

**TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 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. ("the Company) and its subsidiaries ("the Group") as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 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 \$101,123 thousand and \$93,680 thousand, constituting 8.69% and 7.79% of the consolidated total assets; and the total liabilities amounting to \$12,811 thousand and \$10,444 thousand, constituting 1.40% and 1.11% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to \$10,307 thousand, \$(318) thousand, \$16,515 thousand and \$1,411 thousand, constituting 45.42%, 2.11%, 529.50% and 2.14% of the consolidated total absolute value of comprehensive income (loss) for the three months and nine months ended September 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 the Group as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 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)

November 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 September 30, 2020 and 2019

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31 and September 30, 2019

(Expressed in Thousands of New Taiwan Dollar)

	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 224,076	19	153,465	13	147,949	13
1170 Accounts receivable, net (note 6(b))	59,172	5	84,994	7	96,022	8
1200 Other receivables	15	-	-	-	15	-
130x Inventories (note 6(c))	226,140	19	206,348	18	240,377	20
1470 Prepayments and other current assets	14,411	1	16,899	2	16,705	1
Total current assets	523,814	44	461,706	40	501,068	42
Non-current assets:						
1517 Non-current financial assets at fair value through other comprehensive income (note 6(d))	6,964	1	18,082	1	24,601	2
1600 Property, plant and equipment (notes 6(e) and 8)	288,147	25	294,685	26	297,229	25
1755 Right-of-use assets (note 6(f))	64,073	6	76,960	7	88,132	7
1760 Investment property, net (notes 6(g), 6(i) and 8)	197,395	17	199,727	17	201,559	17
1840 Deferred tax assets	43,567	4	43,890	4	44,279	3
1920 Refundable deposits	7,132	1	7,237	1	7,620	1
1995 Other non-current assets	32,363	2	41,377	4	37,438	3
Total non-current assets	639,641	56	681,958	60	700,858	58
Total assets	\$ 1,163,455	100	1,143,664	100	1,201,926	100
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (notes 6(h) and 8)	\$ 620,000	53	590,000	52	610,000	51
Notes payable	225	-	336	-	379	-
Accounts payable	126,080	11	129,711	11	128,144	11
Other payables	47,436	4	50,860	4	50,278	4
Provisions – current	5,600	-	4,264	-	5,878	-
Current lease liabilities (note 6(i))	16,380	1	15,978	1	17,561	1
Other current liabilities (note 7)	40,682	4	33,254	3	52,070	5
Total current liabilities	856,403	73	824,403	71	864,310	72
Non-Current liabilities:						
Long-term borrowings (note 6(h))	7,025	1	-	-	-	-
Provisions – non-current	5,284	-	6,140	1	3,843	-
Non-current lease liabilities (note 6(i))	38,341	3	50,932	5	60,549	5
Guarantee deposits received	6,727	1	6,748	1	6,823	1
Other non-current liabilities	1,685	-	2,423	-	1,679	-
Total non-current liabilities	59,062	5	66,243	7	72,894	6
Total liabilities	915,465	78	890,646	78	937,204	78
Equity attributable to owners of parent (note 6(d) and (m)):						
Share capital:						
Ordinary shares	1,959,240	168	1,989,314	174	1,989,314	166
Preference shares	84	-	84	-	84	-
Accumulated deficits	1,959,324	168	1,989,398	174	1,989,398	166
Other equities:	(1,723,244)	(148)	(1,535,036)	(134)	(1,530,794)	(127)
Exchange differences on translation of foreign financial statements	41,953	4	37,576	3	33,104	3
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(17,011)	(1)	(15,118)	(1)	(8,599)	(1)
Treasury shares	24,942	3	22,458	2	24,505	2
Total equity attributable to owners of parent	261,022	23	(202,059)	(18)	(202,059)	(17)
Non-controlling interests	(13,032)	(1)	(21,743)	(2)	(16,328)	(2)
Total liabilities and equity	\$ 1,163,455	100	1,143,664	100	1,201,926	100

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 September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019

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

	For the three months ended September 30				For the nine months ended September 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(o) and 7)	\$ 246,420	100	216,959	100	605,235	100	568,610	100
5000	Operating costs (notes 6(c), 6(e), 6(f) and 6(k))	167,734	68	157,796	73	421,386	70	416,850	73
5900	Gross profit	78,686	32	59,163	27	183,849	30	151,760	27
6000	Operating expenses (notes 6(b), 6(e), 6(f), 6(i), 6(k) and 7):								
6100	Selling expenses	12,516	5	19,029	9	36,982	6	54,353	10
6200	Administrative expenses	27,109	11	32,462	15	83,716	14	96,022	17
6300	Research and development expenses	19,217	8	27,274	12	63,554	10	80,545	14
6450	Reversal of impairment loss determined in accordance with IFRS 9	(894)	-	-	-	(894)	-	-	-
	Total operating expenses	57,948	24	78,765	36	183,358	30	230,920	41
6900	Net operating income (loss)	20,738	8	(19,602)	(9)	491	-	(79,160)	(14)
7000	Non-operating income and expenses (notes 6(d), 6(i) and 6(q)):								
7100	Interest income	45	-	82	-	192	-	382	-
7010	Other income	7,354	3	7,453	4	22,548	4	22,788	4
7020	Other gains and losses	285	-	(9,418)	(4)	(9,650)	(2)	(6,221)	(1)
7050	Finance costs	(2,861)	(1)	(3,274)	(2)	(8,878)	(1)	(9,708)	(2)
	Total non-operating income and expenses	4,823	2	(5,157)	(2)	4,212	1	7,241	1
	Income (loss) from continuing operations before tax	25,561	10	(24,759)	(11)	4,703	1	(71,919)	(13)
7950	Less: Income tax expense (benefit) (note 6(l))	113	-	-	-	151	-	(36)	-
	Net income (loss)	25,448	10	(24,759)	(11)	4,552	1	(71,883)	(13)
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	(208)	-	3,789	2	(4,433)	(1)	2,035	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(208)	-	3,789	2	(4,433)	(1)	2,035	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(2,545)	(1)	5,905	2	3,000	1	3,990	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(2,545)	(1)	5,905	2	3,000	1	3,990	1
8300	Other comprehensive income (loss), net	(2,753)	(1)	9,694	4	(1,433)	-	6,025	1
	Total comprehensive income (loss)	\$ 22,695	9	(15,065)	(7)	3,119	1	(65,858)	(12)
	Net income (loss) attributable to:								
8610	Net income (loss) attributable to owners of parent	\$ 26,544	10	(19,084)	(8)	9,463	2	(53,834)	(10)
8620	Net loss attributable to non-controlling interests	(1,096)	-	(5,675)	(3)	(4,911)	(1)	(18,049)	(3)
		\$ 25,448	10	(24,759)	(11)	4,552	1	(71,883)	(13)
	Comprehensive income (loss) attributable to:								
8710	Comprehensive income (loss), attributable to owners of parent	\$ 23,563	9	(9,429)	(4)	9,407	2	(47,838)	(9)
8720	Comprehensive income (loss), attributable to non-controlling interests	(868)	-	(5,636)	(3)	(6,288)	(1)	(18,020)	(3)
		\$ 22,695	9	(15,065)	(7)	3,119	1	(65,858)	(12)
9750	Basic earnings per share (in New Taiwan dollar) (note 6(n))	\$ 0.14		(0.10)		0.05		(0.27)	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(n))	\$ 0.14		(0.10)		0.05		(0.27)	

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 Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital		Accumulated		Exchange		Unrealized		Total other equity interest		
	Ordinary shares	Preference share	Total share capital	deficits	differences on translation of foreign financial statements	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, 2019	\$ 1,989,314	84	1,989,398	(1,476,960)	29,143	(10,634)	18,509	(202,059)	328,888	1,692	330,580
Net loss	-	-	-	(53,834)	-	-	-	-	(53,834)	(18,049)	(71,883)
Other comprehensive income (loss)	-	-	-	-	3,961	2,035	5,996	-	5,996	29	6,025
Total comprehensive income (loss)	-	-	-	(53,834)	3,961	2,035	5,996	-	(47,838)	(18,020)	(65,858)
Balance at September 30, 2019	\$ 1,989,314	84	1,989,398	(1,530,794)	33,104	(8,599)	24,505	(202,059)	281,050	(16,328)	264,722
Balance at January 1, 2020	\$ 1,989,314	84	1,989,398	(1,535,036)	37,576	(15,118)	22,458	(202,059)	274,761	(21,743)	253,018
Net income	-	-	-	9,463	-	-	-	-	9,463	(4,911)	4,552
Other comprehensive income (loss)	-	-	-	-	4,377	(4,433)	(56)	-	(56)	(1,377)	(1,433)
Total comprehensive income (loss)	-	-	-	9,463	4,377	(4,433)	(56)	-	9,407	(6,288)	3,119
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	-	-	-	-
Balance at September 30, 2020	\$ 1,959,240	84	1,959,324	(1,723,244)	41,953	(17,011)	24,942	-	261,022	(13,032)	247,990

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

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2020	2019
Cash flows from (used in) operating activities:		
Net income (loss) before tax	\$ 4,703	(71,919)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	22,843	24,073
Amortization	9,983	9,065
Reversal of impairment loss	(894)	-
Interest expense	8,878	9,708
Interest income	(192)	(382)
Dividend income	(321)	-
Total adjustments to reconcile profit	40,297	42,464
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Accounts receivable	26,721	15,727
Inventories	(19,630)	(13,040)
Prepayments and other current assets	2,488	(2,694)
Total changes in operating assets, net	9,579	(7)
Net changes in operating liabilities:		
Notes payable	(111)	(213)
Accounts payable	(3,631)	20,315
Other payables	(3,351)	2,158
Provisions	480	(1,547)
Other current liabilities	7,358	21,343
Other non-current liabilities	(738)	(1,696)
Total changes in operating liabilities, net	7	40,360
Total changes in operating assets and liabilities, net	9,586	40,353
Total adjustments	49,883	82,817
Cash inflow generated from operating activities	54,586	10,898
Interest received	177	367
Interest paid	(7,905)	(8,044)
Income taxes paid	(81)	(59)
Net cash flows from operating activities	46,777	3,162
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	560	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,125	4,619
Acquisition of property, plant and equipment	(1,850)	(7,041)
Decrease (increase) in refundable deposits	68	(585)
Increase in other non-current assets	(969)	(17,316)
Dividends received	321	-
Net cash flows from (used in) investing activities	4,255	(20,323)
Cash flows from (used in) financing activities:		
Increase in short-term loans	160,000	100,000
Decrease in short-term loans	(130,000)	(80,000)
Proceeds from long-term debt	7,153	-
Decrease in guarantee deposits received	(21)	(3)
Payment of lease liabilities	(12,013)	(12,686)
Interest paid	(1,046)	(1,642)
Change in non-controlling interests	(8,147)	-
Net cash flows from financing activities	15,926	5,669
Effect of exchange rate changes on cash and cash equivalents	3,653	5,162
Net increase (decrease) in cash and cash equivalents	70,611	(6,330)
Cash and cash equivalents at beginning of period	153,465	154,279
Cash and cash equivalents at end of period	\$ 224,076	147,949

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

Notes to the Consolidated Financial Statements

September 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 November 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 the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

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

(Continued)

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

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

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
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 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021

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.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to the 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
			September 30, 2020	December 31, 2019	September 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
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.

(Continued)

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

(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.

(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

	September 30, 2020	December 31, 2019	September 30, 2019
Petty cash	\$ 301	262	307
Checking and savings deposits	223,775	153,203	147,642
Cash and cash equivalents per statements of cash flows	<u>\$ 224,076</u>	<u>153,465</u>	<u>147,949</u>

(b) Accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	\$ 59,172	85,893	96,953
Less: loss allowance	-	899	931
	<u>\$ 59,172</u>	<u>84,994</u>	<u>96,022</u>

(Continued)

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. 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:

September 30, 2020			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 38,604	-	-
1 to 30 days past due	18,766	-	-
31 to 60 days past due	1,788	-	-
61 to 90 days past due	14	-	-
	<u>\$ 59,172</u>		<u>-</u>
December 31, 2019			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
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
	<u>\$ 85,893</u>		<u>899</u>
September 30, 2019			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 65,936	-	-
1 to 30 days past due	30,209	1.20%	362
31 to 60 days past due	204	4.72%	9
61 to 90 days past due	58	24.05%	14
181 to 365 days past due	546	100%	546
	<u>\$ 96,953</u>		<u>931</u>

(Continued)

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

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

	For the nine months ended September 30	
	2020	2019
Beginning balance on January 1	\$ 899	922
Impairment loss reversed	(894)	-
Foreign exchange (gain) loss	(5)	9
Ending balance on September 30	<u>\$ -</u>	<u>931</u>

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

(c) Inventories

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

	September 30, 2020	December 31, 2019	September 30, 2019
Merchandise	\$ 7,056	5,549	2,522
Finished goods	49,343	54,125	49,053
Work in progress	42,589	6,139	42,384
Raw materials and supplies	124,137	134,706	135,133
Goods in transit	<u>3,015</u>	<u>5,829</u>	<u>11,285</u>
Total	<u>\$ 226,140</u>	<u>206,348</u>	<u>240,377</u>

As of September 30, 2020, December 31 and September 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:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Loss on (reversal of) decline in market value of inventory	\$ 1,916	(773)	2,836	1,973
(Gain) loss on physical count	(55)	1,993	(55)	1,993
Total	<u>\$ 1,861</u>	<u>1,220</u>	<u>2,781</u>	<u>3,966</u>

(Continued)

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

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ 6,897	15,815	22,393
Unlisted stocks (overseas)	<u>67</u>	<u>2,267</u>	<u>2,208</u>
Total	<u>\$ 6,964</u>	<u>18,082</u>	<u>24,601</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 EUROOC 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 amounted to \$0 thousand, \$0 thousand, \$321 thousand and \$0 thousand for the three months and nine months ended September 30, 2020 and 2019.

In June 2020, the Group has sold parts of Ambicion Co., Ltd.'shares and all of Printec Japan Co., Ltd.'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.

(Continued)

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

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Other equipment	Total
Cost or deemed cost:					
Balance at January 1, 2020	\$ 118,425	429,981	181,896	112,703	843,005
Additions	-	556	71	1,223	1,850
Disposal	-	-	(181)	(600)	(781)
Reclassification	-	-	-	(252)	(252)
Effect of changes in exchange rates	-	-	(22)	(139)	(161)
Balance at September 30, 2020	<u>\$ 118,425</u>	<u>430,537</u>	<u>181,764</u>	<u>112,935</u>	<u>843,661</u>
Balance at January 1, 2019	\$ 118,425	429,851	181,970	111,093	841,339
Additions	-	130	2,783	4,128	7,041
Disposal	-	-	(2,621)	(2,236)	(4,857)
Reclassification	-	-	-	26	26
Effect of changes in exchange rates	-	-	(79)	(31)	(110)
Balance at September 30, 2019	<u>\$ 118,425</u>	<u>429,981</u>	<u>182,053</u>	<u>112,980</u>	<u>843,439</u>
Depreciation and impairment loss:					
Balance at January 1, 2020	\$ 10,593	260,287	176,894	100,546	548,320
Depreciation	-	3,481	956	3,732	8,169
Disposal	-	-	(181)	(600)	(781)
Reclassification	-	-	-	(90)	(90)
Effect of changes in exchange rates	-	-	(19)	(85)	(104)
Balance at September 30, 2020	<u>\$ 10,593</u>	<u>263,768</u>	<u>177,650</u>	<u>103,503</u>	<u>555,514</u>
Balance at January 1, 2019	\$ 10,593	255,698	178,442	98,066	542,799
Depreciation	-	3,439	946	4,010	8,395
Disposal	-	-	(2,621)	(2,236)	(4,857)
Effect of changes in exchange rates	-	-	(71)	(56)	(127)
Balance at September 30, 2019	<u>\$ 10,593</u>	<u>259,137</u>	<u>176,696</u>	<u>99,784</u>	<u>546,210</u>
Carrying value:					
January 1, 2020	<u>\$ 107,832</u>	<u>169,694</u>	<u>5,002</u>	<u>12,157</u>	<u>294,685</u>
September 30, 2020	<u>\$ 107,832</u>	<u>166,769</u>	<u>4,114</u>	<u>9,432</u>	<u>288,147</u>
January 1, 2019	<u>\$ 107,832</u>	<u>174,153</u>	<u>3,528</u>	<u>13,027</u>	<u>298,540</u>
September 30, 2019	<u>\$ 107,832</u>	<u>170,844</u>	<u>5,357</u>	<u>13,196</u>	<u>297,229</u>

(i) Impairment loss and subsequent reversal

As of September 30, 2020, December 31 and September 30, 2019, the accumulated property impairment amounted to \$10,593 thousand. The above accumulated asset impairment was recognized based on the carrying value of the factory building and machinery at Da Fa Industrial exceeding its estimated recoverable amount. After assessment, no additional impairment loss should be recognized for the nine months ended September 30, 2020 and 2019.

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

(ii) Collateral

As of September 30, 2020 and 2019, the Group's property, plant and equipment were provided as pledged assets; please refer to note 8.

(f) Right-of-use assets

The Group leases its assets including its land, buildings and transportation equipment. Information about leases, for which the Group is the lessee, is presented below:

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 10,699	79,196	2,641	92,536
Disposal	-	(758)	-	(758)
Effect of changes in exchange rates	(61)	(217)	-	(278)
Balance at September 30, 2020	<u>\$ 10,638</u>	<u>78,221</u>	<u>2,641</u>	<u>91,500</u>
Balance at January 1, 2019	\$ 11,144	88,061	-	99,205
Additions	-	-	2,641	2,641
Effect of changes in exchange rates	(218)	79	-	(139)
Balance at September 30, 2019	<u>\$ 10,926</u>	<u>88,140</u>	<u>2,641</u>	<u>101,707</u>
Accumulated depreciation:				
Balance at January 1, 2020	\$ 255	15,030	291	15,576
Depreciation	189	12,068	396	12,653
Disposal	-	(758)	-	(758)
Effect of changes in exchange rates	(1)	(43)	-	(44)
Balance at September 30, 2020	<u>\$ 443</u>	<u>26,297</u>	<u>687</u>	<u>27,427</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	201	13,238	159	13,598
Effect of changes in exchange rates	(6)	(17)	-	(23)
Balance at September 30, 2019	<u>\$ 195</u>	<u>13,221</u>	<u>159</u>	<u>13,575</u>
Carrying value:				
January 1, 2020	<u>\$ 10,444</u>	<u>64,166</u>	<u>2,350</u>	<u>76,960</u>
September 30, 2020	<u>\$ 10,195</u>	<u>51,924</u>	<u>1,954</u>	<u>64,073</u>
January 1, 2019	<u>\$ 11,144</u>	<u>88,061</u>	<u>-</u>	<u>99,205</u>
September 30, 2019	<u>\$ 10,731</u>	<u>74,919</u>	<u>2,482</u>	<u>88,132</u>

(g) Investment property

For the nine months ended September 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 September 30, 2020 and 2019 and the nine months ended September 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

September 30, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.57~1.75	2020~2021	\$ 300,000
Secured bank loans	TWD	1.41~1.55	2020~2021	<u>320,000</u>
Total				<u><u>\$ 620,000</u></u>
December 31, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.82~2.00	2020	\$ 270,000
Secured bank loans	TWD	1.66~1.80	2020	<u>320,000</u>
Total				<u><u>\$ 590,000</u></u>
September 30, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.82~2.00	2019~2020	\$ 290,000
Secured bank loans	TWD	1.66~1.80	2019~2020	<u>320,000</u>
Total				<u><u>\$ 610,000</u></u>

As of September 30, 2020, December 31 and September 30, 2019, the unused credit facilities amounted to \$481,800 thousand, \$515,320 thousand and \$469,560 thousand, respectively.

(ii) Long-term loans

September 30, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	1.00	2022	<u><u>\$ 7,025</u></u>

(iii) Collateral of loans

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

(Continued)

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

(i) Lease liabilities

The Group's lease liabilities were as follow:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ <u>16,380</u>	<u>15,978</u>	<u>17,561</u>
Non-current	\$ <u>38,341</u>	<u>50,932</u>	<u>60,549</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>321</u>	<u>527</u>	<u>1,046</u>	<u>1,642</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>99</u>	<u>132</u>	<u>350</u>	<u>333</u>

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

	For the nine months ended September 30	
	2020	2019
Total cash outflow for leases	\$ <u>13,409</u>	<u>14,661</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
Notes to the Consolidated Financial Statements

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

	September 30, 2020	December 31, 2019	September 30, 2019
Less than one year	\$ 17,035	24,757	24,920
One to two years	1,170	12,399	17,509
Two to three years	-	-	1,170
Total undiscounted lease payments	<u>\$ 18,205</u>	<u>37,156</u>	<u>43,599</u>

(k) Employee benefits

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating costs	\$ 366	390	1,105	1,095
Operating expenses	1,335	1,636	4,043	5,038
Total	<u>\$ 1,701</u>	<u>2,026</u>	<u>5,148</u>	<u>6,133</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 income (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:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Current income tax expense (benefit)				
Current period	\$ 113	-	143	-
Adjustment for prior periods	-	-	8	(36)
Income tax expense (benefit) on continuing operations	<u>\$ 113</u>	<u>-</u>	<u>151</u>	<u>(36)</u>

The ROC income tax authorities have examined the Company's income tax returns for all years through 2018.

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

(m) Capital and other equity

As of September 30, 2020, December 31 and September 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 preference shares, of which 195,924 thousand, 198,931 thousand and 198,931 thousand ordinary shares were issued, respectively. In addition, 8 thousand preference shares were issued. All issued capital was fully paid in. The preference shares were classified under equity.

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

	(Express in thousand shares)			
	Ordinary shares		Preference 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 September 30	195,924	198,931	8	8

(i) Capital stock

According to the Company's articles of incorporation, the rights and obligations of the 20% cumulative convertible preference shareholders 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 preference shareholders.
- 2) Dividends and bonus are paid annually after being approved and declared in the annual ordinary shareholders' meeting. Dividends are calculated based on the prior year's days outstanding; however, upon conversion of their preference shares into ordinary shares, the cumulative convertible preference shareholders 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 ordinary shareholders. Upon conversion of preference shares into ordinary shares, dividends and bonus in arrears should be paid in full, and a cumulative convertible preference shareholders is precluded from sharing in the prior years' profit distribution with the ordinary shareholders. Except for the differences in dividend distribution, a 20% cumulative convertible preference shareholder shares the same rights or obligations as the ordinary stockholders.
- 4) One year after issuance, the cumulative convertible preference shareholders may, at their option, in June of every year, exchange their convertible preference shares for ordinary shares at a 1:1 ratio.

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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- 5) A cumulative convertible preference shareholder has a higher claim than the ordinary shareholders to the remaining assets in the event of the Company's liquidation, and is limited to the issuance amount of the cumulative convertible preference shares. Unless otherwise stipulated in the articles of incorporation, a cumulative preference shareholder 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 preference share dividend of \$408 thousand, \$395 thousand and \$391 thousand as of September 30, 2020, December 31 and September 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 September 30, 2019, the subsidiaries of the Company both held 3,007 thousand shares of ordinary shares 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 nine months ended September 30, 2019, none of the Company's share held by its subsidiaries were sold. As of December 31 and September 30, 2019, the market value of the Company's shares held by the subsidiaries amounted to \$6,466 thousand and \$9,203 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:

	September 30, 2020	December 31, 2019	September 30, 2019
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)

	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, 2020	\$ 37,576	(15,118)	22,458
Foreign exchange differences arising from foreign operation	4,377	-	4,377
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(4,433)	(4,433)
Disposal of equity investments at fair value through other comprehensive income	-	2,540	2,540
Balance at September 30, 2020	<u>\$ 41,953</u>	<u>(17,011)</u>	<u>24,942</u>
Balance at January 1, 2019	\$ 29,143	(10,634)	18,509
Foreign exchange differences arising from foreign operation	3,961	-	3,961
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	2,035	2,035
Balance at September 30, 2019	<u>\$ 33,104</u>	<u>(8,599)</u>	<u>24,505</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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Net income (loss) of the Company	\$ 26,544	(19,084)	9,463	(53,834)
Dividends on non-redeemable preference shares	(5)	(5)	(13)	(13)
Net income (loss) attributable to ordinary shareholders of the Company	<u>\$ 26,539</u>	<u>(19,089)</u>	<u>9,450</u>	<u>(53,847)</u>
Weighted-average number of ordinary shares	<u>195,924</u>	<u>195,924</u>	<u>195,924</u>	<u>195,924</u>
Basic earnings per share (in NTD)	<u>\$ 0.14</u>	<u>(0.10)</u>	<u>0.05</u>	<u>(0.27)</u>

(ii) Diluted earnings per share

Due to the anti-dilutive effect, the Company's preference shares was not included in the weighted-average number of shares outstanding for the calculation of diluted earnings per share for the three months and the nine months ended September 30, 2019.

	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
Net income attributable to ordinary shareholders of the Company (basic)	<u>\$ 26,544</u>	<u>9,463</u>
Weighted-average number of ordinary shares outstanding (basic)	195,924	195,924
Effect of dilutive potential ordinary shares		
Effect of convertible preference shares	8	8
Weighted-average number of shares outstanding (diluted)	<u>195,932</u>	<u>195,932</u>
Diluted earnings per share (in NTD)	<u>\$ 0.14</u>	<u>0.05</u>

(Continued)

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Primary geographical markets:				
United States	\$ 122,013	95,101	228,342	205,853
Taiwan	25,116	33,387	119,677	93,977
Germany	29,866	34,660	91,581	105,532
France	11,031	7,335	31,287	27,716
Others	58,394	46,476	134,348	135,532
	\$ 246,420	216,959	605,235	568,610
Major products/services lines:				
Laptop	\$ 199,739	168,833	428,408	412,129
Mainboard	23,194	34,143	102,102	100,302
Sales of Materials and others	23,487	13,983	74,725	56,179
	\$ 246,420	216,959	605,235	568,610

(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 September 30, 2020, December 31 and September 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:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest income from bank deposits	\$ 45	82	192	382

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

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Rental income	\$ 6,910	7,059	20,733	21,460
Dividend income	-	-	321	-
Others	444	394	1,494	1,328
Total other income	<u>\$ 7,354</u>	<u>7,453</u>	<u>22,548</u>	<u>22,788</u>

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Foreign exchange gain (loss)	\$ 958	(8,731)	(7,629)	(4,141)
Others	(673)	(687)	(2,021)	(2,080)
Other gains and losses, net	<u>\$ 285</u>	<u>(9,418)</u>	<u>(9,650)</u>	<u>(6,221)</u>

(iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest expense	\$ (2,861)	(3,274)	(8,878)	(9,708)

(Continued)

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

(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.

	<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>
September 30, 2020						
Non-derivative financial liabilities						
Secured bank loan	\$ 320,000	320,486	320,486	-	-	-
Unsecured bank loan	307,025	309,320	302,255	7,065	-	-
Notes payable	225	225	225	-	-	-
Accounts payable	126,080	126,080	126,080	-	-	-
Other payables	47,436	47,436	47,436	-	-	-
Lease liabilities	54,721	56,793	17,439	17,439	21,915	-
Guarantee deposits received	6,727	6,727	4,784	1,943	-	-
Preference shares (including preference shares dividends)	84	492	492	-	-	-
	<u>\$ 862,298</u>	<u>867,559</u>	<u>819,197</u>	<u>26,447</u>	<u>21,915</u>	<u>-</u>
December 31, 2019						
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	-
Preference shares (including preference shares dividends)	84	479	479	-	-	-
	<u>\$ 844,649</u>	<u>851,189</u>	<u>791,726</u>	<u>24,143</u>	<u>35,320</u>	<u>-</u>
September 30, 2019						
Non-derivative financial liabilities						
Secured bank loan	\$ 320,000	321,109	321,109	-	-	-
Unsecured bank loan	290,000	291,918	291,918	-	-	-
Notes payable	379	379	379	-	-	-
Accounts payable	128,144	128,144	128,144	-	-	-
Other payables	50,278	50,278	50,278	-	-	-
Lease liabilities	78,110	82,621	19,386	19,386	43,849	-
Guarantee deposits received	6,823	6,823	-	4,626	2,197	-
Preference shares (including preference shares dividends)	84	475	475	-	-	-
	<u>\$ 873,818</u>	<u>881,747</u>	<u>811,689</u>	<u>24,012</u>	<u>46,046</u>	<u>-</u>

(Continued)

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

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
September 30, 2020			
Financial assets:			
Monetary assets:			
USD	\$ 19,685	29.10	572,834
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,296	29.10	66,814
December 31, 2019			
Financial assets:			
Monetary assets:			
USD	\$ 17,662	29.98	529,507
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,068	29.98	61,999
September 30, 2019			
Financial assets:			
Monetary assets:			
USD	\$ 17,243	31.04	535,223
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,075	31.04	64,408

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of September 30, 2020 and 2019, with all other variable factors remaining constant, would have increased (decreased) the net income (loss) before tax by \$5,060 thousand and \$4,708 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant, gains.

(Continued)

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

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 \$958 thousand, \$(8,731) thousand, \$(7,629) thousand and \$(4,141) thousand for the three months and nine months ended September 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 income (loss) before tax would have both increased/decreased by \$4,703 thousand and \$4,575 thousand for the nine months ended September 30, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

(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:

	Carrying amount	September 30, 2020			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 6,897	-	-	6,897	6,897
Unlisted stocks (overseas)	67	-	-	67	67
Subtotal	6,964	-	-	6,964	6,964
Financial assets measured at amortized cost					
Cash and cash equivalents	224,076	-	-	-	-
Accounts receivable	59,172	-	-	-	-
Other receivables	15	-	-	-	-
Refundable deposits	7,132	-	-	-	-
Subtotal	290,395	-	-	-	-
Total	\$ 297,359	-	-	6,964	6,964

(Continued)

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

	September 30, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 627,025	-	-	-	-
Notes and accounts payable	126,305	-	-	-	-
Other payables	47,436	-	-	-	-
Lease liabilities	54,721	-	-	-	-
Guarantee deposits received	6,727	-	-	-	-
Preference shares	84	-	-	-	-
Total	\$ 862,298	-	-	-	-
	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	18,082	-	-	18,082	18,082
Financial assets measured at amortized cost					
Cash and cash equivalents	153,465	-	-	-	-
Accounts receivable	84,994	-	-	-	-
Refundable deposits	7,237	-	-	-	-
Subtotal	245,696	-	-	-	-
Total	\$ 263,778	-	-	18,082	18,082
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	-	-	-	-
Preference shares	84	-	-	-	-
Total	\$ 844,649	-	-	-	-

(Continued)

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

	September 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)	\$ 22,393	-	-	22,393	22,393
Unlisted stocks (overseas)	2,208	-	-	2,208	2,208
Subtotal	<u>24,601</u>	<u>-</u>	<u>-</u>	<u>24,601</u>	<u>24,601</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	147,949	-	-	-	-
Accounts receivable	96,022	-	-	-	-
Other receivables	15	-	-	-	-
Refundable deposits	7,620	-	-	-	-
Subtotal	<u>251,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 276,207</u>	<u>-</u>	<u>-</u>	<u>24,601</u>	<u>24,601</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 610,000	-	-	-	-
Notes and accounts payable	128,523	-	-	-	-
Other payables	50,278	-	-	-	-
Lease liabilities	78,110	-	-	-	-
Guarantee deposits received	6,823	-	-	-	-
Preference shares	84	-	-	-	-
Total	<u>\$ 873,818</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 wide 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

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2020	\$ 18,082
Total loss recognized:	
In other comprehensive income	(4,433)
Return of capital for the period	(6,125)
Disposal	(560)
Balance at September 30, 2020	\$ 6,964
Balance at January 1, 2019	\$ 27,185
Total gain recognized:	
In other comprehensive income	2,035
Return of capital for the period	(4,619)
Balance at September 30, 2019	\$ 24,601

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

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income—equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multiplier of price-to-book ratio (As of September 30, 2020, December 31 and September 30, 2019 was 0.08~0.99, 1.07~2.58 and 1.19~2.71, respectively.) · Market illiquidity discount rate (As of September 30, 2020, December 31 and September 30, 2019 were 20%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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

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

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
September 30, 2020				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 435	(435)
December 31, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	1,130	(1,130)
September 30, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	1,538	(1,538)

(Continued)

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

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

(s) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(t) of the consolidated financial statements for the year ended December 31, 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 nine months ended September 30, 2020 and 2019, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes		September 30, 2020
			Foreign exchange movement	Other	
Long-term borrowings (including current portion)	\$ -	7,153	(128)	-	7,025
Short-term borrowings	590,000	30,000	-	-	620,000
Lease liabilities	66,910	(12,013)	(176)	-	54,721
Total liabilities from financing activities	<u>\$ 656,910</u>	<u>25,140</u>	<u>(304)</u>	<u>-</u>	<u>681,746</u>

	January 1, 2019	Cash flows	Non-cash changes		September 30, 2019
			Foreign exchange movement	Other	
Short-term borrowings	\$ 590,000	20,000	-	-	610,000
Lease liabilities	88,061	(12,686)	94	2,641	78,110
Total liabilities from financing activities	<u>\$ 678,061</u>	<u>7,314</u>	<u>94</u>	<u>2,641</u>	<u>688,110</u>

(7) Related-party transactions

(a) Names and relationship with related party

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
NCS Technologies, Inc. (NCS)	Other related party of the Group (The president of NCS has become the director of the Company since June 30, 2020.)

(Continued)

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

(b) Significant transactions with related party

(i) Operating revenue

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
NCS	\$ <u>98,772</u>	<u>-</u>	<u>98,772</u>	<u>-</u>

The sales price with related party was not significantly different from normal transactions, and the payment were received advanced.

(ii) Advance sales receipts (recognized under other current liabilities)

The details of the Group's advance sales receipts from related party were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
NCS	\$ <u>12,047</u>	<u>-</u>	<u>-</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 4,551	4,044	12,647	12,026
Post-employment benefits	<u>54</u>	<u>54</u>	<u>162</u>	<u>162</u>
	<u>\$ 4,605</u>	<u>4,098</u>	<u>12,809</u>	<u>12,188</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2020	December 31, 2019	September 30, 2019
Land	Short-term borrowings	\$ 107,832	107,832	107,832
Buildings	Short-term borrowings	165,566	168,907	170,021
Investment property	Short-term borrowings	<u>144,518</u>	<u>145,570</u>	<u>145,921</u>
		<u>\$ 417,916</u>	<u>422,309</u>	<u>423,774</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(11) **Subsequent Events: None.**

(12) **Other**

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

By nature	By function Three months ended September 30, 2020			Three months ended September 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	6,152	30,718	36,870	7,153	38,247	45,400
Labor and health insurance	692	2,581	3,273	830	2,586	3,416
Pension	366	1,335	1,701	390	1,636	2,026
Remuneration of directors	-	770	770	-	555	555
Others	471	870	1,341	485	962	1,447
Depreciation (note)	1,193	5,682	6,875	1,182	6,214	7,396
Amortization	-	3,367	3,367	-	3,202	3,202

By nature	By function Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	19,534	98,087	117,621	22,579	121,482	144,061
Labor and health insurance	2,091	7,969	10,060	2,433	8,640	11,073
Pension	1,105	4,043	5,148	1,095	5,038	6,133
Remuneration of directors	-	1,915	1,915	-	1,671	1,671
Others	1,339	2,530	3,869	1,299	2,822	4,121
Depreciation (note)	3,571	17,251	20,822	3,529	18,464	21,993
Amortization	-	9,983	9,983	-	9,065	9,065

Note: Excluding depreciation expenses for investment property recognized under other income and expenses amounted to \$674 thousand, \$687 thousand, \$2,021 thousand and \$2,080 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively.

(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 nine months ended September 30, 2020:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of September 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	6,897	10.000 %	6,897	
The Company	II, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	Note 1
The Company	Trigen 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	344,267 (Note 3)	-	344,267 (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 November 11, 2020.

Note 3: As of September 30, 2020, the Company's accounts receivable and accounts payable of \$456,353 thousand and \$112,086 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 \$344,267 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	42,916	The transaction is not significantly different from normal transactions	7.09 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	38,609	The transaction is not significantly different from normal transactions	6.38 %
0	The Company	Durabook	1	Accounts receivable — related parties	34,428 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	2.96 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable— related parties	77,962 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	6.70 %

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 September 30, 2020, the Company's account receivable of \$89,966 thousand, which was offset against the investment of \$55,538 thousand, accounted for using the equity method of Durabook.

Note 4: As of September 30, 2020, the Company's accounts receivable and accounts payable of \$456,353 thousand and \$112,086 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 \$344,267 thousand, which was offset against the investment of \$266,305 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 nine months ended September 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	
				September 30, 2020	December 31, 2019	Shares	Percentage of ownership				
The Company	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	73,442	53,079	769	80.000 %	- (note 3)	(21,499)	(15,474)	Subsidiary (note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	15,571	15,571	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	-	- %	-	(21,499)	(647)	Notes 2 and 5
Yu Feng	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	-	25,803	-	- %	-	(21,499)	(466)	Notes 2 and 6
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,315	(85)	(85)	Indirect subsidiary (notes 2 and 7)

Note 1: The exchange rate as of September 30, 2020: USD1=TWD29.10

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

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

(Continued)

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

(c) Information on investment in mainland China:

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

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 September 30, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of September 30, 2020	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
					(in Thousands of New Taiwan Dollars / in thousands of USD)							
Twinhead Kunshan	Sales and production of PDAs, calculators and their parts, and computer keyboards	363,750 (USD12,500)	(2)	363,750 (USD12,500)	-	-	363,750 (USD12,500)	13,574	100.00 %	13,574	(280,003)	-
Twinhead Huazhong Technology Limited Corp	Installation and sales of laptop parts and accessories; sales and production of related software	116,400 (USD4,000)	(2)	58,200 (USD2,000)	-	-	58,200 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,111 (USD210)	(2)	6,111 (USD210)	-	-	6,111 (USD210)	2,258	100.00 %	2,258	15,350	-

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 September 30, 2020: USD1=TWD29.10.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of September 30, 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	465,891 (USD16,010)	465,891 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of September 30, 2020: USD1=TWD29.10.

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
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(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.