

**TWINHEAD INTERNATIONAL CORP.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2020 and 2019**

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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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## Independent Auditors' Review Report

To the Board of Directors  
Twinhead International Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Twinhead International Corp. and its subsidiaries as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with 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 the total assets amounting to \$97,641 thousand and \$101,535 thousand, constituting 8.94% and 8.73% of the consolidated total assets; and the total liabilities amounting to \$12,417 thousand and \$11,625 thousand, constituting 1.43% and 1.32% of the consolidated total liabilities as of June 30, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to \$8,020 thousand, \$(1,082) thousand, \$6,208 thousand and \$1,729 thousand, whose absolute value constituting 234.64%, 3.15%, 31.71% and 3.40% of the consolidated total absolute value of comprehensive income (loss) for the three months and six months ended June 30, 2020 and 2019, 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 Twinhead International Corp. and its subsidiaries as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors’ report are Po-Shu Huang and Yuan-Sheng Yin.

KPMG

Taipei, Taiwan (Republic of China)

August 11, 2020

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2020 and 2019**  
**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2020, December 31 and June 30, 2019**  
**(Expressed in Thousands of New Taiwan Dollar)**

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (note 6(a))	\$ 133,630	12	153,465	13	121,594	11
1150 Notes receivable (note 6(b))	111	-	-	-	173	-
1170 Accounts receivable, net (note 6(b))	57,237	5	84,994	7	72,603	6
1200 Other receivables (note 6(d))	6,446	1	-	-	4,619	-
130x Inventories (note 6(c))	233,537	21	206,348	18	245,042	21
1470 Prepayments and other current assets	12,595	1	16,899	2	13,730	1
<b>Total current assets</b>	<b>443,556</b>	<b>40</b>	<b>461,706</b>	<b>40</b>	<b>457,761</b>	<b>39</b>
<b>Non-current assets:</b>						
1517 Non-current financial assets at fair value through other comprehensive income (note 6(d))	7,172	1	18,082	1	20,812	2
1600 Property, plant and equipment (notes 6(e) and 8)	290,808	27	294,685	26	299,350	26
1755 Right-of-use assets (note 6(f))	68,123	6	76,960	7	93,158	8
1760 Investment property, net (notes 6(g), 6(j) and 8)	196,977	18	199,727	17	203,893	17
1840 Deferred tax assets	43,761	4	43,890	4	44,287	4
1920 Refundable deposits	7,151	1	7,237	1	7,618	1
1995 Other non-current assets	35,134	3	41,377	4	35,708	3
<b>Total non-current assets</b>	<b>649,126</b>	<b>60</b>	<b>681,958</b>	<b>60</b>	<b>704,826</b>	<b>61</b>
<b>Total assets</b>	<b>\$ 1,092,682</b>	<b>100</b>	<b>1,143,664</b>	<b>100</b>	<b>1,162,587</b>	<b>100</b>
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
Short-term borrowings (notes 6(h) and 8)	\$ 610,000	56	590,000	52	590,000	51
Notes payable	164	-	336	-	7	-
Accounts payable	94,126	9	129,711	11	105,576	9
Other payables	41,814	4	50,860	4	47,349	4
Provisions—current	4,492	-	4,264	-	5,352	-
Current lease liabilities (note 6(i))	16,308	1	15,978	1	17,470	2
Other current liabilities	36,555	3	33,254	3	39,257	3
<b>Total current liabilities</b>	<b>803,459</b>	<b>73</b>	<b>824,403</b>	<b>71</b>	<b>805,011</b>	<b>69</b>
<b>Non-Current liabilities:</b>						
Long-term borrowings (note 6(h))	7,153	1	-	-	-	-
Provisions—non-current	5,820	1	6,140	1	3,843	-
Non-current lease liabilities (note 6(i))	42,413	4	50,932	5	65,066	6
Guarantee deposits received	6,655	1	6,748	1	6,929	1
Other non-current liabilities	1,887	-	2,423	-	1,951	-
<b>Total non-current liabilities</b>	<b>63,928</b>	<b>7</b>	<b>66,243</b>	<b>7</b>	<b>77,789</b>	<b>7</b>
<b>Total liabilities</b>	<b>867,387</b>	<b>80</b>	<b>890,646</b>	<b>78</b>	<b>882,800</b>	<b>76</b>
<b>Equity attributable to owners of parent (note 6(d) and (m)):</b>						
Share capital:						
Common shares	1,959,240	179	1,989,314	174	1,989,314	171
Preferred shares	84	-	84	-	84	-
Accumulated deficits	1,959,324	179	1,989,398	174	1,989,398	171
Other equities:	(1,749,788)	(160)	(1,535,036)	(134)	(1,511,710)	(130)
Exchange differences on translation of foreign financial statements	44,726	4	37,576	3	27,238	2
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(16,803)	(2)	(15,118)	(1)	(12,388)	(1)
Treasury shares	27,923	2	22,458	2	14,850	1
Total equity attributable to owners of parent	-	-	(202,059)	(18)	(202,059)	(17)
Non-controlling interests	237,459	21	274,761	24	290,479	25
Total equity	(12,164)	(1)	(21,743)	(2)	(10,692)	(1)
<b>Total liabilities and equity</b>	<b>\$ 1,092,682</b>	<b>100</b>	<b>1,143,664</b>	<b>100</b>	<b>1,162,587</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019

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

	For the three months ended June 30				For the six months ended June 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(o))	\$ 183,867	100	164,815	100	358,815	100	351,651	100
5000	Operating costs (notes 6(c) and 6(k))	<u>128,735</u>	<u>70</u>	<u>123,145</u>	<u>75</u>	<u>253,652</u>	<u>71</u>	<u>259,054</u>	<u>74</u>
5900	Gross profit	<u>55,132</u>	<u>30</u>	<u>41,670</u>	<u>25</u>	<u>105,163</u>	<u>29</u>	<u>92,597</u>	<u>26</u>
6000	Operating expenses (notes 6(i), 6(k) and 7):								
6100	Selling expenses	11,647	6	15,796	10	24,466	7	35,324	10
6200	Administrative expenses	26,934	15	30,423	18	56,607	16	63,560	18
6300	Research and development expenses	<u>21,557</u>	<u>12</u>	<u>25,830</u>	<u>16</u>	<u>44,337</u>	<u>12</u>	<u>53,271</u>	<u>15</u>
	Total operating expenses	<u>60,138</u>	<u>33</u>	<u>72,049</u>	<u>44</u>	<u>125,410</u>	<u>35</u>	<u>152,155</u>	<u>43</u>
6900	Net operating loss	<u>(5,006)</u>	<u>(3)</u>	<u>(30,379)</u>	<u>(19)</u>	<u>(20,247)</u>	<u>(6)</u>	<u>(59,558)</u>	<u>(17)</u>
7000	Non-operating income and expenses (notes 6(d), 6(i) and 6(q)):								
7100	Interest income	91	-	217	-	147	-	300	-
7010	Other income	7,606	4	7,553	5	15,194	4	15,335	5
7020	Other gains and losses	(9,082)	(5)	(3,325)	(2)	(9,935)	(2)	3,197	1
7050	Finance costs	<u>(2,884)</u>	<u>(1)</u>	<u>(3,217)</u>	<u>(2)</u>	<u>(6,017)</u>	<u>(2)</u>	<u>(6,434)</u>	<u>(2)</u>
	Total non-operating income and expenses	<u>(4,269)</u>	<u>(2)</u>	<u>1,228</u>	<u>1</u>	<u>(611)</u>	<u>-</u>	<u>12,398</u>	<u>4</u>
	Loss from continuing operations before tax	(9,275)	(5)	(29,151)	(18)	(20,858)	(6)	(47,160)	(13)
7950	Less: Income tax expense (benefit) (note 6(l))	<u>38</u>	<u>-</u>	<u>(36)</u>	<u>-</u>	<u>38</u>	<u>-</u>	<u>(36)</u>	<u>-</u>
	Net loss	<u>(9,313)</u>	<u>(5)</u>	<u>(29,115)</u>	<u>(18)</u>	<u>(20,896)</u>	<u>(6)</u>	<u>(47,124)</u>	<u>(13)</u>
8300	Other comprehensive income (note 6(m)):								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,287	1	(7,743)	(5)	(4,225)	(1)	(1,754)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>1,287</u>	<u>1</u>	<u>(7,743)</u>	<u>(5)</u>	<u>(4,225)</u>	<u>(1)</u>	<u>(1,754)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	4,608	3	2,524	2	5,545	1	(1,915)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>4,608</u>	<u>3</u>	<u>2,524</u>	<u>2</u>	<u>5,545</u>	<u>1</u>	<u>(1,915)</u>	<u>(1)</u>
8300	Other comprehensive income (loss), net	<u>5,895</u>	<u>4</u>	<u>(5,219)</u>	<u>(3)</u>	<u>1,320</u>	<u>-</u>	<u>(3,669)</u>	<u>(1)</u>
	Total comprehensive income (loss)	<u>\$ (3,418)</u>	<u>(1)</u>	<u>(34,334)</u>	<u>(21)</u>	<u>(19,576)</u>	<u>(6)</u>	<u>(50,793)</u>	<u>(14)</u>
	Net loss attributable to:								
8610	Loss attributable to owners of parent	\$ (7,827)	(4)	(21,163)	(13)	(17,081)	(5)	(34,750)	(10)
8620	Loss attributable to non-controlling interests	<u>(1,486)</u>	<u>(1)</u>	<u>(7,952)</u>	<u>(5)</u>	<u>(3,815)</u>	<u>(1)</u>	<u>(12,374)</u>	<u>(3)</u>
		<u>\$ (9,313)</u>	<u>(5)</u>	<u>(29,115)</u>	<u>(18)</u>	<u>(20,896)</u>	<u>(6)</u>	<u>(47,124)</u>	<u>(13)</u>
	Comprehensive income (loss) attributable to:								
8710	Comprehensive income (loss), attributable to owners of parent	\$ (2,166)	(1)	(26,365)	(16)	(14,156)	(4)	(38,409)	(11)
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>(1,252)</u>	<u>-</u>	<u>(7,969)</u>	<u>(5)</u>	<u>(5,420)</u>	<u>(2)</u>	<u>(12,384)</u>	<u>(3)</u>
		<u>\$ (3,418)</u>	<u>(1)</u>	<u>(34,334)</u>	<u>(21)</u>	<u>(19,576)</u>	<u>(6)</u>	<u>(50,793)</u>	<u>(14)</u>
9750	Basic earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ (0.04)</u>		<u>(0.11)</u>		<u>(0.09)</u>		<u>(0.18)</u>	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ (0.04)</u>		<u>(0.11)</u>		<u>(0.09)</u>		<u>(0.18)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent										
	Share capital		Total share capital	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
Common shares	Preference share	84									
<b>Balance at January 1, 2019</b>	1,989,314	-	1,989,398	(1,476,960)	29,143	(10,634)	18,509	(202,059)	328,888	1,692	330,580
Net loss	-	-	-	(34,750)	-	-	-	-	(34,750)	(12,374)	(47,124)
Other comprehensive income (loss)	-	-	-	(1,905)	(1,905)	(1,754)	(3,659)	-	(3,659)	(10)	(3,669)
Total comprehensive income (loss)	-	-	-	(34,750)	(1,905)	(1,754)	(3,659)	-	(38,409)	(12,384)	(50,793)
<b>Balance at June 30, 2019</b>	<b>1,989,314</b>	-	<b>1,989,398</b>	<b>(1,511,710)</b>	<b>27,238</b>	<b>(12,388)</b>	<b>14,850</b>	<b>(202,059)</b>	<b>290,479</b>	<b>(10,692)</b>	<b>279,787</b>
<b>Balance at January 1, 2020</b>	1,989,314	-	1,989,398	(1,535,036)	37,576	(15,118)	22,458	(202,059)	274,761	(21,743)	253,018
Net loss	-	-	-	(17,081)	-	-	-	-	(17,081)	(3,815)	(20,896)
Other comprehensive income (loss)	-	-	-	-	7,150	(4,225)	2,925	-	2,925	(1,605)	1,320
Total comprehensive income (loss)	-	-	-	(17,081)	7,150	(4,225)	2,925	-	(14,156)	(5,420)	(19,576)
Retirement of treasury share	(30,074)	-	(30,074)	(171,985)	-	-	-	202,059	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	(23,146)	-	-	-	-	(23,146)	14,999	(8,147)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	(2,540)	-	2,540	2,540	-	-	-	-
<b>Balance at June 30, 2020</b>	<b>1,959,240</b>	-	<b>1,959,324</b>	<b>(1,749,788)</b>	<b>44,726</b>	<b>(16,803)</b>	<b>27,923</b>	-	<b>237,459</b>	<b>(12,164)</b>	<b>225,295</b>

See accompanying notes to consolidated financial statements.

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollar)

	<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
Net loss before tax	\$ (20,858)	(47,160)
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	15,294	15,990
Amortization	6,616	5,863
Interest expense	6,017	6,434
Interest income	(147)	(300)
Dividend income	(321)	-
Total adjustments to reconcile profit (loss)	<u>27,459</u>	<u>27,987</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	(111)	(173)
Accounts receivable	27,767	39,145
Inventories	(27,026)	(17,705)
Prepayments and other current assets	4,304	317
Total changes in operating assets, net	<u>4,934</u>	<u>21,584</u>
Net changes in operating liabilities:		
Notes payable	(172)	(585)
Accounts payable	(35,585)	(2,253)
Other payables	(9,017)	(748)
Provisions	(92)	(2,073)
Other current liabilities	3,322	8,530
Other non-current liabilities	(536)	(1,424)
Total changes in operating liabilities, net	<u>(42,080)</u>	<u>1,447</u>
Total changes in operating assets and liabilities, net	<u>(37,146)</u>	<u>23,031</u>
Total adjustments	<u>(9,687)</u>	<u>51,018</u>
Cash inflow (outflow) generated from operating activities	(30,545)	3,858
Interest received	147	300
Interest paid	(5,321)	(5,320)
Income taxes paid	(58)	(97)
<b>Net cash flows from (used in) operating activities</b>	<u>(35,777)</u>	<u>(1,259)</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	560	-
Acquisition of property, plant and equipment	(1,825)	(6,355)
Decrease (increase) in refundable deposits	68	(580)
Increase in other non-current assets	(373)	(12,384)
<b>Net cash used in investing activities</b>	<u>(1,570)</u>	<u>(19,319)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	65,000	65,000
Decrease in short-term loans	(45,000)	(65,000)
Proceeds from long-term debt	7,153	-
Increase (decrease) in guarantee deposits received	(93)	103
Payment of lease liabilities	(8,086)	(8,360)
Interest paid	(725)	(1,115)
Change in non-controlling interests	(8,147)	-
<b>Net cash flows from (used in) financing activities</b>	<u>10,102</u>	<u>(9,372)</u>
Effect of exchange rate changes on cash and cash equivalents	7,410	(2,735)
Net decrease in cash and cash equivalents	(19,835)	(32,685)
Cash and cash equivalents at beginning of period	153,465	154,279
Cash and cash equivalents at end of period	<u>\$ 133,630</u>	<u>121,594</u>

See accompanying notes to consolidated financial statements.



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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2020 and 2019**

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

**(1) Company history**

TWINHEAD INTERNATIONAL CORP. (the Company) was incorporated on February 27, 1984, as a company limited by shares under the laws of the Republic of China (ROC). The consolidated financial statements comprise the Company and its subsidiaries (the Group) 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 August 11, 2020.

**(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, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (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 International Accounting Standards Board (IASB), but have yet to be 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 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. 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, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

**(a) Statement of compliance**

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

**(b) Basis of consolidation**

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2019.

List of subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Scope of business	Percentage of ownership			Remarks
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	Durabook Americas Inc. (Durabook)	The trading of computers and computer peripheral equipment	80.000 %	52.000 %	52.000 %	Note 1
The Company	Twinhead (Asia) Pte Ltd. (Twinhead (Asia))	Investment holding	100.000 %	100.000 %	100.000 %	Note 2
The Company	Twintek International Corporation (Twintek)	The trading of computers and computer peripheral equipment	-	99.974 %	99.974 %	Notes 2 and 3
The Company	Yu Feng Technology Co., Ltd. (Yu Feng)	The trading of computers and computer peripheral equipment	-	99.975 %	99.975 %	Notes 2 and 4
Twinhead (Asia) Pte Ltd.	Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	100.000 %	Note 2

(Continued)

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

Name of investor	Name of investee	Scope of business	Percentage of ownership			Remarks
			June 30, 2020	December 31, 2019	June 30, 2019	
Twinhead (Asia) Pte Ltd.	Twinhead Kunshan Technology Co., Ltd. (Twinhead Kunshan)	Sales and production of PDAs, calculators and their parts, and computer keyboards	100.000 %	100.000 %	100.000 %	Note 2
Twinhead (Asia) Pte Ltd.	Kunshan Lun Teng System Co., Ltd. (Kunshan Lun Teng)	Import and export of computers, electronic components, and digital cameras, and technical consultant services	100.000 %	100.000 %	100.000 %	Note 2

Note 1: The Company acquired 269 thousand shares of Durabook for \$8,128 thousand in February 2020, increasing shareholding ratio from 52% to 80%.

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

Note 3: The Company acquired 9 thousand shares of Twintek for \$9 thousand in March 2020, increasing shareholding ratio from 99.974% to 100%; the Board of Directors approved the Company to merge with Twintek on March 9, 2020, in accordance with Corporate Merger and Acquisition Law.

Note 4: The Company acquired 10 thousand shares of Yu Feng for \$10 thousand in March 2020, increasing shareholding ratio from 99.975% to 100%; the Board of Directors approved the Company to merge with Yu Feng on March 9, 2020, in accordance with Corporate Merger and Acquisition Law.

(c) **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.

**(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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

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

**(6) Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Petty cash	\$ 321	262	277
Checking and savings deposits	<u>133,309</u>	<u>153,203</u>	<u>121,317</u>
Cash and cash equivalents per statements of cash flows	<u><u>\$ 133,630</u></u>	<u><u>153,465</u></u>	<u><u>121,594</u></u>

(b) Accounts receivable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Notes receivable	\$ 111	-	173
Accounts receivable	58,126	85,893	73,535
Less: loss allowance	<u>889</u>	<u>899</u>	<u>932</u>
	<u><u>\$ 57,348</u></u>	<u><u>84,994</u></u>	<u><u>72,776</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. 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, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	<u>June 30, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 53,749	-	-
1 to 30 days past due	4,298	-	-
31 to 60 days past due	1	-	-
61 to 90 days past due	<u>189</u>	-	-
	<u><u>\$ 58,237</u></u>		<u><u>-</u></u>

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

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 78,277	-	-
1 to 30 days past due	6,302	12.17%	766
31 to 60 days past due	949	4.72%	45
61 to 90 days past due	365	24.05%	88
	<b>\$ 85,893</b>		<b>899</b>
	<b>June 30, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 58,087	-	-
1 to 30 days past due	15,052	3.05%	458
31 to 60 days past due	2	4.69%	-
61 to 90 days past due	15	24.05%	4
91 to 180 days past due	552	85.01%	470
	<b>\$ 73,708</b>		<b>932</b>

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

	<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance on January 1	\$ 899	922
Foreign exchange (gain) losses	(10)	10
Ending balance on June 30	<b>\$ 889</b>	<b>932</b>

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

(c) Inventories

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Merchandise	\$ 12,578	5,549	2,474
Finished goods	49,152	54,125	44,211
Work in progress	23,803	6,139	51,936
Raw materials and supplies	144,530	134,706	140,825
Goods in transit	3,474	5,829	5,596
Total	<b>\$ 233,537</b>	<b>206,348</b>	<b>245,042</b>

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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As of June 30, 2020, December 31 and June 30, 2019, 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:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Loss on decline in market value of inventory	\$ <u>616</u>	<u>2,097</u>	<u>920</u>	<u>2,746</u>

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
	Equity investments at fair value through other comprehensive income:		
Unlisted stocks (domestic)	\$ 7,105	15,815	17,566
Unlisted stocks (overseas)	<u>67</u>	<u>2,267</u>	<u>3,246</u>
Total	<u>\$ 7,172</u>	<u>18,082</u>	<u>20,812</u>

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

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

On June 17, 2020 and May 24, 2019, resolutions were approved during the shareholders' meeting of EUROCC Venture Capital Corp. to reduce its capital by cash, resulting in the Group to receive the refunds of \$6,125 thousand and \$4,619 thousand in July 2020 and 2019, respectively. The dividend income from the company was recognized in other receivables, which amounted to \$321 thousand for the three months and the six months ended June 30, 2020.

In June 2020, the Group has sold parts of Ambicion Co., Ltd.'s shares and all of Printec Japan Co., Ltd.'s shares, because the investee company acquired its own shares and the Group wanted to activate its financial assets. The shares sold had a fair value of \$560 thousand and the Group realized a loss of \$2,540 thousand, which is already included in other comprehensive income. The loss has been transferred to retained earnings.

(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.

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

(e) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:					
January 1, 2020	\$ 107,832	169,694	5,002	12,157	294,685
June 30, 2020	\$ 107,832	167,933	4,416	10,627	290,808
January 1, 2019	\$ 107,832	174,153	3,528	13,027	298,540
June 30, 2019	\$ 107,832	171,862	5,550	14,106	299,350

For the six months ended June 30, 2020 and 2019, 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, 2020 and 2019 and the six months ended June 30, 2020 and 2019, 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, 2019.

(f) Right-of-use assets

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying value:				
January 1, 2020	\$ 10,444	64,166	2,350	76,960
June 30, 2020	\$ 10,047	55,990	2,086	68,123
June 30, 2019	\$ 11,114	79,429	2,615	93,158

For the six months ended June 30, 2020 and 2019, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on right-of-use assets. For the information on depreciation expenses of right-of-use assets for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, please refers to note 12; for other relative information, please refers to note 6(f) of the consolidated financial statements for the year ended December 31, 2019.

(g) Investment property

For the six months ended June 30, 2020 and 2019, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on investment properties. For the information on depreciation expenses of investment property for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, please refers to note 12; for pledged investment properties, please refers to note 8; for other related information, please refers to note 6(g) of the consolidated financial statements for the year ended December 31, 2019.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(g) of the consolidated financial statements for the year ended December 31, 2019.

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

(h) Long-term and short-term loans

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

(i) Short-term loans

<b>June 30, 2020</b>				
<b>Unsecured loans</b>	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
	TWD	1.57~2.01	2020	\$ 290,000
<b>Secured bank loans</b>	TWD	1.41~1.55	2020~2021	<u>320,000</u>
<b>Total</b>				<u><u>\$ 610,000</u></u>
<b>December 31, 2019</b>				
<b>Unsecured loans</b>	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
	TWD	1.82~2.00	2020	\$ 270,000
<b>Secured bank loans</b>	TWD	1.66~1.80	2020	<u>320,000</u>
<b>Total</b>				<u><u>\$ 590,000</u></u>
<b>June 30, 2019</b>				
<b>Unsecured loans</b>	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
	TWD	1.82~2.00	2019	\$ 270,000
<b>Secured bank loans</b>	TWD	1.66~1.80	2019~2020	<u>320,000</u>
<b>Total</b>				<u><u>\$ 590,000</u></u>

As of June 30, 2020, December 31 and June 30, 2019, the unused credit facilities amounted to \$493,920 thousand, \$515,320 thousand and \$489,640 thousand, respectively.

(ii) Long-term loans

<b>June 30, 2020</b>				
<b>Unsecured loans</b>	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
	USD	1.00	2022	<u><u>\$ 7,153</u></u>

(iii) Collateral of loans

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

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

(i) Lease liabilities

The Group's lease liabilities were as follow:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current	\$ <u>16,308</u>	<u>15,978</u>	<u>17,470</u>
Non-current	\$ <u>42,413</u>	<u>50,932</u>	<u>65,066</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>346</u>	<u>547</u>	<u>725</u>	<u>1,115</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>105</u>	<u>144</u>	<u>251</u>	<u>201</u>

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

	<u>For the six months ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>9,062</u>	<u>9,676</u>

(i) Real estate leases

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

(ii) Other leases

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

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

(j) Operating leases

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

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Less than one year	\$ 21,298	24,757	25,053
One to two years	2,925	12,399	22,091
Two to three years	-	-	2,925
Total undiscounted lease payments	<u>\$ 24,223</u>	<u>37,156</u>	<u>50,069</u>

(k) Employee benefits

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating costs	\$ 367	359	739	705
Operating expenses	1,347	1,717	2,708	3,402
Total	<u>\$ 1,714</u>	<u>2,076</u>	<u>3,447</u>	<u>4,107</u>

For other relative information, please refers to note 6(1) to the consolidated financial statements for the year ended December 31, 2019.

(l) Income tax

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

The Group's income tax expense (benefit) is as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current income tax expense (benefit)				
Current period	\$ 30	-	30	-
Adjustment for prior periods	8	(36)	8	(36)
Income tax expense (benefit) on continuing operations	<u>\$ 38</u>	<u>(36)</u>	<u>38</u>	<u>(36)</u>

The ROC income tax authorities have examined the Company's income tax returns for all years through 2017.

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

(m) Capital and other equity

As of June 30, 2020, December 31 and June 30, 2019, the total value of authorized ordinary shares amounted to \$7,000,000 thousand, with par value of \$10 per share. The number of authorized shares included ordinary shares and preferred shares, of which 195,924 thousand, 198,931 thousand and 198,931 thousand ordinary shares were issued, respectively. In addition, 8 thousand preferred shares were issued. All issued capital was fully paid in. The preferred shares were classified under equity.

For the six months ended June 30, 2020 and 2019, the reconciliation of outstanding shares of the Company was as follows:

	(Express in thousand shares)			
	Ordinary shares		Preferred shares	
	2020	2019	2020	2019
Beginning balance on January 1	198,931	198,931	8	8
Retirement of treasury shares	(3,007)	-	-	-
Ending balance on June 30	<b>195,924</b>	<b>198,931</b>	<b>8</b>	<b>8</b>

(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.

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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- 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.
- 6) The Board of Directors approved the Company to reduce the number of ordinary shares on March 9, 2020, through retirement of treasury stock, amounting to 3,007 thousand shares.

(ii) Retained earnings—Distribution of retained earnings

The Company's article of incorporation stipulates 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, 2019 and 2018, 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 \$403 thousand, \$395 thousand and \$386 thousand as of June 30, 2020, December 31 and June 30, 2019, respectively, will be recognized and distributed if approved in the shareholders' meeting.

(iii) Treasury stock

The Board of Directors approved the Company to merge with its subsidiaries (Twintek and Yu Feng) on March 9, 2020, in accordance with Corporate Merger and Acquisition Law. Because of the merger, the Company retired 3,007 thousand shares of treasury stocks, which had been held by its subsidiaries.

As of December 31 and June 30, 2019, the subsidiaries of the Company both held 3,007 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. For the six months ended June 30, 2019, none of the Company's share hold by its subsidiaries were sold. As of December 31 and June 30, 2019, the market value of the Company's shares held by the subsidiaries amounted to \$6,466 thousand and \$7,518 thousand, respectively.

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**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
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Shares owned by the Company's subsidiaries were treated as treasury stock. The details are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Twintek International Corporation	\$ -	103,259	103,259
Yu Feng Technology Co., Ltd.	-	98,800	98,800
	<u>\$ -</u>	<u>202,059</u>	<u>202,059</u>

(iv) Other equities (net of tax)

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1, 2020	\$ 37,576	(15,118)	22,458
Foreign exchange differences arising from foreign operation	7,150	-	7,150
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(4,225)	(4,225)
Disposal of equity investments at fair value through other comprehensive income	-	2,540	2,540
Balance at June 30, 2020	<u>\$ 44,726</u>	<u>(16,803)</u>	<u>27,923</u>
Balance at January 1, 2019	\$ 29,143	(10,634)	18,509
Foreign exchange differences arising from foreign operation	(1,905)	-	(1,905)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(1,754)	(1,754)
Balance at June 30, 2019	<u>\$ 27,238</u>	<u>(12,388)</u>	<u>14,850</u>

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

## (n) Earnings per share

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

## (i) Basic earnings per share

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net loss of the Company	\$ (7,827)	(21,163)	(17,081)	(34,750)
Dividends on non-redeemable preferred shares	(4)	(4)	(8)	(8)
Net loss attributable to common shareholders of the Company	<u>\$ (7,831)</u>	<u>(21,167)</u>	<u>(17,089)</u>	<u>(34,758)</u>
Weighted-average number of common shares	<u>195,924</u>	<u>195,924</u>	<u>195,924</u>	<u>195,924</u>
Basic earnings per share (in NTD)	<u>\$ (0.04)</u>	<u>(0.11)</u>	<u>(0.09)</u>	<u>(0.18)</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.

## (o) Revenue from contracts with customers—disaggregation of revenue

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Primary geographical markets:				
United States	\$ 55,090	51,476	106,329	110,752
Taiwan	48,792	33,396	94,561	60,590
Germany	26,293	26,312	61,715	70,872
France	8,360	10,040	20,256	20,381
Others	45,332	43,591	75,954	89,056
	<u>\$ 183,867</u>	<u>164,815</u>	<u>358,815</u>	<u>351,651</u>
Major products/services lines:				
Laptop	\$ 116,116	110,793	228,669	243,296
Mainboard	41,950	38,106	78,908	66,159
Sales of Materials and others	25,801	15,916	51,238	42,196
	<u>\$ 183,867</u>	<u>164,815</u>	<u>358,815</u>	<u>351,651</u>

(Continued)

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

(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 controlling or affiliated companies who meet certain conditions.

As of June 30, 2020, December 31 and June 30, 2019, 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) Interest income

The details of the Group's interest income were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	\$ <u>91</u>	<u>217</u>	<u>147</u>	<u>300</u>

(ii) Other income

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Rental income	\$ 6,871	7,157	13,823	14,401
Dividend income	321	-	321	-
Others	<u>414</u>	<u>396</u>	<u>1,050</u>	<u>934</u>
Total other income	\$ <u>7,606</u>	<u>7,553</u>	<u>15,194</u>	<u>15,335</u>

(iii) Other gains and losses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses)	\$ (8,411)	(2,629)	(8,587)	4,590
Others	<u>(671)</u>	<u>(696)</u>	<u>(1,348)</u>	<u>(1,393)</u>
Other gains and losses, net	\$ <u>(9,082)</u>	<u>(3,325)</u>	<u>(9,935)</u>	<u>3,197</u>

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

## (iv) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
	Interest expense	\$ (2,884)	(3,217)	(6,017)

## (r) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk due to financial instruments. Please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2019.

## (i) Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>June 30, 2020</b>						
Non-derivative financial liabilities						
Secured bank loan	\$ 320,000	320,678	320,678	-	-	-
Unsecured bank loan	297,153	298,184	290,972	7,212	-	-
Notes payable	164	164	164	-	-	-
Accounts payable	94,126	94,126	94,126	-	-	-
Other payables	41,814	41,814	41,814	-	-	-
Lease liabilities	58,721	61,119	17,461	17,461	26,197	-
Guarantee deposits received	6,655	6,655	4,238	2,417	-	-
Preferred shares (including preferred shares dividends)	84	487	487	-	-	-
	<b>\$ 818,717</b>	<b>823,227</b>	<b>769,940</b>	<b>27,090</b>	<b>26,197</b>	<b>-</b>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Secured bank loan	\$ 320,000	321,036	321,036	-	-	-
Unsecured bank loan	270,000	271,976	271,976	-	-	-
Notes payable	336	336	336	-	-	-
Accounts payable	129,711	129,711	129,711	-	-	-
Other payables	50,860	50,860	50,860	-	-	-
Lease liabilities	66,910	70,043	17,328	17,495	35,220	-
Guarantee deposits received	6,748	6,748	-	6,648	100	-
Preferred shares (including preferred shares dividends)	84	479	479	-	-	-
	<b>\$ 844,649</b>	<b>851,189</b>	<b>791,726</b>	<b>24,143</b>	<b>35,320</b>	<b>-</b>

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

<b>June 30, 2019</b>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>Non-derivative financial liabilities</b>						
Secured bank loan	\$ 320,000	321,352	321,352	-	-	-
Unsecured bank loan	270,000	270,736	270,736	-	-	-
Notes payable	7	7	7	-	-	-
Accounts payable	105,576	105,576	105,576	-	-	-
Other payables	47,349	47,349	47,349	-	-	-
Lease liabilities	82,536	87,584	19,411	19,411	48,762	-
Guarantee deposits received	6,929	6,929	-	4,512	2,417	-
Preferred shares (including preferred shares dividends)	84	470	470	-	-	-
	<u>\$ 832,481</u>	<u>840,003</u>	<u>764,901</u>	<u>23,923</u>	<u>51,179</u>	<u>-</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

<b>June 30, 2020</b>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>Financial assets:</b>			
Monetary assets:			
USD	\$ 16,620	29.63	492,451
<b>Financial liabilities:</b>			
Monetary liabilities:			
USD	\$ 1,617	29.63	47,912
<b>December 31, 2019</b>			
<b>Financial assets:</b>			
Monetary assets:			
USD	\$ 17,662	29.98	529,507
<b>Financial liabilities:</b>			
Monetary liabilities:			
USD	\$ 2,068	29.98	61,999

(Continued)

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

	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<b>June 30, 2019</b>			
Financial assets:			
Monetary assets:			
USD	\$ 15,462	31.06	480,250
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,618	31.06	50,255

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of June 30, 2020 and 2019, with all other variable factors remaining constant, would have increased (decreased) the net loss before tax by \$4,445 thousand and \$4,300 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant, gains.

3) Foreign exchange gain and loss on monetary item

Due to the numerous types of functional currency of the Group, the Group aggregately discloses its exchange gains and losses on monetary items. The Group's exchange gains (losses), including realized and unrealized, were \$(8,411) thousand, \$(2,629) thousand, \$(8,587) thousand and \$4,590 thousand for the three months and six months ended June 30, 2020 and 2019, respectively.

(iii) Interest rate risk analysis

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

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

If the interest rate had increased/decreased by 1%, the Group's net loss before tax would have both increased/decreased by \$3,086 thousand and \$2,950 thousand for the six months ended June 30, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

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

## (iv) Fair value

## 1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities were as follows; however, except for the followings, the carrying amounts of the Group's financial assets and liabilities are valued approximately to their fair value. No additional fair value disclosure is required in accordance to the regulations:

	June 30, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 7,105	-	-	7,105	7,105
Unlisted stocks (overseas)	67	-	-	67	67
Subtotal	<u>7,172</u>	<u>-</u>	<u>-</u>	<u>7,172</u>	<u>7,172</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	133,630	-	-	-	-
Notes and accounts receivable	57,348	-	-	-	-
Other receivables	6,446	-	-	-	-
Refundable deposits	7,151	-	-	-	-
Subtotal	<u>204,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 211,747</u>	<u>-</u>	<u>-</u>	<u>7,172</u>	<u>7,172</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 617,153	-	-	-	-
Notes and accounts payable	94,290	-	-	-	-
Other payables	41,814	-	-	-	-
Lease liabilities	58,721	-	-	-	-
Guarantee deposits received	6,655	-	-	-	-
Preferred shares	84	-	-	-	-
Total	<u>\$ 818,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 15,815	-	-	15,815	15,815
Unlisted stocks (overseas)	2,267	-	-	2,267	2,267
Subtotal	<u>18,082</u>	<u>-</u>	<u>-</u>	<u>18,082</u>	<u>18,082</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	153,465	-	-	-	-
Accounts receivable	84,994	-	-	-	-
Refundable deposits	7,237	-	-	-	-
Subtotal	<u>245,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 263,778</u>	<u>-</u>	<u>-</u>	<u>18,082</u>	<u>18,082</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 590,000	-	-	-	-
Notes and accounts payable	130,047	-	-	-	-
Other payables	50,860	-	-	-	-
Lease liabilities	66,910	-	-	-	-
Guarantee deposits received	6,748	-	-	-	-
Preferred shares	84	-	-	-	-
Total	<u>\$ 844,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	June 30, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 17,566	-	-	17,566	17,566
Unlisted stocks (overseas)	3,246	-	-	3,246	3,246
Subtotal	<u>20,812</u>	<u>-</u>	<u>-</u>	<u>20,812</u>	<u>20,812</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	121,594	-	-	-	-
Notes and accounts receivable	72,776	-	-	-	-
Other receivables	4,619	-	-	-	-
Refundable deposits	7,618	-	-	-	-
Subtotal	<u>206,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 227,419</u>	<u>-</u>	<u>-</u>	<u>20,812</u>	<u>20,812</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 590,000	-	-	-	-
Notes and accounts payable	105,583	-	-	-	-
Other payables	47,349	-	-	-	-
Lease liabilities	82,536	-	-	-	-
Guarantee deposits received	6,929	-	-	-	-
Preferred shares	84	-	-	-	-
Total	<u>\$ 832,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

If the quoted prices from stock exchanges, brokers, underwriters, industry associations, pricing agencies or authorities are timely and frequently, and that the price fairly presents the market transaction, the financial instrument is regarded to have a quoted price in an active market. If the aforementioned conditions are not fulfilled, the market is regarded as inactive. Generally, large or significantly widen bid-ask spread, or significantly low trading volume are indications of an inactive market.

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

If the financial instrument held by the Group is an equity investment without an active market, its fair value will have to be derived using the market approach. The fair value can be estimated based on the valuation of the comparable company 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

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance at January 1, 2020	\$ 18,082
Total loss recognized:	
In other comprehensive income	(4,225)
Return of capital for the period	(6,125)
Disposal	(560)
Balance at June 30, 2020	\$ 7,172
Balance at January 1, 2019	\$ 27,185
Total loss recognized:	
In other comprehensive income	(1,754)
Return of capital for the period	(4,619)
Balance at June 30, 2019	\$ 20,812

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

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income — equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>· Multiplier of price-to-book ratio (As of June 30, 2020, December 31 and June 30, 2019 was 0.08~0.99, 1.07~2.58 and 0.97~3.42, respectively.)</li> <li>· Market illiquidity discount rate (As of June 30, 2020, December 31 and June 30, 2019 were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> <li>· the multiplier were higher (lower)</li> <li>· the market illiquidity discount were lower (higher)</li> </ul>

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

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

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>June 30, 2020</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 448	(448)
<b>December 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	1,130	(1,130)

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

June 30, 2019	Input	Assumptions	Other comprehensive income	
			Favorable	Unfavorable
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	1,301	(1,301)

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

(s) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(t) of the consolidated financial statements for the year ended December 31, 2019.

(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, 2019. 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, 2019. For further information, please refer to note 6(u) to the consolidated financial statements for the year ended December 31, 2019.

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

For the six months ended June 30, 2020 and 2019, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes		June 30, 2020
			Foreign exchange movement	Other	
Long-term borrowings (including current portion)	\$ -	7,153	-	-	7,153
Short-term borrowings	590,000	20,000	-	-	610,000
Lease liabilities	66,910	(8,086)	(103)	-	58,721
Total liabilities from financing activities	<u>\$ 656,910</u>	<u>19,067</u>	<u>(103)</u>	<u>-</u>	<u>675,874</u>

  

	January 1, 2019	Cash flows	Non-cash changes		June 30, 2019
			Foreign exchange movement	Other	
Short-term borrowings	\$ 590,000	-	-	-	590,000
Lease liabilities	88,061	(8,360)	194	2,641	82,536
Total liabilities from financing activities	<u>\$ 678,061</u>	<u>(8,360)</u>	<u>194</u>	<u>2,641</u>	<u>672,536</u>

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

**(7) Related-party transactions**

The compensation of the key management personnel comprised the following:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 3,851	3,908	8,096	7,982
Post-employment benefits	54	54	108	108
	<b><u>\$ 3,905</u></b>	<b><u>3,962</u></b>	<b><u>8,204</u></b>	<b><u>8,090</u></b>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Land	Short-term borrowings	\$ 107,832	107,832	107,832
Buildings	Short-term borrowings	166,679	168,907	171,135
Investment property	Short-term borrowings	144,869	145,570	146,272
		<b><u>\$ 419,380</u></b>	<b><u>422,309</u></b>	<b><u>425,239</u></b>

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

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other**

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

<b>By nature</b>	<b>By function</b>	<b>Three months ended June 30, 2020</b>			<b>Three months ended June 30, 2019</b>		
		<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits							
Salary		6,285	32,934	39,219	6,529	37,555	44,084
Labor and health insurance		693	2,554	3,247	694	2,761	3,455
Pension		367	1,347	1,714	359	1,717	2,076
Remuneration of directors		-	520	520	-	558	558
Others		451	831	1,282	429	1,009	1,438
Depreciation (note)		1,191	5,710	6,901	1,173	6,140	7,313
Amortization		-	3,495	3,495	-	2,994	2,994

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

By function By nature	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	13,382	67,369	80,751	15,426	83,235	98,661
Labor and health insurance	1,399	5,388	6,787	1,603	6,054	7,657
Pension	739	2,708	3,447	705	3,402	4,107
Remuneration of directors	-	1,145	1,145	-	1,116	1,116
Others	868	1,660	2,528	814	1,860	2,674
Depreciation (note)	2,378	11,569	13,947	2,347	12,250	14,597
Amortization	-	6,616	6,616	-	5,863	5,863

Note: Excluding depreciation expenses for investment property recognized under other income and expenses amounted to \$670 thousand, \$696 thousand, \$1,347 thousand and \$1,393 thousand for the three months and six months ended June 30, 2020 and 2019, respectively.

(b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

(Continued)

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

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

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2020:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of June 30, 2020 (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	612	7,105	10.000 %	7,105	
The Company	li, 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	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	67	0.691 %	67	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	Note 1

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

- (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	348,775 (Note 3)	-	348,775 (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 August 11, 2020.

Note 3: As of June 30, 2020, the Company's accounts receivable and accounts payable of \$462,902 thousand and \$114,127 thousand, respectively, were derived from the purchasing of supplies on behalf of, and the purchasing of goods from, Twinhead Kunshan, resulting in the net accounts receivable to be \$348,775 thousand.

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

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

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

(x) Business relationships and significant intercompany transactions:

(in Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter- party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Note 5)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Durabook	1	Sales revenue	22,329	The transaction is not significantly different from normal transactions	6.22 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	24,412	The transaction is not significantly different from normal transactions	6.80 %
0	The Company	Durabook	1	Accounts receivable — related parties	33,694 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	3.08 %
0	The Company	Kunshan Lun Teng	1	Accounts receivable — related parties	12,942	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	1.18 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable — related parties	72,289 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	6.62 %

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: As of June 30, 2020, the Company's account receivable of \$85,018 thousand and \$77 thousand, respectively, were derived from the sales of goods to, and the purchasing of goods from, Durabook, resulting in the net account receivable to be \$84,941 thousand, which was offset against the investment of \$51,247 thousand, accounted for using the equity method of Durabook.

Note 4: As of June 30, 2020, the Company's accounts receivable and accounts payable of \$462,902 thousand and \$114,127 thousand, respectively, were derived from the purchasing of supplies on behalf of, and the purchasing of goods from, Twinhead Kunshan, resulting in the net accounts receivable to be \$348,775 thousand, which was offset against the investment of \$276,486 thousand, accounted for using the equity method of Twinhead Kunshan.

Note 5: 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 six months ended June 30, 2020 (excluding information on investees in Mainland China):

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, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
The Company	Durabook	U.S.A	The trading of computers and computer peripheral equipment	73,442	53,079	769	80.000 %	- (note 3)	(16,016)	(11,088)	Subsidiary (note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	1,574	1,574	Subsidiary (notes 2 and 7)
The Company	Twintek	Taiwan	The trading of computers and computer peripheral equipment	-	328,533	-	- %	-	(728)	(728)	Subsidiary (notes 2, 5 and 7)
The Company	Yu Feng	Taiwan	The trading of computers and computer peripheral equipment	-	397,900	-	- %	-	(547)	(547)	Subsidiary (notes 2, 6 and 7)
Twintek	Durabook	U.S.A	The trading of computers and computer peripheral equipment	-	42,463	-	- %	-	(16,016)	(647)	Notes 2 and 5
Yu Feng	Durabook	U.S.A	The trading of computers and computer peripheral equipment	-	25,803	-	- %	-	(16,016)	(466)	Notes 2 and 6
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,340	(61)	(61)	Indirect subsidiary (notes 2 and 7)

Note 1: The exchange rate as of June 30, 2020: USD1=TWD29.63.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

Note 3: Please refer to note 13(a)(x) note 3.

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

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

Note 5: Please refer to note 4(b) note 3

Note 6: Please refer to note 4(b) note 4

Note 7: The amounts of investment income (loss), were recognized under the equity method based the financial statements which were not reviewed by the auditors of the Company

(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, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of June 30, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of June 30, 2020	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	370,375 (USD12,500)	(2)	370,375 (USD12,500)	-	-	370,375 (USD12,500)	1,254	100.00 %	1,254	(288,345)	-
Twinhead Huazhong Technology Limited Corp	Installation and sales of laptop parts and accessories, sales and production of related software	118,520 (USD4,000)	(2)	59,260 (USD2,000)	-	-	59,260 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,222 (USD210)	(2)	6,222 (USD210)	-	-	6,222 (USD210)	550	100.00 %	550	13,356	-

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), 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, 2020: USD1=TWD29.63.

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 June 30, 2020 (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	474,376 (USD16,010)	474,376 (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, 2020: USD1=TWD29.63.

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 12, 2020. 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 9, 2020 to June 8, 2023.

(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**

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
Kaos Enterprise Co., Ltd.		31,390,653	16.02 %
Protegas Futuro Holdings, LLC		30,040,000	15.33 %
Outstanding Corporation		12,992,000	6.63 %
KANG EEL SHIUAN Co., Ltd.		10,992,000	5.61 %

**(14) Segment information**

The Group is mainly engaged in the design, manufacture and sale of computers, as well as related products. The management regularly reviews the Group's overall performance to evaluate the efficiency of each segment and allocate its resources accordingly. The Group is identified as a sole operating segment.