, resulting in a decrease in its ownership percentage.

Note 5: The transactions within the Group were eliminated in 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:

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, 2018	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2018	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of March 31, 2018	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	363,875 (USD12,500)	(2)	363,875 (USD12,500)	-	-	363,875 (USD12,500)	15,182	100.00 %	15,182	(230,920)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	116,440 (USD4,000)	(2)	58,220 (USD2,000)	-	-	58,220 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,113 (USD210)	(2)	6,113 (USD210)	-	-	6,113 (USD210)	(213)	100.00 %	(213)	11,094	-

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 March 31, 2018: USD1=TWD29.11.

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 March 31, 2018 (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	466,051 (USD16,010)	466,051 (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 March 31, 2018: USD1=TWD29.11.

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

(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.