Stock Code:2364

TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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Representation Letter

The entities that are required to be included in the combined financial statements of Twinhead International Corp. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Twinhead International Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Twinhead International Corp.

Chairman: Kao, Yu-Jen

Date: March 12, 2021

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Independent Auditors' Report

To the Board of Directors of Twinhead International Corp.:

Opinion

We have audited the consolidated financial statements of Twinhead International Corp. (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment Assessment of Property, Plant, and Equipment and Investment Property

   Please refer to note 4(l), note 5(b), note 6(e), and note 6(g) of the consolidated financial statements for details on the information about impairment assessment of property, plant, and equipment, and investment property.

Description of key audit matter:

Considering the Group has accumulated deficits, the Group may exist risks on impairment of assets because the book value of Property, Plant, and Equipment and Investment property have the overvaluation risk. The recoverable amount of Property, Plant, and Equipment and Investment property have been determined based on the discounted cash flow forecasted by the Group management and this process involved management's subjective judgment. Therefore, we consider it as a key audit matter.

Our principal audit procedures included:

In relation to the key audit matter above, we have performed certain key audit procedures that included obtaining the assets impairment valuation produced by the Group and understanding the significant assumptions of the valuation model; With regard to the Property, Plant, and Equipment and Investment Property that may have indications of impairment losses, we assessed the reasonableness of the key assumptions used in the report from the third party appraisers engaged by the management, including evaluate the competency, qualifications, experience and objectivity of the third party appraisers whether market value target is appropriate. Understanding whether any significant matters occurred after the reporting date that may have an impact on the impairment test by requiring management, and reviewing whether the disclosure of impairment of Property, Plant, and Equipment and Investment Property measurement made by the management is appropriate.

2. Inventory measurement

Please refer to note 4(h), note 5(a), and note 6(c) of the consolidated financial statements for details on the information about inventory measurement.

Description of key audit matter:

The inventory of the Group includes inventory for production and repair. Since the technology in the computer industry changes rapidly, market demand may change in the meantime. Because of the market change and aging situation, the carrying value of inventories may exceed its net realized value.

How the matter was addressed in our audit:

The key audit procedures performed is to understand management' s accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the basis used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Other Matter

Twinhead International Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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)
March 12, 2021

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 252,568	22	153,465	13
1170	Accounts receivable, net (note 6(b))	60,578	5	84,994	7
1180	Accounts receivable－related parties, net (notes 6(b) and 7)	2,848	-	-	-
130x	Inventories (note 6(c))	207,428	18	206,348	18
1470	Prepayments and other current assets	14,707	1	16,899	2
	Total current assets	538,129	46	461,706	40
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	6,481	1	18,082	1
1600	Property, plant and equipment (notes 6(e) and 8)	285,778	24	294,685	26
1755	Right-of-use assets (note 6(f))	60,026	5	76,960	7
1760	Investment property, net (notes 6(g), 6(k) and 8)	197,849	17	199,727	17
1840	Deferred income tax assets (note 6(m))	43,339	4	43,890	4
1920	Refundable deposits	7,110	1	7,237	1
1995	Other non-current assets	29,939	2	41,377	4
	Total non-current assets	630,522	54	681,958	60
	Total assets	$ 1,168,651	100	1,143,664	100

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(h) and 8)	$ 620,000	53	590,000	52
2150	Notes payable	187	-	336	-
2170	Accounts payable	129,859	11	129,711	11
2200	Other payables (note 6(l))	57,729	5	50,860	4
2250	Provisions－current (note 6(i))	6,071	1	4,264	-
2280	Current lease liabilities (note 6(j))	16,448	1	15,978	1
2300	Other current liabilities	34,187	3	33,254	3
	Total current liabilities	864,481	74	824,403	71
	Non-Current liabilities:				
2550	Provisions－non-current (note 6(i))	5,552	-	6,140	1
2580	Non-current lease liabilities (note 6(j))	34,017	3	50,932	5
2645	Guarantee deposits received	6,803	1	6,748	1
2670	Other non-current liabilities	1,370	-	2,423	-
	Total non-current liabilities	47,742	4	66,243	7
	Total liabilities	912,223	78	890,646	78
	Equity attributable to owners of parent (note 6(d) and 6(n)):				
	Share capital:				
3110	Ordinary shares	1,959,240	168	1,989,314	174
3120	Preference shares	84	-	84	-
		1,959,324	168	1,989,398	174
3350	Accumulated deficits	(1,711,320)	(146)	(1,535,036)	(134)
	Other equities:				
3410	Exchange differences on translation of foreign financial statements	39,712	3	37,576	3
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(17,499)	(2)	(15,118)	(1)
		22,213	1	22,458	2
3500	Treasury shares	-	-	(202,059)	(18)
	Total equity attributable to owners of parent	270,217	23	274,761	24
36xx	**Non-controlling interests**	(13,789)	(1)	(21,743)	(2)
	Total equity	256,428	22	253,018	22
	Total liabilities and equity	$ 1,168,651	100	1,143,664	100

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020 Amount	2020 %	2019 Amount	2019 %
4000	**Operating revenues (note 6(p) and 7)**	$ 863,359	100	829,029	100
5000	**Operating costs (notes 6(c), 6(e), 6(f) , 6(i) , 6(k) and 6(m))**	606,187	70	602,351	73
5900	**Gross profit**	257,172	30	226,678	27
6000	**Operating expenses (notes 6(b), 6(e), 6(f), 6(j), 6(l) and 7):**				
6100	Selling expenses	56,639	7	75,556	9
6200	Administrative expenses	113,088	13	126,666	15
6300	Research and development expenses	86,102	10	105,333	13
6450	Reversal of impairment loss determined in accordance with IFRS 9	(886)	-	-	-
	Total operating expenses	254,943	30	307,555	37
6900	**Net operating income (loss)**	2,229	-	(80,877)	(10)
7000	**Non-operating income and expenses (notes 6(d), 6(g) , 6(j) , 6(k) and 6(r)):**				
7100	Interest income	246	-	596	-
7010	Other income	37,029	4	30,397	4
7020	Other gains and losses	(12,055)	(1)	(19,347)	(2)
7050	Finance costs	(11,680)	(1)	(12,953)	(2)
	Total non-operating income and expenses	13,540	2	(1,307)	-
	Income (loss) from continuing operations before tax	15,769	2	(82,184)	(10)
7950	**Less: Income tax expense (note 6(m))**	337	-	16	-
	Net income (loss)	15,432	2	(82,200)	(10)
8300	**Other comprehensive income (loss) (note 6(n)):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(4,921)	(1)	(4,484)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(4,921)	(1)	(4,484)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	1,046	-	9,122	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 (loss) that will be reclassified to profit or loss	1,046	-	9,122	1
8300	**Other comprehensive income (loss), net**	(3,875)	(1)	4,638	1
	Total comprehensive income (loss)	**$ 11,557**	**1**	**(77,562)**	**(9)**
	Net income (loss) attributable to:				
8610	Owners of parent	$ 21,387	3	(58,076)	(7)
8620	Non-controlling interests	(5,955)	(1)	(24,124)	(3)
		$ 15,432	**2**	**(82,200)**	**(10)**
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 18,602	2	(54,127)	(6)
8720	Non-controlling interests	(7,045)	(1)	(23,435)	(3)
		$ 11,557	**1**	**(77,562)**	**(9)**
9750	**Basic earnings per share (in New Taiwan dollar) (note 6(o))**	**$ 0.11**		**(0.30)**	
9850	**Diluted earnings per share (in New Taiwan dollar) (note 6(o))**	**$ 0.11**		**(0.30)**	

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital				Total other equity interest						
	Ordinary shares	Preference share	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
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	-	-	-	(58,076)	-	-	-	-	(58,076)	(24,124)	(82,200)
Other comprehensive income (loss)	-	-	-	-	8,433	(4,484)	3,949	-	3,949	689	4,638
Total comprehensive income (loss)	-	-	-	(58,076)	8,433	(4,484)	3,949	-	(54,127)	(23,435)	(77,562)
Balance at December 31, 2019	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	-	-	-	21,387	-	-	-	-	21,387	(5,955)	15,432
Other comprehensive income (loss)	-	-	-	-	2,136	(4,921)	(2,785)	-	(2,785)	(1,090)	(3,875)
Total comprehensive income (loss)	-	-	-	21,387	2,136	(4,921)	(2,785)	-	18,602	(7,045)	11,557
Retirement of treasury shares	(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 December 31, 2020	**$ 1,959,240**	**84**	**1,959,324**	**(1,711,320)**	**39,712**	**(17,499)**	**22,213**	**-**	**270,217**	**(13,789)**	**256,428**

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	2020	2019
Cash flows from (used in) operating activities:		
Net income (loss) before tax	$ 15,769	(82,184)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	30,355	31,960
Amortization	14,050	12,383
Reversal of impairment loss	(886)	-
Interest expense	11,680	12,953
Interest income	(246)	(596)
Dividend income	(321)	-
Gain on lease modification	-	(336)
Total adjustments to reconcile profit	54,632	56,364
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Accounts receivable	25,315	26,787
Accounts receivable－related parties	(2,848)	-
Inventories	(919)	21,034
Prepayments and other current assets	2,162	(3,115)
Total changes in operating assets, net	23,710	44,706
Net changes in operating liabilities:		
Notes payable	(149)	(256)
Accounts payable	148	21,882
Other payables	6,905	2,711
Provisions	1,219	(864)
Other current liabilities	671	2,477
Other non-current liabilities	(1,053)	(952)
Total changes in operating liabilities, net	7,741	24,998
Total changes in operating assets and liabilities, net	31,451	69,704
Total adjustments	86,083	126,068
Cash inflow generated from operating activities	101,852	43,884
Interest received	246	596
Interest paid	(10,371)	(10,813)
Income taxes paid	(51)	(75)
Net cash flows from operating activities	91,676	33,592
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(5)	-
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	(2,135)	(7,398)
Decrease (increase) in refundable deposits	69	(252)
Increase in other non-current assets	(2,612)	(24,573)
Dividends received	321	-
Net cash flows from (used in) investing activities	2,323	(27,604)
Cash flows from (used in) financing activities:		
Increase in short-term loans	160,000	115,000
Decrease in short-term loans	(130,000)	(115,000)
Increase (Decrease) in guarantee deposits received	55	(78)
Payment of lease liabilities	(16,186)	(16,820)
Interest paid	(1,345)	(2,089)
Change in non-controlling interests	(8,147)	-
Net cash flows from (used in) financing activities	4,377	(18,987)
Effect of exchange rate changes on cash and cash equivalents	727	12,185
Net increase (decrease) in cash and cash equivalents	99,103	(814)
Cash and cash equivalents at beginning of period	153,465	154,279
Cash and cash equivalents at end of period	$ **252,568**	**153,465**

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 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 approved by the Board of Directors and issued on March 12, 2021.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform－Phase 2”

(Continued)

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	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.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollar, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup transactions and balances, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Group.

(ii) List of subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

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

(Continued)

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: 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 3: 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.

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

(i) An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is expected to be realized within twelve months after the reporting period; or

4) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1) It is expected to be settled in the normal operating cycle;

2) It is held primarily for the purpose of trading;

3) It is due to be settled within twelve months after the reporting period; or

4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group’ s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) equity investment and FVTPL.

The Group shall reclassify all affected financial assets on the first day of the first reporting period only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables(including related parties) and guarantee deposit paid).

(Continued)

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

Preferred share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

The Group classifies preferred share capital with the characteristics of a financial liability issued before January 1, 2006, as equity in accordance with Rule No. 10000322083 issued by the FSC.

Compound financial instruments issued by the Group comprise convertible bonds that can be converted into ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, gains, or losses related to financial liabilities are recognized in profit or loss and recorded under non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The costs of finished goods and work in progress adopt the standard cost method. The difference between standard and actual costing is fully classified as operating cost and allocated to the ending balance of inventories.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	4~62 years
2)	Machinery	2~15 years
3)	Other equipment	2~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets; or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize the right-of-use assets and lease liabilities for the leases of its low-value assets, including its office and dormitory. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred income tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

(Continued)

(n) Revenue

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

(i) Sale of goods

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

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

(ii) Financing components

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

(o) Government grants

The Group recognizes an unconditional government grant related to the U.S. Paycheck Protection Program in profit or loss as non-operating income.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. An increase in ordinary shares which is from appropriation of retained earnings or capital surplus, or a decrease in ordinary shares which is to offset accumulated deficit, is added to or deducted from the shares outstanding retroactively. The shares outstanding are also adjusted retroactively if the recording date of the appropriation or share-based payment transaction is within the subsequent period. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The potentially diluted ordinary shares of the Group are convertible preference shares.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. It has been identified that the Group has only one reportable segment.

(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 the IFRSs 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Inventory measurement

Since inventories are measured at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(c) for further description of the valuation of inventories.

(Continued)

(b) Impairment of property, plant and equipment, and investment property

In the process of evaluating the potential impairment of tangible assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to note 6(e) and 6(g) for further description of the key assumptions used to determine the recoverable amount.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

		December 31, 2020	December 31, 2019
Petty cash	$	270	262
Checking and demand deposits		252,298	153,203
Cash and cash equivalents per consolidated statements of cash flows	**$**	**252,568**	**153,465**

The Group's exposure to interest rate risk and the sensitivity analysis for the financial instruments held by the Group are disclosed in note 6(s).

(b) Receivables (including related parties)

		December 31, 2020	December 31, 2019
Accounts receivable	$	60,578	85,893
Accounts receivable－related parties		2,848	-
Less: loss allowance		-	899
	$	**63,426**	**84,994**

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:

(i) Normal customers

	December 31, 2020			
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	54,475	-	-
1 to 30 days past due		6,018	-	-
31 to 60 days past due		82	-	-
61 to 90 days past due		3	-	-
	$	**60,578**		**-**

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	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
	$ 85,893		**899**

(ii) Related parties

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 2,116	-	-
1 to 30 days past due	732	-	-
	$ 2,848		**-**

There was no accounts receivable—related parties as of December 31, 2019.

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

	2020	2019
Beginning balance on January 1	$ 899	922
Impairment loss reversed	(886)	-
Foreign exchange gain	(13)	(23)
Ending balance on December 31	**$ -**	**899**

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

(c) Inventories

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

	December 31, 2020	December 31, 2019
Merchandise	$ 6,131	5,549
Finished goods	61,982	54,125
Work in progress	7,678	6,139
Raw materials and supplies	128,639	134,706
Goods in transit	2,998	5,829
Total	**$ 207,428**	**206,348**

As of December 31, 2020 and 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:

	2020	2019
Loss on decline in market value of inventory	$ 11,654	2,449
Loss from scrapped inventory	761	1,672
Loss on physical count	153	1,019
Total	**$ 12,568**	**5,140**

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Unlisted stocks (domestic)	$ 6,413	15,815
Unlisted stocks (overseas)	68	2,267
Total	**$ 6,481**	**18,082**

(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 EUROC 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 $321 thousand and $0 thousand for the years ended December 31, 2020 and 2019, respectively.

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(s).

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

(Continued)

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(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		-	557	71	1,507	2,135
Disposal		-	-	(239)	(725)	(964)
Reclassification		-	-	-	(250)	(250)
Effect of changes in exchange rates		-	-	61	(138)	(77)
Balance at December 31, 2020	$	**118,425**	**430,538**	**181,789**	**113,097**	**843,849**
Balance at January 1, 2019	$	118,425	429,851	181,970	111,093	841,339
Additions		-	130	2,783	4,485	7,398
Disposal		-	-	(2,696)	(2,563)	(5,259)
Reclassification		-	-	-	(58)	(58)
Effect of changes in exchange rates		-	-	(161)	(254)	(415)
Balance at December 31, 2019	$	**118,425**	**429,981**	**181,896**	**112,703**	**843,005**
Depreciation and impairment loss:						
Balance at January 1, 2020	$	10,593	260,287	176,894	100,546	548,320
Depreciation		-	4,645	1,263	4,905	10,813
Disposal		-	-	(239)	(725)	(964)
Reclassification		-	-	-	(89)	(89)
Effect of changes in exchange rates		-	-	54	(63)	(9)
Balance at December 31, 2020	$	**10,593**	**264,932**	**177,972**	**104,574**	**558,071**
Balance at January 1, 2019	$	10,593	255,698	178,442	98,066	542,799
Depreciation		-	4,589	1,293	5,269	11,151
Disposal		-	-	(2,696)	(2,563)	(5,259)
Reclassification		-	-	-	(39)	(39)
Effect of changes in exchange rates		-	-	(145)	(187)	(332)
Balance at December 31, 2019	$	**10,593**	**260,287**	**176,894**	**100,546**	**548,320**
Carrying value:						
December 31, 2020	$	**107,832**	**165,606**	**3,817**	**8,523**	**285,778**
January 1, 2019	$	**107,832**	**174,153**	**3,528**	**13,027**	**298,540**
December 31, 2019	$	**107,832**	**169,694**	**5,002**	**12,157**	**294,685**

(i) Impairment loss and subsequent reversal

As of December 31, 2020 and 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 years ended December 31, 2020 and 2019.

(Continued)

(ii) Collateral

As of December 31, 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 many assets including its land, buildings and transportation equipment. Information about leases, for which the Group is the lessee, is presented below:

		Land	Building	Transportation equipment	Total
Cost:					
Balance at January 1, 2020	$	10,699	79,196	2,641	92,536
Disposal		-	(762)	-	(762)
Effect of changes in exchange rates		168	(317)	-	(149)
Balance at December 31, 2020	**$**	**10,867**	**78,117**	**2,641**	**91,625**
Balance at January 1, 2019	$	11,144	88,061	-	99,205
Additions		-	8,796	2,641	11,437
Disposal		-	(17,434)	-	(17,434)
Effect of changes in exchange rates		(445)	(227)	-	(672)
Balance at December 31, 2019	**$**	**10,699**	**79,196**	**2,641**	**92,536**
Accumulated depreciation:					
Balance at January 1, 2020	$	255	15,030	291	15,576
Depreciation		254	16,059	528	16,841
Disposal		-	(762)	-	(762)
Effect of changes in exchange rates		9	(65)	-	(56)
Balance at December 31, 2020	**$**	**518**	**30,262**	**819**	**31,599**
Balance at January 1, 2019	$	-	-	-	-
Depreciation		265	17,495	291	18,051
Disposal		-	(2,426)	-	(2,426)
Effect of changes in exchange rates		(10)	(39)	-	(49)
Balance at December 31, 2019	**$**	**255**	**15,030**	**291**	**15,576**
Carrying value:					
December 31, 2020	**$**	**10,349**	**47,855**	**1,822**	**60,026**
January 1, 2019	**$**	**11,144**	**88,061**	**-**	**99,205**
December 31, 2019	**$**	**10,444**	**64,166**	**2,350**	**76,960**

(g) Investment property

		Land and improvements	Buildings	Total
Cost or deemed cost:				
Balance at January 1, 2020	$	95,830	172,068	267,898
Effect of changes in exchange rates		-	1,332	1,332
Balance at December 31, 2020	**$**	**95,830**	**173,400**	**269,230**
Balance as at January 1, 2019	$	95,830	175,601	271,431
Effect of changes in exchange rates		-	(3,533)	(3,533)
Balance at December 31, 2019	**$**	**95,830**	**172,068**	**267,898**

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	Land and improvements	Buildings	Total
Depreciation and impairment loss:			
Balance at January 1, 2020	$ -	68,171	68,171
Depreciation	-	2,701	2,701
Effect of changes in exchange rates	-	509	509
Balance at December 31, 2020	**$ -**	**71,381**	**71,381**
Balance at January 1, 2019	$ -	66,694	66,694
Depreciation	-	2,758	2,758
Effect of changes in exchange rates	-	(1,281)	(1,281)
Balance at December 31, 2019	**$ -**	**68,171**	**68,171**
Carrying value:			
Balance at December 31, 2020	**$ 95,830**	**102,019**	**197,849**
Balance at January 1, 2019	**$ 95,830**	**108,907**	**204,737**
Balance at December 31, 2019	**$ 95,830**	**103,897**	**199,727**
Fair value:			
Balance at December 31, 2020			**$ 589,920**
Balance at January 1, 2019			**$ 509,630**
Balance at December 31, 2019			**$ 509,630**

Investment property is commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~3 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(k) for further information.

The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation is based on market price. The parameters used by the fair value valuation technique belong to the third hierarchy.

As of December 31, 2020 and 2019, the Group's investment properties were provided as pledged assets; please refer to note 8.

(h) Short-term loans

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

	December 31, 2020			
	Currency	**Range of interest rates (%)**	**Year of maturity**	**Amount**
Unsecured loans	TWD	1.60~1.75	2021	$ 300,000
Secured bank loans	TWD	1.41~1.58	2021	320,000
Total				**$ 620,000**

	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	320,000
Total				**$ 590,000**

As of December 31, 2020 and 2019, the unused credit facilities amounted to $479,320 thousand and $515,320 thousand, respectively.

Please refer to note 6(s) for the Group's risk exposures relating to interest rate, currency, and liquidity risk.

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

(i) Provisions

	Restoration liabilities	**Other**	**Total**
Balance at January 1, 2020	$ 3,729	6,675	10,404
Provisions made during the year	-	11,492	11,492
Provisions used during the year	-	(9,338)	(9,338)
Provisions reversed during the year	-	(840)	(840)
Effect of changes in exchange rates	-	(95)	(95)
Balance at December 31, 2020	**$ 3,729**	**7,894**	**11,623**
Current	$ -	6,071	6,071
Non-current	3,729	1,823	5,552
	$ 3,729	**7,894**	**11,623**
Balance at January 1, 2019	$ 3,729	7,539	11,268
Provisions made during the year	-	5,941	5,941
Provisions used during the year	-	(6,658)	(6,658)
Provisions reversed during the year	-	(80)	(80)
Effect of changes in exchange rates	-	(67)	(67)
Balance at December 31, 2019	**$ 3,729**	**6,675**	**10,404**
Current	$ -	4,264	4,264
Non-current	3,729	2,411	6,140
	$ 3,729	**6,675**	**10,404**

(i) Restoration liabilities

The provision was the estimation for removing, moving and restoring the lease assets according to the lease contract, which were recognized as long-term liabilities. The future cost shall result in an uncertainty of provision due to the long-term lease of the office. Related costs are expected to occur after the lease term reaches its maturity.

(ii) Other provisions

Provisions were estimated based on the historical data on warranties on merchandise and services, which are mainly associated with the Group's business products. The Group expects to settle the majority of the liability over the next one to three years.

(j) Lease liabilities

The Group's lease liabilities were as follow:

	December 31, 2020	December 31, 2019
Current	$ 16,448	15,978
Non-current	$ 34,017	50,932

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	$ 1,345	2,089
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 452	435

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

	2020	2019
Total cash outflow for leases	$ 17,983	19,344

(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 three 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.

(k) 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.

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

		December 31, 2020	December 31, 2019
Less than one year	$	13,467	24,757
One to two years		-	12,399
Total undiscounted lease payments	$	13,467	37,156

Rental income from investment properties was $24,233 thousand and $24,934 thousand for the years ended December 31, 2020 and 2019, respectively. The direct expenses from investment properties were $2,293 thousand and $2,366 thousand for the years ended December 31, 2020 and 2019, respectively.

(l) Employee benefits

(i) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The employees of the Durabook Americas Inc. could choose a specific ratio (adjusted by the inflation rate) to contribute their own pensions under the definition of the pension plan. The employees contribute 50% of the pension voluntarily and the contribution shall not exceed a specific ratio of the salary. In addition, the Durabook Americas Inc. contributes an extra amount to the pension fund based on the profit. If an employee resigns within two years, other than collecting the pension made by the employee, the employee can also collect the pension contributed by Durabook Americas Inc. based on the profit. The employee can collect 20% of the pension contributed by Durabook Americas Inc. each year for the following 5 years.

Except for the two subsidiaries of the Group, namely, Twinhead (Asia) Pte. Ltd. and Twinhead Enterprises (BVI) Ltd., which are not eligible for the pension plan, the defined benefit plan of the other subsidiaries (Twinhead Kunshan Technology Co., LTD., and Kunshan Lun Teng System Co., Ltd.) are based on the local regulations of their respective locations; and all the contributions made to such plans are recognized as current expenses.

The Group's pension costs under the defined contribution plan were $6,858 thousand and $8,046 thousand for the years ended December 31, 2020 and 2019, respectively.

(ii) Short-term employee benefit liabilities

		December 31, 2020	December 31, 2019
Compensated absence liabilities	$	8,207	7,541

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(m) Income taxes

(i) Income tax expenses

The amount of the Company's income tax for the years ended December 31, 2020 and 2019, was as follows:

		2020	2019
Current income tax expense			
Current period	$	329	52
Adjustment for prior periods		8	(36)
		337	16
Income tax expense from continuing operations		**337**	**16**

Reconciliations of the Group's income tax expenses and the income (loss) before tax for the years ended December 31, 2020 and 2019 were as follows:

		2020	2019
Income (loss) before tax	**$**	**15,769**	**(82,184)**
Income tax using the Company's domestic tax rate	$	3,154	(16,437)
Effect of tax rates in foreign jurisdiction		(1,412)	(3,622)
Adjustment under tax laws		302	2,759
Loss (gain) from equity investments under the equity method		(2,028)	4,232
Dividend income		(64)	-
Recognition of previously unrecognized tax losses		(10,127)	-
Unrecognized temporary differences		10,504	15,383
Adjustment for prior periods		8	(36)
Others		-	(2,263)
Income tax expense	**$**	**337**	**16**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred income tax assets had not been recognized in respect of the following items:

		December 31, 2020	December 31, 2019
Deductible temporary differences	$	27,878	19,855
The carryforward of unused tax losses		183,131	257,010
	$	**211,009**	**276,865**

(Continued)

Tax losses of a company can be carried forward to offset its future taxable income for a period of ten years in accordance with the Income Tax Act. Based on the local tax credit regulations, losses incurred by foreign consolidated subsidiaries can be deducted from their income tax. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2020, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

a) Taiwan

Year of tax loss occurred	Amount	Year of expiration
2013	$ 56,141	2023
2014	85,358	2024
2015	95,026	2025
2016	298,592	2026
2017	71,323	2027
2019	26,778	2029
	$ 633,218	

b) United States (Federal tax)

Year of tax loss occurred	Amount	Year of expiration
2012	$ 8,775	2032
2013	15,067	2033
2014	6,229	2034
2015	40,918	2035
2016	42,473	2036
2018	10,796	2038
2019	45,655	2039
2020	30,844	2040
	$ 200,757	

2) Recognized deferred tax assets

Changes in the amount of deferred tax assets for 2020 and 2019 were as follows:

Deferred tax assets:

	Loss carryforwards	Allowance for inventory valuation	Impairment loss	Others	Total
Balance at January 1, 2020	$ 5,655	23,453	11,200	3,582	43,890
Recognized in profit or loss	1,030	(831)	-	(199)	-
Foreign currency translation differences for foreign operations	(319)	(169)	-	(63)	(551)
Balance at December 31, 2020	**$ 6,366**	**22,453**	**11,200**	**3,320**	**43,339**
Balance at January 1, 2019	$ 5,086	22,967	11,200	4,909	44,162
Recognized in profit or loss	713	576	-	(1,289)	-
Foreign currency translation differences for foreign operations	(144)	(90)	-	(38)	(272)
Balance at December 31, 2019	**$ 5,655**	**23,453**	**11,200**	**3,582**	**43,890**

(iii) Income tax assessment

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

(n) Capital and other equity

As of December 31, 2020 and 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 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 years ended December 31, 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 December 31	**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.

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.

(Continued)

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 $412 thousand and $395 thousand as of December 31, 2020 and 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, 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 year ended December 31, 2019, none of the Company's share hold by its subsidiaries were sold. As of December 31, 2019, the market value of the Company's shares held by the subsidiaries amounted to $6,466 thousand.

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

	December 31, 2020	December 31, 2019
Twintek International Corporation	$ -	103,259
Yu Feng Technology Co., Ltd.	-	98,800
	$ -	**202,059**

(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	Non-controlling interests	Total
Balance at January 1, 2020	$ 37,576	(15,118)	3,011	25,469
Foreign exchange differences arising from foreign operation	2,136	-	(1,090)	1,046
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(4,921)	-	(4,921)
Disposal of equity investments at fair value through other comprehensive income	-	2,540	-	2,540
Balance at December 31, 2020	**$ 39,712**	**(17,499)**	**1,921**	**24,134**

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance at January 1, 2019	$ 29,143	(10,634)	2,322	20,831
Foreign exchange differences arising from foreign operation	8,433	-	689	9,122
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(4,484)	-	(4,484)
Balance at December 31, 2019	**$ 37,576**	**(15,118)**	**3,011**	**25,469**

(o) 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

	2020	2019
Net income (loss) of the Company	$ 21,387	(58,076)
Dividends on non-redeemable preference shares	(17)	(17)
Net income (loss) attributable to ordinary shareholders of the Company	**$ 21,370**	**(58,093)**
Weighted average number of ordinary shares	**195,924**	**195,924**
Basic earnings per share (in NTD)	**$ 0.11**	**(0.30)**

(ii) Diluted earnings per share

	2020
Net income attributable to ordinary shareholders of the Company (basic)	**$ 21,387**
Weighted average number of ordinary shares outstanding (basic)	195,924
Effect of dilutive potential ordinary shares	
Effect of convertible preference shares	8
Weighted average number of shares outstanding (diluted)	**195,932**
Diluted earnings per share (in NTD)	**$ 0.11**

Due to the anti-dilutive effect, the Company's preference shares were not included in the weighted average number of shares outstanding for the calculation of diluted earnings per share for the year ended December 31, 2019.

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(p) Revenue from contracts with customers－disaggregation of revenue

		2020	2019
Primary geographical markets:			
United States	$	336,791	313,966
Taiwan		162,439	140,145
Germany		128,262	132,396
China		70,213	37,523
France		42,631	47,020
Others		123,023	157,979
	$	**863,359**	**829,029**
Major products/services lines:			
Laptop	$	620,544	598,103
Mainboard		140,650	155,248
Sales of Materials and others		102,165	75,678
	$	**863,359**	**829,029**

(q) 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 December 31, 2020 and 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.

(r) Non-operating income and expenses

(i) Interest income

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

		2020	2019
Interest income from bank deposits	$	**246**	**596**

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(ii) Other income

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

	2020	2019
Rental income	$ 27,721	28,422
Dividend income	321	-
Other income－other		
Government grants	7,129	-
Other	1,858	1,975
Subtotal	8,987	1,975
Total other income	**$ 37,029**	**30,397**

(iii) Other gains and losses

The details of the Group's other gains and losses were as follows:

	2020	2019
Gains on lease modification	$ -	336
Foreign exchange gain (loss)	(9,353)	(16,750)
Others	(2,702)	(2,933)
Other gains and losses, net	**$ (12,055)**	**(19,347)**

(iv) Finance costs

The details of the Group's finance costs were as follows:

	2020	2019
Interest expense	**$ (11,680)**	**(12,953)**

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2020 and 2019, the maximum credit risk exposure amounted to $329,585 thousand and $263,778 thousand, respectively.

2) Concentration of credit risk

As of December 31, 2020 and 2019, 35% and 41%, respectively, of the accounts receivable were from the sales to one customer. In addition, for the years ended December 31, 2020 and 2019, 71% and 75%, respectively, of the sales of the Group concentrated in the Americas and Europe.

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(ii) 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
December 31, 2020							
Non-derivative financial liabilities							
Secured bank loan	$	320,000	320,684	320,684	-	-	-
Unsecured bank loan		300,000	302,328	302,328	-	-	-
Notes payable		187	187	187	-	-	-
Accounts payable		129,859	129,859	129,859	-	-	-
Other payables		57,729	57,729	57,729	-	-	-
Lease liabilities		50,465	52,231	17,412	17,412	17,407	-
Guarantee deposits received		6,803	6,803	6,703	100	-	-
Preference shares (including preference shares dividends)		84	496	496	-	-	-
	$	**865,127**	**870,317**	**835,398**	**17,512**	**17,407**	**-**
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	-	-	-
	$	**844,649**	**851,189**	**791,726**	**24,143**	**35,320**	**-**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

		Foreign currency	Exchange rate	TWD
December 31, 2020				
Financial assets:				
Monetary assets:				
USD	$	20,990	28.48	597,795
Financial liabilities:				
Monetary liabilities:				
USD	$	2,449	28.48	69,748

(Continued)

		Foreign currency	Exchange rate	TWD
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

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 December 31, 2020 and 2019, with all other variable factors remaining constant, would have increased (decreased) the net income (loss) before tax by $5,280 thousand and $4,677 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 $9,353 thousand and $16,750 thousand for the years ended December 31, 2020 and 2019, respectively.

(iv) 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 $6,200 thousand and $5,900 thousand for the years ended December 31, 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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(v) Fair value

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2020				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	$ 6,413	-	-	6,413	6,413
Unlisted stocks (overseas)	68	-	-	68	68
Subtotal	6,481	-	-	6,481	6,481
Financial assets measured at amortized cost					
Cash and cash equivalents	252,568	-	-	-	-
Accounts receivable (including related parties)	63,426	-	-	-	-
Refundable deposits	7,110	-	-	-	-
Subtotal	323,104	-	-	-	-
Total	**$ 329,585**	**-**	**-**	**6,481**	**6,481**
Financial liabilities measured at amortized cost					
Bank borrowings	$ 620,000	-	-	-	-
Notes and accounts payable	130,046	-	-	-	-
Other payables	57,729	-	-	-	-
Lease liabilities	50,465	-	-	-	-
Guarantee deposits received	6,803	-	-	-	-
Preference shares	84	-	-	-	-
Total	**$ 865,127**	**-**	**-**	**-**	**-**

	December 31, 2019				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
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**	**-**	**-**	**-**	**-**

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

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

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

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

(Continued)

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	(4,921)
Return of capital for the period	(6,125)
Additions	5
Disposal	(560)
Balance at December 31, 2020	**$ 6,481**
Balance at January 1, 2019	$ 27,185
Total loss recognized:	
In other comprehensive income	(4,484)
Return of capital for the period	(4,619)
Balance at December 31, 2019	**$ 18,082**

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Comparative listed company	· Multiplier of price-to-book ratio (As of December 31, 2020 and 2019 was 0.08~0.99 and 1.07~2.58, respectively.) · Market illiquidity discount rate (As of December 31, 2020 and 2019 were 20%)	The estimated fair value would increase (decrease) if · 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:

			Other comprehensive income	
	Input	**Assumptions**	**Favorable**	**Unfavorable**
December 31, 2020				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	$ 405	(405)
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)

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.

(t) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the history of transactions with the counter-party, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, there is no significant credit risk.

3) Guarantees

The Group's policy allows it to provide financial guarantees to entity if either of the following three conditions is met:

a) entity with business relationship,

b) entity holds directly or indirectly more than 50% of the shares in the Group,

c) entity that holds directly or indirectly more than 50% of the voting rights in the Group.

As of December 31, 2020 and 2019, no other guarantees were provided.

(Continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in currencies other than the respective functional currencies of the Group, primarily the NTD, USD and CNY. The currencies used in these transactions are the NTD, EUR, USD, JPY, GBP and CNY.

The Group relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained within prescribed limits in order to manage market risk.

The Group's foreign currency assets and liabilities are influenced by foreign exchange rates. However, the amount is not significant after offsetting the assets against the liabilities. Therefore, market risk is maintained within prescribed limits.

2) Interest rate risk

The interest rates of the Group's short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate and the future cash flow of the aforementioned loans. Because of the stable financial environment of the Group and the stable fluctuating range of the market interest rate, it should not cause significant risks due to the changes in interest rate.

(u) Capital management

The Group's objectives for managing capital are to safeguard the capacity to continue to operate, to provide a return to shareholders and benefits to other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares to settle long-term liabilities.

(Continued)

The Group uses the debt ratio to manage capital. This ratio is debt divided by total assets. Debt is derived from the total liabilities on the balance sheet. Total assets include share capital, capital surplus, retained earnings, other equity, and non-controlling interests plus debt.

The Group's debt ratio at the reporting date was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 912,223	890,646
Total assets	$ 1,168,651	1,143,664
Debt ratio	78 %	78 %

As of December 31, 2020, there were no material changes in the Group's debt ration.

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

The Group did not have any non-cash flow transactions on its investing activities for the years ended December 31, 2020 and 2019.

For the years ended December 31, 2020 and 2019, the reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes		
	January 1, 2020	Cash flows	Foreign exchange movement	Other	December 31, 2020
Short-term borrowings	$ 590,000	30,000	-	-	620,000
Lease liabilities	66,910	(16,186)	(259)	-	50,465
Total liabilities from financing activities	$ 656,910	13,814	(259)	-	670,465

			Non-cash changes		
	January 1, 2019	Cash flows	Foreign exchange movement	Other	December 31, 2019
Short-term borrowings	$ 590,000	-	-	-	590,000
Lease liabilities	88,061	(16,820)	(182)	(4,149)	66,910
Total liabilities from financing activities	$ 678,061	(16,820)	(182)	(4,149)	656,910

(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:

Name of related party	Relationship with the Group
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.)

(b) Significant transactions with related party

(i) Operating revenue

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

	2020	2019
NCS	$ 140,467	-

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

(ii) Accounts receivable-related parties

Accounts	Type of related parties	December 31, 2020	December 31, 2019
Accounts receivable	Other related parties	$ 2,848	-

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

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

	December 31, 2020	December 31, 2019
NCS	$ 3,994	-

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2020	2019
Short-term employee benefits	$ 19,712	18,720
Post-employment benefits	216	216
	$ 19,928	18,936

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Land	Short-term borrowings	$ 107,832	107,832
Buildings	Short-term borrowings	164,452	168,907
Investment property	Short-term borrowings	144,166	145,570
		$ 416,450	422,309

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

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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 function / By nature	Years ended December 31, 2020			Years ended December 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	26,800	135,248	162,048	32,027	164,046	196,073
Labor and health insurance	2,783	10,496	13,279	3,251	11,887	15,138
Pension	1,470	5,388	6,858	1,491	6,555	8,046
Remuneration of directors	-	2,775	2,775	-	2,415	2,415
Others	1,836	3,444	5,280	1,883	3,766	5,649
Depreciation (note)	4,765	22,889	27,654	4,716	24,486	29,202
Amortization	-	14,050	14,050	-	12,383	12,383

Note: Depreciation expenses for investment property recognized under other income and expenses to $2,701 thousand and $2,758 thousand for the years ended December 31, 2020 and 2019, respectively.

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(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2020:

(i) Loans extended to other parties: None.

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

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

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

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2019	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	6,413	10.000 %	6,413	16,501	
The Company	I1, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	30,800	Note 1
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	63,609	Note 1
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	68	0.691 %	68	5,015	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	8,969	Note 1
The Company	Durabook Federal, Inc	-	Non-current financial assets at fair value through other comprehensive income	19	-	19.000 %	-	5	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:

(in Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance (Note 3)	Percentage of total accounts / notes receivable (payable)	
The Company	NCS Technologies, Inc.	Other related parties	(Sale)	(131,836)	15 %	Accounts payable to be received 30 days after sales	- (Note 1)	Accounts payable to be received 30 days after sales	2,848	4 %	

Note 1: Determined based on costs.

(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	334,356 (Note 3)	-	334,356 (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 March 12, 2021.

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Note 3: As of December 31, 2020, the Company' s accounts receivable and accounts payable of $444,054 thousand and $109,698 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 $334,356 thousand.

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

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

(x) Business relationships and significant intercompany transactions:

(in Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Note 5)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Durabook	1	Sales revenue	51,349	The transaction is not significantly different from normal transactions	5.95 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	55,456	The transaction is not significantly different from normal transactions	6.42 %
0	The Company	Durabook	1	Accounts receivable－related parties	29,339 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	2.51 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable－related parties	80,644 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A over 180 days	6.90 %

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 December 31, 2020, the Company's accounts receivable and accounts payable of $88,227 thousand and $1,244 thousand, respectively, were derived from the purchasing of supplies on behalf of, and the purchasing of goods from, Durabook resulting in the net accounts receivable to be $86,983 thousand, which was offset against the investment of $57,644 thousand, accounted for using the equity method of Durabook.

Note 4: As of December 31, 2020, the Company's accounts receivable and accounts payable of $444,054 thousand and $109,698 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 $334,356 thousand, which was offset against the investment of $253,712 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 years ended December 31, 2020 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2020	Net income (loss) of investee	Investment income (losses)	Remarks
				December 31, 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)	53,079	(26,720)	(19,651)	Subsidiary (notes 2 and 5)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	539,919	31,066	31,066	Subsidiary (note 2)
The Company	Twintek	Taiwan	The trading of computers and computer peripheral equipment	-	328,533	-	- %	-	328,533	(728)	(728)	Subsidiary (notes 2 and 6)
The Company	Yu Feng	Taiwan	The trading of computers and computer peripheral equipment	-	397,900	-	- %	-	397,900	(547)	(547)	Subsidiary (notes 2 and 7)
Twintek	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	-	42,463	-	- %	-	42,463	(26,720)	(647)	Notes 2 and 6
Yu Feng	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	-	25,803	-	- %	-	25,803	(26,720)	(466)	Notes 2 and 7
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,287	1,388	(113)	(113)	Indirect subsidiary (note 2)

Note 1: The exchange rate as of December 31, 2020 : USD1=TWD28.48.

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

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

Note 3: Please refer to note 13(a)(j) note 3.
Note 4: Please refer to note 13(a)(j) note 4.
Note 5: Please refer to note 4(b) note 1.
Note 6: Please refer to note 4(b) note 2.
Note 7: Please refer to note 4(b) note 3.

(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 December 31, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2020	Investment income (losses) (Note 2)	Book value as of December 31, 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	356,000 (USD12,500)	(2)	356,000 (USD12,500)	-	-	356,000 (USD12,500)	26,591	100.00 %	356,000 (USD12,500)	26,591	(270,739)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	113,920 (USD4,000)	(2)	56,960 (USD2,000)	-	-	56,960 (USD2,000)	-	- %	56,960 (USD2,000)	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	5,981 (USD210)	(2)	5,981 (USD210)	-	-	5,981 (USD210)	4,875	100.00 %	5,981 (USD210)	4,875	18,335	-

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 investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The exchange rate as of December 31, 2020 : USD1=TWD28.48.

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 December 31, 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	455,965 (USD16,010)	455,965 (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 December 31, 2020: USD1=TWD28.48.

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)(j).

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(d) Major shareholders:

Unit: share

Shareholding / Shareholder's Name	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

(a) General 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.

(b) Information about the products and services

Revenue from the external customers of the Group was as follows:

Products and services	2020	2019
Laptop	$ 620,544	598,103
Mainboard	140,650	155,248
Sales of materials and others	102,165	75,678
Total	$ **863,359**	**829,029**

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets.

Geographical information	2020	2019
Revenue from external customers:		
United States	$ 336,791	313,966
Taiwan	162,439	140,145
Germany	128,262	132,396
France	42,631	47,020
China	70,213	37,523
Other countries	123,023	157,979
Total	$ **863,359**	**829,029**

(Continued)

Geographical information		December 31, 2020	December 31, 2019
Non-current assets:			
Taiwan	$	500,265	535,308
China		67,170	68,475
United States		6,157	8,966
Total	$	**573,592**	**612,749**

Non-current assets include property, plant and equipment, right-of-use assets, investment property and other assets, not including financial instruments, deferred tax assets, and rights arising from insurance contract.

(d) Information about major customers

For the years ended December 31, 2020 and 2019, the Group's major customers whose revenue was 10% or more of the net sales were as follows:

Name of customer		2020	2019
Customer N	$	202,713	92,332
Customer P		93,932	105,570