

**TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2021 and 2020**

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

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Independent Auditors' Review Report

To the Board of Directors
Twinhead International Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Twinhead International Corp. ("the Company") and its subsidiaries ("the Group") as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4 (b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$93,093 thousand and \$101,123 thousand, constituting 7.97% and 8.69% of the consolidated total assets; and the total liabilities amounting to \$9,671 thousand and \$12,811 thousand, constituting 1.09% and 1.40% of the consolidated total liabilities as of September 30, 2021 and 2020, respectively; as well as the total comprehensive income (loss) amounting to \$3,101 thousand, \$10,307 thousand, \$12,038 thousand and \$16,515 thousand, constituting 30.68%, 45.42%, 50.76% and 529.50% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, respectively.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 10, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2021 and 2020

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2021, December 31 and September 30, 2020

(Expressed in Thousands of New Taiwan Dollar)

		<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>				<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 257,284	22	252,568	22	224,076	19	2100	Short-term borrowings (notes 6(h) and 8)	\$ 620,000	53	620,000	53	620,000	53
1170	Accounts receivable, net (note 6(b))	44,922	4	60,578	5	59,172	5	2150	Notes payable	211	-	187	-	225	-
1180	Accounts receivable—related parties, net (notes 6(b) and 7)	-	-	2,848	-	-	-	2170	Accounts payable	124,841	11	129,859	11	126,080	11
1200	Other receivables	1,224	-	-	-	15	-	2200	Other payables (note 6(p))	50,802	4	57,729	5	47,436	4
130x	Inventories (note 6(c))	249,214	21	207,428	18	226,140	19	2250	Provisions—current	7,891	1	6,071	1	5,600	-
1470	Prepayments and other current assets	13,584	1	14,707	1	14,411	1	2280	Current lease liabilities (note 6(i))	16,685	1	16,448	1	16,380	1
	Total current assets	<u>566,228</u>	<u>48</u>	<u>538,129</u>	<u>46</u>	<u>523,814</u>	<u>44</u>	2300	Other current liabilities (note 7)	25,839	2	34,187	3	40,682	4
Non-current assets:									Total current liabilities	<u>846,269</u>	<u>72</u>	<u>864,481</u>	<u>74</u>	<u>856,403</u>	<u>73</u>
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	3,191	-	6,481	1	6,964	1		Non-Current liabilities:						
1600	Property, plant and equipment (notes 6(e) and 8)	280,233	24	285,778	24	288,147	25		Long-term borrowings (note 6(h))	6,724	1	-	-	7,025	1
1755	Right-of-use assets (note 6(f))	47,216	4	60,026	5	64,073	6		Provisions—non-current	5,604	-	5,552	-	5,284	-
1760	Investment property, net (notes 6(g), 6(j) and 8)	194,952	17	197,849	17	197,395	17		Non-current lease liabilities (note 6(i))	21,501	2	34,017	3	38,341	3
1840	Deferred income tax assets	43,108	4	43,339	4	43,567	4		Guarantee deposits received	6,639	1	6,803	1	6,727	1
1920	Refundable deposits	7,081	1	7,110	1	7,132	1		Other non-current liabilities	1,688	-	1,370	-	1,685	-
1995	Other non-current assets	26,559	2	29,939	2	32,363	2		Total non-current liabilities	<u>42,156</u>	<u>4</u>	<u>47,742</u>	<u>4</u>	<u>59,062</u>	<u>5</u>
	Total non-current assets	<u>602,340</u>	<u>52</u>	<u>630,522</u>	<u>54</u>	<u>639,641</u>	<u>56</u>		Total liabilities	<u>888,425</u>	<u>76</u>	<u>912,223</u>	<u>78</u>	<u>915,465</u>	<u>78</u>
									Equity attributable to owners of parent (notes 6(d) and 6(m)):						
									Share capital:						
								3110	Ordinary shares	247,993	21	1,959,240	168	1,959,240	168
								3120	Preference shares	11	-	84	-	84	-
										<u>248,004</u>	<u>21</u>	<u>1,959,324</u>	<u>168</u>	<u>1,959,324</u>	<u>168</u>
								3350	Retained earnings (accumulated deficits)	21,009	2	(1,711,320)	(146)	(1,723,244)	(148)
									Other equities:						
								3410	Exchange differences on translation of foreign financial statements	43,456	3	39,712	3	41,953	4
								3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(15,603)	(1)	(17,499)	(2)	(17,011)	(1)
										<u>27,853</u>	<u>2</u>	<u>22,213</u>	<u>1</u>	<u>24,942</u>	<u>3</u>
									Total equity attributable to owners of parent	<u>296,866</u>	<u>25</u>	<u>270,217</u>	<u>23</u>	<u>261,022</u>	<u>23</u>
								36xx	Non-controlling interests	(16,723)	(1)	(13,789)	(1)	(13,032)	(1)
									Total equity	<u>280,143</u>	<u>24</u>	<u>256,428</u>	<u>22</u>	<u>247,990</u>	<u>22</u>
Total assets		<u>\$ 1,168,568</u>	<u>100</u>	<u>1,168,651</u>	<u>100</u>	<u>1,163,455</u>	<u>100</u>		Total liabilities and equity	<u>\$ 1,168,568</u>	<u>100</u>	<u>1,168,651</u>	<u>100</u>	<u>1,163,455</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020

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

	For the three months ended September 30				For the nine months ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenues (note 6(o) and 7)	\$ 243,212	100	246,420	100	664,343	100	605,235	100
5000	Operating costs (notes 6(c) and 6(k))	<u>174,486</u>	<u>72</u>	<u>167,734</u>	<u>68</u>	<u>467,408</u>	<u>70</u>	<u>421,386</u>	<u>70</u>
5900	Gross profit	<u>68,726</u>	<u>28</u>	<u>78,686</u>	<u>32</u>	<u>196,935</u>	<u>30</u>	<u>183,849</u>	<u>30</u>
6000	Operating expenses (notes 6(i), 6(k), 6(p) and 7):								
6100	Selling expenses	12,842	5	12,516	5	39,382	6	36,982	6
6200	Administrative expenses	29,937	12	27,109	11	86,789	13	83,716	14
6300	Research and development expenses	18,912	8	19,217	8	57,945	9	63,554	10
6450	Reversal of impairment loss determined in accordance with IFRS 9	-	-	(894)	-	-	-	(894)	-
	Total operating expenses	<u>61,691</u>	<u>25</u>	<u>57,948</u>	<u>24</u>	<u>184,116</u>	<u>28</u>	<u>183,358</u>	<u>30</u>
6900	Net operating income	<u>7,035</u>	<u>3</u>	<u>20,738</u>	<u>8</u>	<u>12,819</u>	<u>2</u>	<u>491</u>	<u>-</u>
7000	Non-operating income and expenses (notes 6(d), 6(i) and 6(q)):								
7100	Interest income	34	-	45	-	123	-	192	-
7010	Other income	7,175	3	7,354	3	26,659	4	22,548	4
7020	Other gains and losses	(1,533)	(1)	285	-	(13,401)	(2)	(9,650)	(2)
7050	Finance costs	<u>(2,724)</u>	<u>(1)</u>	<u>(2,861)</u>	<u>(1)</u>	<u>(8,238)</u>	<u>(1)</u>	<u>(8,878)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>2,952</u>	<u>1</u>	<u>4,823</u>	<u>2</u>	<u>5,143</u>	<u>1</u>	<u>4,212</u>	<u>1</u>
	Income from continuing operations before tax	9,987	4	25,561	10	17,962	3	4,703	1
7950	Less: Income tax expense (note 6(l))	<u>156</u>	<u>-</u>	<u>113</u>	<u>-</u>	<u>216</u>	<u>-</u>	<u>151</u>	<u>-</u>
	Net income	<u>9,831</u>	<u>4</u>	<u>25,448</u>	<u>10</u>	<u>17,746</u>	<u>3</u>	<u>4,552</u>	<u>1</u>
8300	Other comprehensive income (loss) (note 6(m)):								
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	(382)	-	(208)	-	1,896	-	(4,433)	(1)
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	<u>(382)</u>	<u>-</u>	<u>(208)</u>	<u>-</u>	<u>1,896</u>	<u>-</u>	<u>(4,433)</u>	<u>(1)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	659	-	(2,545)	(1)	4,073	1	3,000	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	<u>659</u>	<u>-</u>	<u>(2,545)</u>	<u>(1)</u>	<u>4,073</u>	<u>1</u>	<u>3,000</u>	<u>1</u>
8300	Other comprehensive income (loss), net	<u>277</u>	<u>-</u>	<u>(2,753)</u>	<u>(1)</u>	<u>5,969</u>	<u>1</u>	<u>(1,433)</u>	<u>-</u>
	Total comprehensive income (loss)	<u>\$ 10,108</u>	<u>4</u>	<u>22,695</u>	<u>9</u>	<u>23,715</u>	<u>4</u>	<u>3,119</u>	<u>1</u>
	Net income attributable to:								
8610	Owners of parent	\$ 10,869	4	26,544	10	21,009	3	9,463	2
8620	Non-controlling interests	<u>(1,038)</u>	<u>-</u>	<u>(1,096)</u>	<u>-</u>	<u>(3,263)</u>	<u>-</u>	<u>(4,911)</u>	<u>(1)</u>
		<u>\$ 9,831</u>	<u>4</u>	<u>25,448</u>	<u>10</u>	<u>17,746</u>	<u>3</u>	<u>4,552</u>	<u>1</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of parent	\$ 11,141	4	23,563	9	26,649	4	9,407	2
8720	Non-controlling interests	<u>(1,033)</u>	<u>-</u>	<u>(868)</u>	<u>-</u>	<u>(2,934)</u>	<u>-</u>	<u>(6,288)</u>	<u>(1)</u>
		<u>\$ 10,108</u>	<u>4</u>	<u>22,695</u>	<u>9</u>	<u>23,715</u>	<u>4</u>	<u>3,119</u>	<u>1</u>
9750	Basic earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ 0.44</u>		<u>1.07</u>		<u>0.85</u>		<u>0.38</u>	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ 0.43</u>		<u>1.07</u>		<u>0.82</u>		<u>0.38</u>	

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital			Retained earnings (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
	Ordinary shares	Preference share	Total share capital								
Balance at January 1, 2020	\$ 1,989,314	84	1,989,398	(1,535,036)	37,576	(15,118)	22,458	(202,059)	274,761	(21,743)	253,018
Net income (loss)	-	-	-	9,463	-	-	-	-	9,463	(4,911)	4,552
Other comprehensive income (loss)	-	-	-	-	4,377	(4,433)	(56)	-	(56)	(1,377)	(1,433)
Total comprehensive income (loss)	-	-	-	9,463	4,377	(4,433)	(56)	-	9,407	(6,288)	3,119
Retirement of treasury share	(30,074)	-	(30,074)	(171,985)	-	-	-	202,059	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	(23,146)	-	-	-	-	(23,146)	14,999	(8,147)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(2,540)	-	2,540	2,540	-	-	-	-
Balance at September 30, 2020	\$ 1,959,240	84	1,959,324	(1,723,244)	41,953	(17,011)	24,942	-	261,022	(13,032)	247,990
Balance at January 1, 2021	\$ 1,959,240	84	1,959,324	(1,711,320)	39,712	(17,499)	22,213	-	270,217	(13,789)	256,428
Net income (loss)	-	-	-	21,009	-	-	-	-	21,009	(3,263)	17,746
Other comprehensive income (loss)	-	-	-	-	3,744	1,896	5,640	-	5,640	329	5,969
Total comprehensive income (loss)	-	-	-	21,009	3,744	1,896	5,640	-	26,649	(2,934)	23,715
Capital reduction to offset accumulated deficits	(1,711,247)	(73)	(1,711,320)	1,711,320	-	-	-	-	-	-	-
Balance at September 30, 2021	\$ 247,993	11	248,004	21,009	43,456	(15,603)	27,853	-	296,866	(16,723)	280,143

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2021	2020
Cash flows from (used in) operating activities:		
Net income before tax	\$ 17,962	4,703
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	21,712	22,843
Amortization	8,934	9,983
Reversal of impairment loss determined in accordance with IFRS 9	-	(894)
Interest expense	8,238	8,878
Interest income	(123)	(192)
Dividend income	-	(321)
Total adjustments to reconcile profit	<u>38,761</u>	<u>40,297</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Accounts receivable	15,656	26,721
Accounts receivable—related parties	2,848	-
Other receivables	(1,209)	-
Inventories	(41,786)	(19,630)
Prepayments and other current assets	1,096	2,488
Total changes in operating assets, net	<u>(23,395)</u>	<u>9,579</u>
Net changes in operating liabilities:		
Notes payable	24	(111)
Accounts payable	(5,018)	(3,631)
Other payables	(6,811)	(3,351)
Provisions	1,872	480
Other current liabilities	(8,061)	7,358
Other non-current liabilities	318	(738)
Total changes in operating liabilities, net	<u>(17,676)</u>	<u>7</u>
Total changes in operating assets and liabilities, net	<u>(41,071)</u>	<u>9,586</u>
Total adjustments	<u>(2,310)</u>	<u>49,883</u>
Cash inflow generated from operating activities	15,652	54,586
Interest received	108	177
Interest paid	(7,600)	(7,905)
Income taxes paid	(474)	(81)
Net cash flows from operating activities	<u>7,686</u>	<u>46,777</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	560
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	5,186	6,125
Acquisition of property, plant and equipment	(1,645)	(1,850)
Decrease in refundable deposits	-	68
Increase in other non-current assets	(5,554)	(969)
Dividends received	-	321
Net cash flows from (used in) investing activities	<u>(2,013)</u>	<u>4,255</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	110,000	160,000
Decrease in short-term loans	(110,000)	(130,000)
Proceeds from long-term debt	6,891	7,153
Decrease in guarantee deposits received	(107)	(21)
Payment of lease liabilities	(12,166)	(12,013)
Interest paid	(754)	(1,046)
Change in non-controlling interests	-	(8,147)
Net cash flows from (used in) financing activities	<u>(6,136)</u>	<u>15,926</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,179</u>	<u>3,653</u>
Net increase in cash and cash equivalents	4,716	70,611
Cash and cash equivalents at beginning of period	<u>252,568</u>	<u>153,465</u>
Cash and cash equivalents at end of period	<u>\$ 257,284</u>	<u>224,076</u>

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2021 and 2020

(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. On March 9, 2020, the Board of Directors approved the Company to merge with Twintek International Corporation and Yu Feng Technology Co., Ltd.

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

The consolidated financial statements were reported to the Board of Directors and issued on November 10, 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. 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, 2021:

- 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”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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- (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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

- (a) Statement of compliance

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

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2020.

The consolidated entities were as follows:

Name of investor		Name of subsidiary	Principal activity	Percentage of ownership			Remarks
				September 30, 2021	December 31, 2020	September 30, 2020	
The Company		Durabook Americas Inc. (Durabook)	The trading of computers and computer peripheral equipment	80.000 %	80.000 %	80.000 %	Note 1
The Company		Twinhead (Asia) Pte Ltd. (Twinhead (Asia))	Investment holding	100.000 %	100.000 %	100.000 %	Note 2
Twinhead (Asia) Pte Ltd.		Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	100.000 %	Note 2
Twinhead (Asia) Pte Ltd.		Twinhead Kunshan Technology Co., Ltd. (Twinhead Kunshan)	Sales and production of PDAs, calculators and their parts, and computer keyboards	100.000 %	100.000 %	100.000 %	Note 2
Twinhead (Asia) Pte Ltd.		Kunshan Lun Teng System Co., Ltd. (Kunshan Lun Teng)	Import and export of computers, electronic components, and digital cameras, and technical consultant services	100.000 %	100.000 %	100.000 %	Note 2

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

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

(c) Income taxes

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

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

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Petty cash	\$ 297	270	301
Checking and demand deposits	<u>256,987</u>	<u>252,298</u>	<u>223,775</u>
Cash and cash equivalents per consolidated statements of cash flows	<u><u>\$ 257,284</u></u>	<u><u>252,568</u></u>	<u><u>224,076</u></u>

(b) Receivables (including related parties)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable	\$ 44,922	60,578	59,172
Accounts receivable – related parties	<u>-</u>	<u>2,848</u>	<u>-</u>
	<u><u>\$ 44,922</u></u>	<u><u>63,426</u></u>	<u><u>59,172</u></u>

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

(i) Normal customers

	<u>September 30, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 41,955	-	-
1 to 30 days past due	2,514	-	-
31 to 60 days past due	<u>453</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 44,922</u></u>		<u><u>-</u></u>

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

	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		-
	September 30, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 38,604	-	-
1 to 30 days past due	18,766	-	-
31 to 60 days past due	1,788	-	-
61 to 90 days past due	14	-	-
	\$ 59,172		-

(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 September 30, 2021 and 2020.

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

	For the nine months ended September 30	
	2021	2020
Beginning balance on January 1	\$ -	899
Impairment loss reversed	-	(894)
Foreign exchange gain	-	(5)
Ending balance on September 30	\$ -	-

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

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

(c) Inventories

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

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandise	\$ 6,793	6,131	7,056
Finished goods	50,593	61,982	49,343
Work in progress	25,850	7,678	42,589
Raw materials and supplies	163,667	128,639	124,137
Goods in transit	2,311	2,998	3,015
Total	<u>\$ 249,214</u>	<u>207,428</u>	<u>226,140</u>

As of September 30, 2021, December 31 and September 30, 2020, the Group's inventories were not provided as pledged assets.

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Loss on decline in market value of inventory	\$ 1,828	1,916	3,424	2,836
Gain on physical count	-	(55)	-	(55)
Total	<u>\$ 1,828</u>	<u>1,861</u>	<u>3,424</u>	<u>2,781</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ 3,130	6,413	6,897
Unlisted stocks (overseas)	61	68	67
Total	<u>\$ 3,191</u>	<u>6,481</u>	<u>6,964</u>

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

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

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

EUROC Venture Capital Corp. reduced its capital by cash based on the resolutions approved during the its shareholders' meeting held on June 29, 2021 and June 17, 2020, resulting in the Group to receive the refunds of \$5,186 thousand and \$6,125 thousand in August 2021 and July 2020, respectively. The dividend income incurred by the Group from the company amounted to \$0 thousand, \$0 thousand, \$0 thousand and \$321 thousand for the three months and nine months ended September 30, 2021 and 2020, 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(r).

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

(e) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:					
January 1, 2021	\$ 107,832	165,606	3,817	8,523	285,778
September 30, 2021	\$ 107,832	162,300	3,980	6,121	280,233
January 1, 2020	\$ 107,832	169,694	5,002	12,157	294,685
September 30, 2020	\$ 107,832	166,769	4,114	9,432	288,147

For the nine months ended September 30, 2021 and 2020, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on property, plant and equipment. For the information on depreciation expenses for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020, please refers to note 12; for pledged property, plant and equipment, please refers to note 8; for other relative information, please refers to note 6(e) of the consolidated financial statements for the year ended December 31, 2020.

(f) Right-of-use assets

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying value:				
January 1, 2021	\$ 10,349	47,855	1,822	60,026
September 30, 2021	\$ 9,990	35,800	1,426	47,216
January 1, 2020	\$ 10,444	64,166	2,350	76,960
September 30, 2020	\$ 10,195	51,924	1,954	64,073

For the nine months ended September 30, 2021 and 2020, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on right-of-use assets. For the information on depreciation expenses of right-of-use assets for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020, please refers to note 12; for other relative information, please refers to note 6(f) of the consolidated financial statements for the year ended December 31, 2020.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(g) Investment property

For the nine months ended September 30, 2021 and 2020, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on investment properties. For the information on depreciation expenses of investment property for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020, please refers to note 12; for pledged investment properties, please refers to note 8; for other related information, please refers to note 6(g) of the consolidated financial statements for the year ended December 31, 2020.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(g) of the consolidated financial statements for the year ended December 31, 2020.

(h) Long-term and Short-term loans

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

(i) Short-term loans

September 30, 2021				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.60~1.70	2021	\$ 250,000
Secured bank loans	TWD	1.41~1.58	2021~2022	<u>370,000</u>
Total				<u><u>\$ 620,000</u></u>
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	<u>320,000</u>
Total				<u><u>\$ 620,000</u></u>
September 30, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.57~1.75	2020~2021	\$ 300,000
Secured bank loans	TWD	1.41~1.55	2020~2021	<u>320,000</u>
Total				<u><u>\$ 620,000</u></u>

As of September 30, 2021, December 31 and September 30, 2020, the unused credit facilities amounted to \$476,800 thousand, \$479,320 thousand and \$481,800 thousand, respectively.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(ii) Long-term loans

		September 30, 2021		
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	1.00	2026	\$ 6,724
		September 30, 2020		
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	1.00	2022	\$ 7,025

As of December 31, 2020, the Group had no long-term loans.

(iii) Collateral of loans

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

(i) Lease liabilities

The Group's lease liabilities were as follow:

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ 16,685	16,448	16,380
Non-current	\$ 21,501	34,017	38,341

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest on lease liabilities	\$ 227	321	754	1,046
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 128	99	313	350

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

	For the nine months ended September 30	
	2021	2020
Total cash outflow for leases	\$ 13,233	13,409

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

(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.

(j) Operating leases

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Less than one year	\$ 15,530	13,467	17,035
One to two years	11,102	-	1,170
Total undiscounted lease payments	<u>\$ 26,632</u>	<u>13,467</u>	<u>18,205</u>

(k) Employee benefits

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Operating costs	\$ 384	366	1,126	1,105
Operating expenses	1,491	1,335	4,460	4,043
	<u>\$ 1,875</u>	<u>1,701</u>	<u>5,586</u>	<u>5,148</u>

For other relative information, please refers to note 6(l) to the consolidated financial statements for the year ended December 31, 2020.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(l) Income taxes

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

The Group's income tax expense is as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Current income tax expense				
Current period	\$ 156	113	179	143
Adjustment for prior periods	-	-	37	8
Income tax expense from continuing operations	<u>\$ 156</u>	<u>113</u>	<u>216</u>	<u>151</u>

The ROC income tax authorities have examined the Company's income tax returns for all years through 2019.

(m) Capital and other equity

As of September 30, 2021, December 31 and September 30, 2020, the total value of authorized ordinary shares amounted to \$7,000,000 thousand, with par value of \$10 per share, divided into 700,000 thousand shares. The number of authorized shares included ordinary shares and preference shares, of which 24,799 thousand, 195,924 thousand and 195,924 thousand ordinary shares were issued, respectively. In addition, 1 thousand, 8 thousand and 8 thousand preference shares were issued, respectively. All issued capital was fully paid in. The preference shares were classified under equity.

For the nine months ended September 30, 2021 and 2020, the reconciliation of outstanding shares of the Company was as follows:

	(Express in thousand shares)			
	Ordinary shares		Preference shares	
	2021	2020	2021	2020
Beginning balance on January 1	195,924	198,931	8	8
Capital reduction to offset accumulated deficits	(171,125)	-	(7)	-
Retirement of treasury shares	-	(3,007)	-	-
Ending balance on September 30	<u>24,799</u>	<u>195,924</u>	<u>1</u>	<u>8</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(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 shareholder 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.
- 7) In order to build up a sound financial structure, the Company offset its capital against its accumulated deficits based on a resolution approved during the shareholders' meeting held on July 15, 2021, resulting in its share capital to reduce by 171,125 thousand ordinary shares and 7 thousand preference shares, approximately 87.34% of the total shares, amounting to \$1,711,320 thousand. Thereafter, the numbers of issued shares were 24,799 thousand ordinary shares and 1 thousand preference shares. The above transaction has been approved by the Financial Supervisory Commission, with August 13, 2021 set as the base date of capital reduction. All relevant statutory registration procedures have been completed.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(ii) Retained earnings — Distribution of retained earnings

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

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

As of December 31, 2020 and 2019, 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 \$414 thousand, \$412 thousand and \$408 thousand as of September 30, 2021, December 31 and September 30, 2020, 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.

(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, 2021	\$ 39,712	(17,499)	1,921	24,134
Foreign exchange differences arising from foreign operation	3,744	-	329	4,073
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	1,896	-	1,896
Balance at September 30, 2021	<u>\$ 43,456</u>	<u>(15,603)</u>	<u>2,250</u>	<u>30,103</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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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, 2020	\$ 37,576	(15,118)	3,011	25,469
Foreign exchange differences arising from foreign operation	4,377	-	(1,377)	3,000
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(4,433)	-	(4,433)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	2,540	-	2,540
Balance at September 30, 2020	<u>\$ 41,953</u>	<u>(17,011)</u>	<u>1,634</u>	<u>26,576</u>

(n) Earnings per share

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

(i) Basic earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Net income of the Company	\$ 10,869	26,544	21,009	9,463
Dividends on non-redeemable preference shares	6	(5)	(2)	(13)
Net income attributable to ordinary shareholders of the Company	<u>\$ 10,875</u>	<u>26,539</u>	<u>21,007</u>	<u>9,450</u>
Weighted average number of ordinary shares	<u>24,799</u>	<u>24,799</u>	<u>24,799</u>	<u>24,799</u>
Basic earnings per share (in NTD)	<u>\$ 0.44</u>	<u>1.07</u>	<u>0.85</u>	<u>0.38</u>

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
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(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Net income attributable to ordinary shareholders of the Company (basic)	\$ 10,875	26,539	21,007	9,450
Dividends on non-redeemable preference shares	(6)	5	2	13
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 10,869</u>	<u>26,544</u>	<u>21,009</u>	<u>9,463</u>
Weighted average number of ordinary shares outstanding (basic)	24,799	24,799	24,799	24,799
Effect of dilutive potential ordinary shares				
Effect of remuneration to employees	768	-	768	-
Effect of convertible preference shares	1	1	1	1
Weighted average number of shares outstanding (diluted)	<u>25,568</u>	<u>24,800</u>	<u>25,568</u>	<u>24,800</u>
Diluted earnings per share (in NTD)	<u>\$ 0.43</u>	<u>1.07</u>	<u>0.82</u>	<u>0.38</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Primary geographical markets:				
United States	\$ 65,038	122,013	223,874	228,342
Taiwan	19,066	25,116	62,784	119,677
Germany	20,419	29,866	88,819	91,581
France	8,736	11,031	39,408	31,287
Others	129,953	58,394	249,458	134,348
	<u>\$ 243,212</u>	<u>246,420</u>	<u>664,343</u>	<u>605,235</u>

(Continued)

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Major products/services lines:				
Laptop	\$ 199,897	199,739	536,584	428,408
Mainboard	21,485	23,194	61,798	102,102
Sales of Materials and others	<u>21,830</u>	<u>23,487</u>	<u>65,961</u>	<u>74,725</u>
	<u>\$ 243,212</u>	<u>246,420</u>	<u>664,343</u>	<u>605,235</u>

(ii) Contract Balance

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable (including related parties)	<u>\$ 44,922</u>	<u>63,426</u>	<u>59,172</u>

Please refer to the note 6(b) for the details on accounts receivables and allowance for impairments.

(p) Remunerations to employees, directors and supervisor

In accordance with the Articles of incorporation amended, the Company should contribute no less than 10% of the profit as employee remuneration and less than 2% as directors' 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 of remuneration for employees entitled to receive the abovementioned employee remuneration 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.

For the three months and the nine months ended September 30, 2021, the estimated employee remuneration both amounted to \$2,335 thousand and the estimated directors' remuneration both amounted \$0 thousand. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and expensed under operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be reflected in profit or loss in the following year. If the board of directors decides to use stocks as employees remuneration, the calculation basis of the number of shares for stock remuneration will be calculated based on the closing price of the common stocks on the day before the board of directors decided to distribute employee remuneration.

As of December 31 and September 30, 2020, the Company had incurred accumulated deficits. Therefore, no remuneration to employees, as well as directors and supervisors were accrued by the Company. Related information would be available at the Market Observation Post System Website.

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

(q) Non-operating income and expenses

(i) Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest income from bank deposits	\$ <u>34</u>	<u>45</u>	<u>123</u>	<u>192</u>

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Rental income	\$ 6,839	6,910	20,705	20,733
Dividend income	-	-	-	321
Other income—other	<u>336</u>	<u>444</u>	<u>5,954</u>	<u>1,494</u>
Total other income	<u>\$ 7,175</u>	<u>7,354</u>	<u>26,659</u>	<u>22,548</u>

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Foreign exchange gains (losses)	\$ (856)	958	(11,362)	(7,629)
Others	<u>(677)</u>	<u>(673)</u>	<u>(2,039)</u>	<u>(2,021)</u>
Other gains and losses, net	<u>\$ (1,533)</u>	<u>285</u>	<u>(13,401)</u>	<u>(9,650)</u>

(iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest expense	\$ <u>(2,724)</u>	<u>(2,861)</u>	<u>(8,238)</u>	<u>(8,878)</u>

(Continued)

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

(r) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk due to financial instruments. Please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2020.

(i) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
September 30, 2021						
Non-derivative financial liabilities						
Secured bank loan	\$ 370,000	370,790	370,790	-	-	-
Unsecured bank loan	256,724	257,298	250,344	67	6,887	-
Notes payable	211	211	211	-	-	-
Accounts payable	124,841	124,841	124,841	-	-	-
Other payables	50,802	50,802	50,802	-	-	-
Lease liabilities	38,186	39,190	17,367	17,367	4,456	-
Guarantee deposits received	6,639	6,639	2,733	3,432	474	-
Preference shares (including preference shares dividends)	11	425	425	-	-	-
	<u>\$ 847,414</u>	<u>850,196</u>	<u>817,513</u>	<u>20,866</u>	<u>11,817</u>	<u>-</u>
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	-	-	-
	<u>\$ 865,127</u>	<u>870,317</u>	<u>835,398</u>	<u>17,512</u>	<u>17,407</u>	<u>-</u>
September 30, 2020						
Non-derivative financial liabilities						
Secured bank loan	\$ 320,000	320,486	320,486	-	-	-
Unsecured bank loan	307,025	309,320	302,255	7,065	-	-
Notes payable	225	225	225	-	-	-
Accounts payable	126,080	126,080	126,080	-	-	-
Other payables	47,436	47,436	47,436	-	-	-
Lease liabilities	54,721	56,793	17,439	17,439	21,915	-
Guarantee deposits received	6,727	6,727	4,784	1,943	-	-
Preference shares (including preference shares dividends)	84	492	492	-	-	-
	<u>\$ 862,298</u>	<u>867,559</u>	<u>819,197</u>	<u>26,447</u>	<u>21,915</u>	<u>-</u>

(Continued)

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

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
September 30, 2021			
Financial assets:			
Monetary assets:			
USD	\$ 19,711	27.85	548,951
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,139	27.85	59,571
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
September 30, 2020			
Financial assets:			
Monetary assets:			
USD	\$ 19,685	29.10	572,834
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,296	29.10	66,814

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of September 30, 2021 and 2020, with all other variable factors remaining constant, would have increased (decreased) the net income before tax by \$4,894 thousand and \$5,060 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant, gains.

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

3) Foreign exchange gain and loss on monetary item

Due to the numerous types of functional currency of the Group, the Group aggregately discloses its exchange gains and losses on monetary items. The Group's exchange gains (losses), including realized and unrealized, were \$(856) thousand, \$958 thousand, \$(11,362) thousand and \$(7,629) thousand for the three months and nine months ended September 30, 2021 and 2020, respectively.

(iii) Interest rate risk analysis

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

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

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have both increased/decreased by \$4,700 thousand and \$4,703 thousand for the nine months ended September 30, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

(iv) Fair value

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities were as follows, 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, disclosure of fair value information is not required:

	Carrying amount	September 30, 2021			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 3,130	-	-	3,130	3,130
Unlisted stocks (overseas)	61	-	-	61	61
Subtotal	3,191	-	-	3,191	3,191
Financial assets measured at amortized cost					
Cash and cash equivalents	257,284	-	-	-	-
Notes and accounts receivable (including related parties)	44,922	-	-	-	-
Other receivables	1,224	-	-	-	-
Refundable deposits	7,081	-	-	-	-
Subtotal	310,511	-	-	-	-
Total	\$ 313,702	-	-	3,191	3,191

(Continued)

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

		September 30, 2021				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost						
Bank borrowings	\$	626,724	-	-	-	-
Notes and accounts payable		125,052	-	-	-	-
Other payables		50,802	-	-	-	-
Lease liabilities		38,186	-	-	-	-
Guarantee deposits received		6,639	-	-	-	-
Preference shares		11	-	-	-	-
Total	\$	847,414	-	-	-	-
		December 31, 2020				
		Carrying	Fair value			
		amount	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	-	-	-	-

(Continued)

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

	September 30, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 6,897	-	-	6,897	6,897
Unlisted stocks (overseas)	67	-	-	67	67
Subtotal	<u>6,964</u>	<u>-</u>	<u>-</u>	<u>6,964</u>	<u>6,964</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	224,076	-	-	-	-
Notes and accounts receivable	59,172	-	-	-	-
Other receivables	15	-	-	-	-
Refundable deposits	7,132	-	-	-	-
Subtotal	<u>290,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 297,359</u>	<u>-</u>	<u>-</u>	<u>6,964</u>	<u>6,964</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 627,025	-	-	-	-
Notes and accounts payable	126,305	-	-	-	-
Other payables	47,436	-	-	-	-
Lease liabilities	54,721	-	-	-	-
Guarantee deposits received	6,727	-	-	-	-
Preference shares	84	-	-	-	-
Total	<u>\$ 862,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

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

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2021	\$ 6,481
Total gain recognized:	
In other comprehensive income	1,896
Return of capital for the period	(5,186)
Balance at September 30, 2021	\$ 3,191
Balance at January 1, 2020	\$ 18,082
Total loss recognized:	
In other comprehensive income	(4,433)
Return of capital for the period	(6,125)
Disposal	(560)
Balance at September 30, 2020	\$ 6,964

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

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multiplier of price-to-book ratio (As of September 30, 2021, December 31 and September 30, 2020 was 0.08~1.01, 0.08~0.99 and 0.08~0.99, respectively.) · Market illiquidity discount rate (As of September 30, 2021, December 31 and September 30, 2020 were 20%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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

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

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
September 30, 2021				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 199	(199)
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)
September 30, 2020				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	435	(435)

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

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

(s) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(t) of the consolidated financial statements for the year ended December 31, 2020.

(t) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2020. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2020. For further information, please refer to note 6(u) to the consolidated financial statements for the year ended December 31, 2020.

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

For the nine months ended September 30, 2021 and 2020, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes		September 30, 2021
			Foreign exchange movement	Other	
Long-term borrowings (including current portion)	\$ -	6,891	(167)	-	6,724
Short-term borrowings	620,000	-	-	-	620,000
Lease liabilities	50,465	(12,166)	(113)	-	38,186
Total liabilities from financing activities	<u>\$ 670,465</u>	<u>(5,275)</u>	<u>(280)</u>	<u>-</u>	<u>664,910</u>
			Non-cash changes		
	January 1, 2020	Cash flows	Foreign exchange movement	Other	September 30, 2020
Long-term borrowings (including current portion)	\$ -	7,153	(128)	-	7,025
Short-term borrowings	590,000	30,000	-	-	620,000
Lease liabilities	66,910	(12,013)	(176)	-	54,721
Total liabilities from financing activities	<u>\$ 656,910</u>	<u>25,140</u>	<u>(304)</u>	<u>-</u>	<u>681,746</u>

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

(7) Related-party transactions

(a) Name and relationship with related party

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

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

(b) Significant transactions with related party

(i) Operating revenue

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
NCS	\$ <u>-</u>	<u>98,772</u>	<u>5,685</u>	<u>98,772</u>

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

The details of the the Group's accounts receivable from related party were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable – related parties	Other related parties	\$ <u>-</u>	<u>2,848</u>	<u>-</u>

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
NCS	\$ <u>6,918</u>	<u>3,994</u>	<u>12,047</u>

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

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 6,207	4,551	15,194	12,647
Post-employment benefits	54	54	162	162
	<u>\$ 6,261</u>	<u>4,605</u>	<u>15,356</u>	<u>12,809</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2021	December 31, 2020	September 30, 2020
Land	Short-term borrowings	\$ 107,832	107,832	107,832
Buildings	Short-term borrowings	161,111	164,452	165,566
Investment property	Short-term borrowings	143,114	144,166	144,518
		<u>\$ 412,057</u>	<u>416,450</u>	<u>417,916</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

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

By nature	By function	Three months ended September 30, 2021			Three months ended September 30, 2020		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		6,942	34,555	41,497	6,152	30,718	36,870
Labor and health insurance		781	2,749	3,530	692	2,581	3,273
Pension		384	1,491	1,875	366	1,335	1,701
Remuneration of directors		-	730	730	-	795	795
Others		497	898	1,395	471	870	1,341
Depreciation (note)		1,219	5,218	6,437	1,193	5,682	6,875
Amortization		-	2,955	2,955	-	3,367	3,367

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

By function By nature	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	21,047	102,733	123,780	19,534	98,087	117,621
Labor and health insurance	2,282	8,619	10,901	2,091	7,969	10,060
Pension	1,126	4,460	5,586	1,105	4,043	5,148
Remuneration of directors	-	2,345	2,345	-	1,960	1,960
Others	1,388	2,613	4,001	1,339	2,530	3,869
Depreciation (note)	3,638	16,035	19,673	3,571	17,251	20,822
Amortization	-	8,934	8,934	-	9,983	9,983

Note: Depreciation expenses for investment property recognized under other income and expenses to \$677 thousand, \$674 thousand, \$2,039 thousand and \$2,021 thousand for the three months and nine months ended September 30, 2021 and 2020, respectively.

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

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

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine months ended September 30, 2021:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

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

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	EUROC Venture Capital Corp.	-	Non-current financial assets at fair value through other comprehensive income	80	3,130	10.000 %	3,130	
The Company	II, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	Note 1
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	Note 1
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	61	0.691 %	61	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	Note 1
The Company	Durabook Federal, Inc	-	Non-current financial assets at fair value through other comprehensive income	19	-	19.000 %	-	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 1)	Percentage of total accounts / notes receivable (payable)	
The Company	Durabook	Subsidiary	(Sale)	(52,629)	8 %	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	Not significantly differences	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	33,901	22 %	Note 2
Durabook Americas Inc.	The Company	Parent company	Purchase	52,629	87 %	The payables can be offset with accounts receivables from sales or be O/A 30 to 60 days	Not significantly differences	The payables can be offset with accounts receivables from sales or be O/A 30 to 60 days	(33,901)	(98) %	Note 2

Note 1: As of September 30, 2021, the Company's accounts receivable of \$103,527 thousand, which was offset against the investments of \$69,626 thousand, accounted for using the equity method of Durabook.

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

- (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 and 5)	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	322,485 (Note 3)	-	322,485 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	3,151	-

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

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Notes 1 and 5)	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
The Company	Durabook	Subsidiary	103,527 (note 4)	0.74	53,479 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	4,588	-

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

Note 2: Until November 10, 2021.

Note 3: As of September 30, 2021, the Company's accounts receivable and accounts payable of \$429,756 thousand and \$107,271 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 \$322,485 thousand.

Note 4: As of September 30, 2021, the Company's accounts receivable from Durabook were \$103,527 thousand. The overdue receivables of \$53,479 thousand were reclassified to long-term receivables.

Note 5: 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	52,629	The transaction is not significantly different from normal transactions	7.92 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	30,877	The transaction is not significantly different from normal transactions	4.65 %
0	The Company	Durabook	1	Accounts receivable – related parties	33,901 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	2.90 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable – related parties	80,697 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A over 180 days	6.91 %

Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

Note 3: As of September 30, 2021, the Company's accounts receivable of \$103,527 thousand, which was offset against the investment of \$69,626 thousand, accounted for using the equity method of Durabook.

Note 4: As of September 30, 2021, the Company's accounts receivable and accounts payable of \$429,756 thousand and \$107,271 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 \$322,485 thousand, which was offset against the investment of \$241,788 thousand, accounted for using the equity method of Twinhead Kunshan.

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

Note 6: For balance sheet items, over 1% of total consolidated assets, and for profit or loss item, over 1% of total consolidated revenues were selected for disclosure.

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TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance		Book value	Net income (loss) of investee	Investment income (losses)	Remarks
				September 30, 2021	December 31, 2020	Shares	Percentage of ownership				
The Company	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	73,442	73,442	769	80.00 %	- (note 3)	(16,317)	(13,054)	Subsidiary (note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.00 %	- (note 4)	9,612	9,612	Subsidiary (note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.00 %	1,204	(83)	(83)	Indirect subsidiary (note 2)

Note 1: The exchange rate as of September 30, 2021 : USD1=TWD27.85.

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

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

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

(c) Information on investment in mainland China:

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of September 30, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of September 30, 2021	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	348,125 (USD12,500)	(2)	348,125 (USD12,500)	-	-	348,125 (USD12,500)	9,002	100.00 %	9,002	(259,013)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	111,400 (USD4,000)	(2)	55,700 (USD2,000)	-	-	55,700 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	5,849 (USD210)	(2)	5,849 (USD210)	-	-	5,849 (USD210)	988	100.00 %	988	17,729	-

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

- (1) Remittance from third-region companies to invest in Mainland China (Through Twinhead (Asia) Ptd Ltd. invest in Mainland china).
- (2) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (3) Through the establishment of third-region companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: The amounts of investment income (loss), were recognized under the equity method based on the financial statements which were not reviewed by the auditors of the Company.

Note 3: The exchange rate as of September 30, 2021 : USD1=TWD27.85.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of September 30, 2021 (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	445,879 (USD16,010)	445,879 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of September 30, 2021: USD1=TWD27.85.

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.

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

(iii) Significant transactions with investees in Mainland China:

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

(d) Major shareholders:

Unit: share

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

Note: Since the base date of capital reduction and the stock exchange was on October 7, 2021, the number of shares mentioned above will be deemed as the original number of shares before the capital reduction and stock exchange.

(14) Segment information

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