

**TWINHEAD INTERNATIONAL CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

**Address: 11F., No.550, Ruiguang Rd., Neihu Dist., Taipei City 114,
Taiwan (R.O.C.)**

Telephone: (02)5589-9999

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10~11
(6) Explanation of significant accounts	11~30
(7) Related-party transactions	30~31
(8) Pledged assets	31
(9) Commitments and contingencies	31
(10) Losses Due to Major Disasters	31
(11) Subsequent Events	32
(12) Other	32
(13) Other disclosures	
(a) Information on significant transactions	33~34
(b) Information on investees	34
(c) Information on investment in mainland China	35
(d) Major shareholders	36
(14) Segment information	36



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

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 March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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 \$97,994 thousand and \$92,881 thousand, constituting 8.57% and 8.34% of the consolidated total assets; and the total liabilities amounting to \$11,910 thousand and \$14,069 thousand, constituting 1.34% and 1.59% of the consolidated total liabilities as of March 31, 2021 and 2020, respectively; as well as the total comprehensive income (loss) amounting to \$1,099 thousand and \$(1,812) thousand, constituting 85.53% and 11.21% of the consolidated total absolute value of comprehensive income (loss) for the three months ended March 31, 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 March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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)
May 13, 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 March 31, 2021 and 2020

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31 and March 31, 2020

(Expressed in Thousands of New Taiwan Dollar)

	March 31, 2021		December 31, 2020		March 31, 2020				March 31, 2021		December 31, 2020		March 31, 2020			
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Assets																
Current assets:																
1100	Cash and cash equivalents (note 6(a))	\$ 209,128	18	252,568	22	108,834	10	2100		\$ 620,000	54	620,000	53	625,000	56	
1170	Accounts receivable, net (note 6(b))	58,171	5	60,578	5	93,924	8	2150		213	-	187	-	160	-	
1180	Accounts receivable—related parties, net (notes 6(b) and 7)	-	-	2,848	-	-	-	2170		121,536	11	129,859	11	99,785	9	
1200	Other receivables	15	-	-	-	15	-	2200		43,087	4	57,729	5	38,614	3	
130x	Inventories (note 6(c))	238,553	21	207,428	18	225,995	20	2250		6,205	1	6,071	1	4,171	-	
1470	Prepayments and other current assets	11,763	1	14,707	1	18,650	2	2280		16,542	1	16,448	1	16,256	1	
	Total current assets	517,630	45	538,129	46	447,418	40	2300		28,127	2	34,187	3	39,358	4	
Non-current assets:																
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	8,117	1	6,481	1	12,570	1	2540		835,710	73	864,481	74	823,344	73	
1600	Property, plant and equipment (notes 6(e) and 8)	284,063	25	285,778	24	293,369	26	2550		Non-Current liabilities:						
1755	Right-of-use assets (note 6(f))	55,793	5	60,026	5	72,665	7	2580		Long-term borrowings (note 6(h))	6,891	1	-	-	-	-
1760	Investment property, net (notes 6(g), 6(j) and 8)	196,902	17	197,849	17	198,665	18	2645		Provisions—non-current	5,199	-	5,552	-	6,104	1
1840	Deferred income tax assets	43,361	4	43,339	4	43,982	4	2670		Non-current lease liabilities (note 6(i))	29,967	3	34,017	3	46,750	4
1920	Refundable deposits	7,111	1	7,110	1	7,178	1			Guarantee deposits received	6,785	1	6,803	1	6,722	1
1995	Other non-current assets	30,861	2	29,939	2	37,961	3			Other non-current liabilities	1,573	-	1,370	-	2,175	-
	Total non-current assets	626,208	55	630,522	54	666,390	60			Total non-current liabilities	50,415	5	47,742	4	61,751	6
										Total liabilities	886,125	78	912,223	78	885,095	79
Equity attributable to owners of parent (note 6(m)):																
Share capital:																
3110	Ordinary shares	1,959,240	171	1,959,240	168	1,959,240	176			Equity attributable to owners of parent (note 6(m)):						
3120	Preference shares	84	-	84	-	84	-			Share capital:						
		1,959,324	171	1,959,324	168	1,959,324	176			Ordinary shares	1,959,240	171	1,959,240	168	1,959,240	176
3350	Accumulated deficits	(1,711,028)	(150)	(1,711,320)	(146)	(1,739,421)	(156)			Preference shares	84	-	84	-	84	-
										Accumulated deficits	(1,711,028)	(150)	(1,711,320)	(146)	(1,739,421)	(156)
										Other equities:						
3410	Exchange differences on translation of foreign financial statements	40,337	4	39,712	3	40,352	4			Exchange differences on translation of foreign financial statements	40,337	4	39,712	3	40,352	4
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(15,863)	(2)	(17,499)	(2)	(20,630)	(2)			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(15,863)	(2)	(17,499)	(2)	(20,630)	(2)
		24,474	2	22,213	1	19,722	2				24,474	2	22,213	1	19,722	2
		272,770	23	270,217	23	239,625	22			Total equity attributable to owners of parent	272,770	23	270,217	23	239,625	22
36xx	Non-controlling interests	(15,057)	(1)	(13,789)	(1)	(10,912)	(1)			Non-controlling interests	(15,057)	(1)	(13,789)	(1)	(10,912)	(1)
		257,713	22	256,428	22	228,713	21			Total equity	257,713	22	256,428	22	228,713	21
	Total assets	\$ 1,143,838	100	1,168,651	100	1,113,808	100			Total liabilities and equity	\$ 1,143,838	100	1,168,651	100	1,113,808	100

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

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

		For the three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4000	Operating revenues (note 6(o) and 7)	\$ 185,269	100	174,948	100
5000	Operating costs (notes 6(c) and 6(k))	<u>130,242</u>	<u>70</u>	<u>124,917</u>	<u>71</u>
5900	Gross profit	<u>55,027</u>	<u>30</u>	<u>50,031</u>	<u>29</u>
6000	Operating expenses (notes 6(i), 6(k) and 7):				
6100	Selling expenses	13,390	8	12,819	8
6200	Administrative expenses	29,674	16	29,673	17
6300	Research and development expenses	<u>19,123</u>	<u>10</u>	<u>22,780</u>	<u>13</u>
	Total operating expenses	<u>62,187</u>	<u>34</u>	<u>65,272</u>	<u>38</u>
6900	Net operating loss	<u>(7,160)</u>	<u>(4)</u>	<u>(15,241)</u>	<u>(9)</u>
7000	Non-operating income and expenses (notes 6(i) and 6(q)):				
7100	Interest income	43	-	56	-
7010	Other income	12,371	6	7,588	4
7020	Other gains and losses	(3,461)	(2)	(853)	-
7050	Finance costs	<u>(2,732)</u>	<u>(1)</u>	<u>(3,133)</u>	<u>(2)</u>
	Total non-operating income and expenses	<u>6,221</u>	<u>3</u>	<u>3,658</u>	<u>2</u>
	Loss from continuing operations before tax	(939)	(1)	(11,583)	(7)
7950	Less: Income tax expense (note 6(l))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net loss	<u>(939)</u>	<u>(1)</u>	<u>(11,583)</u>	<u>(7)</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	1,636	1	(5,512)	(3)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>1,636</u>	<u>1</u>	<u>(5,512)</u>	<u>(3)</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	588	1	937	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>588</u>	<u>1</u>	<u>937</u>	<u>1</u>
8300	Other comprehensive income (loss), net	<u>2,224</u>	<u>2</u>	<u>(4,575)</u>	<u>(2)</u>
	Total comprehensive income (loss)	<u>\$ 1,285</u>	<u>1</u>	<u>(16,158)</u>	<u>(9)</u>
	Net income (loss) attributable to:				
8610	Owners of parent	\$ 292	-	(9,254)	(6)
8620	Non-controlling interests	<u>(1,231)</u>	<u>(1)</u>	<u>(2,329)</u>	<u>(1)</u>
		<u>\$ (939)</u>	<u>(1)</u>	<u>(11,583)</u>	<u>(7)</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 2,553	2	(11,990)	(7)
8720	Non-controlling interests	<u>(1,268)</u>	<u>(1)</u>	<u>(4,168)</u>	<u>(2)</u>
		<u>\$ 1,285</u>	<u>1</u>	<u>(16,158)</u>	<u>(9)</u>
9750	Basic earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ 0.001</u>		<u>(0.05)</u>	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ 0.001</u>		<u>(0.05)</u>	

(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 three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollar)

Equity attributable to owners of parent

	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
	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 loss	-	-	-	(9,254)	-	-	-	-	(9,254)	(2,329)	(11,583)
Other comprehensive income (loss)	-	-	-	-	2,776	(5,512)	(2,736)	-	(2,736)	(1,839)	(4,575)
Total comprehensive income (loss)	-	-	-	(9,254)	2,776	(5,512)	(2,736)	-	(11,990)	(4,168)	(16,158)
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)
Balance at March 31, 2020	\$ 1,959,240	84	1,959,324	(1,739,421)	40,352	(20,630)	19,722	-	239,625	(10,912)	228,713
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)	-	-	-	292	-	-	-	-	292	(1,231)	(939)
Other comprehensive income (loss)	-	-	-	-	625	1,636	2,261	-	2,261	(37)	2,224
Total comprehensive income (loss)	-	-	-	292	625	1,636	2,261	-	2,553	(1,268)	1,285
Balance at March 31, 2021	\$ 1,959,240	84	1,959,324	(1,711,028)	40,337	(15,863)	24,474	-	272,770	(15,057)	257,713

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 Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	For the three months ended March 31	
	2021	2020
Cash flows from (used in) operating activities:		
Net loss before tax	\$ (939)	(11,583)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	7,450	7,723
Amortization	2,911	3,121
Interest expense	2,732	3,133
Interest income	(43)	(56)
Total adjustments to reconcile profit	13,050	13,921
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Accounts receivable	2,407	(8,938)
Accounts receivable—related parties	2,848	-
Inventories	(31,125)	(19,610)
Prepayments and other current assets	2,944	(1,751)
Total changes in operating assets, net	(22,926)	(30,299)
Net changes in operating liabilities:		
Notes payable	26	(176)
Accounts payable	(8,323)	(29,926)
Other payables	(14,409)	(12,165)
Provisions	(219)	(129)
Other current liabilities	(5,749)	6,154
Other non-current liabilities	203	(248)
Total changes in operating liabilities, net	(28,471)	(36,490)
Total changes in operating assets and liabilities, net	(51,397)	(66,789)
Total adjustments	(38,347)	(52,868)
Cash outflow generated from operating activities	(39,286)	(64,451)
Interest received	28	41
Interest paid	(2,690)	(2,835)
Income taxes paid	(311)	(50)
Net cash flows used in operating activities	(42,259)	(67,295)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(872)	(1,498)
Decrease in refundable deposits	-	69
Decrease (increase) in other non-current assets	(3,833)	295
Net cash flows used in investing activities	(4,705)	(1,134)
Cash flows from (used in) financing activities:		
Increase in short-term loans	-	50,000
Decrease in short-term loans	-	(15,000)
Proceeds from long-term debt	6,891	-
Decrease in guarantee deposits received	-	(26)
Payment of lease liabilities	(3,958)	(3,973)
Interest paid	(275)	(352)
Change in non-controlling interests	-	(8,147)
Net cash flows from financing activities	2,658	22,502
Effect of exchange rate changes on cash and cash equivalents	866	1,296
Net decrease in cash and cash equivalents	(43,440)	(44,631)
Cash and cash equivalents at beginning of period	252,568	153,465
Cash and cash equivalents at end of period	\$ 209,128	108,834

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

March 31, 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 May 13, 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, 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”

- (b) The impact of IFRSs 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 April 1, 2021, would not have a significant impact on its consolidated financial statements:

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

(Continued)

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

- (c) The impact of IFRSs 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.

(Continued)

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

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 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
				March 31, 2021	December 31, 2020	March 31, 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.

(Continued)

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

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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Petty cash	\$ 342	270	294
Checking and demand deposits	<u>208,786</u>	<u>252,298</u>	<u>108,540</u>
Cash and cash equivalents per consolidated statements of cash flows	<u><u>\$ 209,128</u></u>	<u><u>252,568</u></u>	<u><u>108,834</u></u>

(b) Receivables (including related parties)

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable	\$ 58,171	60,578	94,831
Accounts receivable – related parties	-	2,848	-
Less: loss allowance	<u>-</u>	<u>-</u>	<u>907</u>
	<u><u>\$ 58,171</u></u>	<u><u>63,426</u></u>	<u><u>93,924</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>March 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 50,050	-	-
1 to 30 days past due	8,070	-	-
31 to 60 days past due	<u>51</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 58,171</u></u>		<u><u>-</u></u>

(Continued)

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	-	-
	<u>\$ 60,578</u>		<u>-</u>
	March 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 64,403	-	-
1 to 30 days past due	29,840	2.62%	781
31 to 60 days past due	79	4.72%	4
61 to 90 days past due	509	24.05%	122
	<u>\$ 94,831</u>		<u>907</u>

(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	-	-
	<u>\$ 2,848</u>		<u>-</u>

There was no accounts receivable—related parties as of March 31, 2021 and 2020.

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

	For the three months ended March 31	
	2021	2020
Beginning balance on January 1	\$ -	899
Foreign exchange loss	-	8
Ending balance on March 31	<u>\$ -</u>	<u>907</u>

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

(Continued)

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

(c) Inventories

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Merchandise	\$ 11,008	6,131	7,075
Finished goods	48,718	61,982	51,549
Work in progress	38,650	7,678	23,757
Raw materials and supplies	136,734	128,639	139,017
Goods in transit	3,443	2,998	4,597
Total	<u>\$ 238,553</u>	<u>207,428</u>	<u>225,995</u>

As of March 31, 2021, December 31 and March 31, 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:

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Loss on (reversal of) decline in market value of inventory	<u>\$ (276)</u>	<u>304</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ 8,054	6,413	12,446
Unlisted stocks (overseas)	63	68	124
Total	<u>\$ 8,117</u>	<u>6,481</u>	<u>12,570</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.

No strategic investments were disposed for the three months ended March 31, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

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

(Continued)

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

(e) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:					
January 1, 2021	\$ <u>107,832</u>	<u>165,606</u>	<u>3,817</u>	<u>8,523</u>	<u>285,778</u>
March 31, 2021	\$ <u>107,832</u>	<u>164,632</u>	<u>4,098</u>	<u>7,501</u>	<u>284,063</u>
January 1, 2020	\$ <u>107,832</u>	<u>169,694</u>	<u>5,002</u>	<u>12,157</u>	<u>294,685</u>
March 31, 2020	\$ <u>107,832</u>	<u>168,931</u>	<u>4,671</u>	<u>11,935</u>	<u>293,369</u>

For the three months ended March 31, 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 March 31, 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	\$ <u>10,349</u>	<u>47,855</u>	<u>1,822</u>	<u>60,026</u>
March 31, 2021	\$ <u>10,233</u>	<u>43,870</u>	<u>1,690</u>	<u>55,793</u>
January 1, 2020	\$ <u>10,444</u>	<u>64,166</u>	<u>2,350</u>	<u>76,960</u>
March 31, 2020	\$ <u>10,307</u>	<u>60,140</u>	<u>2,218</u>	<u>72,665</u>

For the three months ended March 31, 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 March 31, 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.

(g) Investment property

For the three months ended March 31, 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 March 31, 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.

(Continued)

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

(h) Long-term and Short-term loans

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

(i) Short-term loans

March 31, 2021				
	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	2021~2022	<u>320,000</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>
March 31, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	TWD	1.82~2.00	2020	\$ 305,000
Secured bank loans	TWD	1.49~1.80	2020~2021	<u>320,000</u>
Total				<u><u>\$ 625,000</u></u>

As of March 31, 2021, December 31 and March 31, 2020, the unused credit facilities amounted to \$479,560 thousand, \$479,320 thousand and \$481,320 thousand, respectively.

(ii) Long-term loans

March 31, 2021				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	1.00	2026	<u><u>\$ 6,891</u></u>

(iii)

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

(Continued)

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

(i) Lease liabilities

The Group's lease liabilities were as follow:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current	\$ <u>16,542</u>	<u>16,448</u>	<u>16,256</u>
Non-current	\$ <u>29,967</u>	<u>34,017</u>	<u>46,750</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>275</u>	<u>379</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>92</u>	<u>146</u>

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

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>4,325</u>	<u>4,471</u>

(i) Real estate leases

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

(ii) Other leases

The Group leases vehicles, with lease terms of 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.

(Continued)

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Less than one year	\$ 7,449	13,467	24,226
One to two years	-	-	6,182
Total undiscounted lease payments	<u>\$ 7,449</u>	<u>13,467</u>	<u>30,408</u>

(k) Employee benefits

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

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 370	372
Operating expenses	1,477	1,361
Total	<u>\$ 1,847</u>	<u>1,733</u>

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

(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:

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Current income tax expense		
Current period	\$ -	-
Income tax expense from continuing operations	<u>\$ -</u>	<u>-</u>

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

(m) Capital and other equity

As of March 31, 2021, December 31 and March 31, 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 195,924 thousand ordinary shares were issued. In addition, 8 thousand preference shares were issued. All issued capital was fully paid in. The preference shares were classified under equity.

(Continued)

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

For the three months ended March 31, 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
Retirement of treasury shares	-	(3,007)	-	-
Ending balance on March 31	<u>195,924</u>	<u>195,924</u>	<u>8</u>	<u>8</u>

(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.

(Continued)

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

(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 \$416 thousand, \$412 thousand and \$399 thousand as of March 31, 2021, December 31 and March 31, 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	625	-	(37)	588
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	1,636	-	1,636
Balance at March 31, 2021	<u>\$ 40,337</u>	<u>(15,863)</u>	<u>1,884</u>	<u>26,358</u>
Balance at January 1, 2020	\$ 37,576	(15,118)	3,011	25,469
Foreign exchange differences arising from foreign operation	2,776	-	(1,839)	937
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(5,512)	-	(5,512)
Balance at March 31, 2020	<u>\$ 40,352</u>	<u>(20,630)</u>	<u>1,172</u>	<u>20,894</u>

(Continued)

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

(n) Earnings per share

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

(i) Basic earnings per share

	For the three months ended March 31	
	2021	2020
Net income (loss) of the Company	\$ 292	(9,254)
Dividends on non-redeemable preference shares	(4)	(4)
Net income (loss) attributable to ordinary shareholders of the Company	\$ 288	(9,258)
Weighted average number of ordinary shares	195,924	195,924
Basic earnings per share (in NTD)	\$ 0.001	(0.05)

(ii) Diluted earnings per share

	For the three months ended March 31, 2021
Net income attributable to ordinary shareholders of the Company (basic)	\$ 292
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)	\$ 0.001

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 three months ended March 31, 2020.

(Continued)

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

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

	For the three months ended	
	March 31	
	2021	2020
Primary geographical markets:		
United States	\$ 70,680	51,239
Taiwan	17,492	45,769
Germany	29,174	35,422
France	16,422	11,896
Others	51,501	30,622
	\$ 185,269	174,948
Major products/services lines:		
Laptop	\$ 146,736	112,553
Mainboard	19,099	36,958
Sales of Materials and others	19,434	25,437
	\$ 185,269	174,948

(p) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of incorporation the Company should contribute no less than 10% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's controlling or affiliated companies who meet certain conditions.

As of March 31, 2021, December 31 and March 31, 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.

(q) Non-operating income and expenses

(i) Interest income

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

	For the three months ended	
	March 31	
	2021	2020
Interest income from bank deposits	\$ 43	56

(Continued)

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

(ii) Other income

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

	For the three months ended March 31	
	2021	2020
Rental income	\$ 7,006	6,952
Other income—other	<u>5,365</u>	<u>636</u>
Total other income	<u><u>\$ 12,371</u></u>	<u><u>7,588</u></u>

(iii) Other gains and losses

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

	For the three months ended March 31	
	2021	2020
Foreign exchange loss	\$ (2,778)	(176)
Others	<u>(683)</u>	<u>(677)</u>
Other gains and losses, net	<u><u>\$ (3,461)</u></u>	<u><u>(853)</u></u>

(iv) Finance costs

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

	For the three months ended March 31	
	2021	2020
Interest expense	<u><u>\$ (2,732)</u></u>	<u><u>(3,133)</u></u>

(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.

(Continued)

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

(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>
March 31, 2021						
Non-derivative financial liabilities						
Secured bank loan	\$ 320,000	320,652	320,652	-	-	-
Unsecured bank loan	306,891	308,836	301,675	69	7,092	-
Notes payable	213	213	213	-	-	-
Accounts payable	121,536	121,536	121,536	-	-	-
Other payables	43,087	43,087	43,087	-	-	-
Lease liabilities	46,509	47,999	17,413	17,413	13,173	-
Guarantee deposits received	6,785	6,785	6,685	100	-	-
Preference shares (including preference shares dividends)	84	500	500	-	-	-
	<u>\$ 845,105</u>	<u>849,608</u>	<u>811,761</u>	<u>17,582</u>	<u>20,265</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>
March 31, 2020						
Non-derivative financial liabilities						
Secured bank loan	\$ 320,000	321,110	321,110	-	-	-
Unsecured bank loan	305,000	306,427	306,427	-	-	-
Notes payable	160	160	160	-	-	-
Accounts payable	99,785	99,785	99,785	-	-	-
Other payables	38,614	38,614	38,614	-	-	-
Lease liabilities	63,006	65,763	17,506	17,506	30,751	-
Guarantee deposits received	6,722	6,722	-	6,622	100	-
Preference shares (including preference shares dividends)	84	483	483	-	-	-
	<u>\$ 833,371</u>	<u>839,064</u>	<u>784,085</u>	<u>24,128</u>	<u>30,851</u>	<u>-</u>

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

(Continued)

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

(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>
March 31, 2021			
Financial assets:			
Monetary assets:			
USD	\$ 18,474	28.54	527,248
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,215	28.54	63,216
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
March 31, 2020			
Financial assets:			
Monetary assets:			
USD	\$ 16,009	30.23	483,952
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,772	30.23	53,568

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 March 31, 2021 and 2020, with all other variable factors remaining constant, would have increased (decreased) the net income (loss) before tax by \$4,640 thousand and \$4,304 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant, gains.

(Continued)

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

3) Foreign exchange gain and loss on monetary item

Due to the numerous types of functional currency of the Group, the Group aggregately discloses its exchange gains and losses on monetary items. The Group's exchange gains (losses), including realized and unrealized, were \$2,778 thousand and \$176 thousand for the three months ended March 31, 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 (loss) before tax would have both increased/decreased by \$1,567 thousand and \$1,563 thousand for the three months ended March 31, 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	March 31, 2021			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 8,054	-	-	8,054	8,054
Unlisted stocks (overseas)	63	-	-	63	63
Subtotal	8,117	-	-	8,117	8,117
Financial assets measured at amortized cost					
Cash and cash equivalents	209,128	-	-	-	-
Accounts receivable	58,171	-	-	-	-
Other receivables	15	-	-	-	-
Refundable deposits	7,111	-	-	-	-
Subtotal	274,425	-	-	-	-
Total	\$ 282,542	-	-	8,117	8,117

(Continued)

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

	March 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 626,891	-	-	-	-
Notes and accounts payable	121,749	-	-	-	-
Other payables	43,087	-	-	-	-
Lease liabilities	46,509	-	-	-	-
Guarantee deposits received	6,785	-	-	-	-
Preference shares	84	-	-	-	-
Total	<u>\$ 845,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 6,413	-	-	6,413	6,413
Unlisted stocks (overseas)	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>	<u>68</u>
Subtotal	<u>6,481</u>	<u>-</u>	<u>-</u>	<u>6,481</u>	<u>6,481</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	252,568	-	-	-	-
Accounts receivable (including related parties)	63,426	-	-	-	-
Refundable deposits	<u>7,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>323,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 329,585</u>	<u>-</u>	<u>-</u>	<u>6,481</u>	<u>6,481</u>
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	<u>\$ 865,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	March 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 12,446	-	-	12,446	12,446
Unlisted stocks (overseas)	124	-	-	124	124
Subtotal	<u>12,570</u>	<u>-</u>	<u>-</u>	<u>12,570</u>	<u>12,570</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	108,834	-	-	-	-
Accounts receivable	93,924	-	-	-	-
Other receivables	15	-	-	-	-
Refundable deposits	7,178	-	-	-	-
Subtotal	<u>209,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 222,521</u>	<u>-</u>	<u>-</u>	<u>12,570</u>	<u>12,570</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 625,000	-	-	-	-
Notes and accounts payable	99,945	-	-	-	-
Other payables	38,614	-	-	-	-
Lease liabilities	63,006	-	-	-	-
Guarantee deposits received	6,722	-	-	-	-
Preference shares	84	-	-	-	-
Total	<u>\$ 833,371</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.

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)

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

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	1,636
Balance at March 31, 2021	\$ 8,117
Balance at January 1, 2020	\$ 18,082
Total loss recognized:	
In other comprehensive income	(5,512)
Balance at March 31, 2020	\$ 12,570

The aforementioned total income (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	<ul style="list-style-type: none"> · Multiplier of price-to-book ratio (As of March 31, 2021, December 31 and March 31, 2020 was 0.08~1, 0.08~0.99 and 0.08~0.99, respectively.) · Market illiquidity discount rate (As of March 31, 2021, December 31 and March 31, 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)

(Continued)

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

- 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>
March 31, 2021				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 507	(507)
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)
March 31, 2020				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	786	(786)

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.

(Continued)

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

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

For the three months ended March 31, 2021 and 2020, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes		March 31, 2021
			Foreign exchange movement	Other	
Long-term borrowings (including current portion)	\$ -	6,891	-	-	6,891
Short-term borrowings	620,000	-	-	-	620,000
Lease liabilities	50,465	(3,958)	2	-	46,509
Total liabilities from financing activities	<u>\$ 670,465</u>	<u>2,933</u>	<u>2</u>	<u>-</u>	<u>673,400</u>

	January 1, 2020	Cash flows	Non-cash changes		March 31, 2020
			Foreign exchange movement	Other	
Short-term borrowings	\$ 590,000	35,000	-	-	625,000
Lease liabilities	66,910	(3,973)	42	27	63,006
Total liabilities from financing activities	<u>\$ 656,910</u>	<u>31,027</u>	<u>42</u>	<u>27</u>	<u>688,006</u>

(7) Related-party transactions

(a) Names and relationship with related party

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

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:

	For the three months ended March 31	
	2021	2020
NCS	<u>\$ 4,353</u>	<u>-</u>

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

(Continued)

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

(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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
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:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
NCS	\$ 4,983	3,994	-

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 4,585	4,245
Post-employment benefits	54	54
	<u>\$ 4,639</u>	<u>4,299</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Land	Short-term borrowings	\$ 107,832	107,832	107,832
Buildings	Short-term borrowings	163,339	164,452	167,793
Investment property	Short-term borrowings	143,815	144,166	145,219
		<u>\$ 414,986</u>	<u>416,450</u>	<u>420,844</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(Continued)

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

(11) Subsequent Events

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 board meeting held on April 21, 2021, resulting in the Company's share capital to reduce by 171,132 thousand shares, approximately 87.34%, amounting to \$1,711,320 thousand. Thereafter, the number of issued shares were 24,800 thousand. The Board of Directors will set the record date of capital reduction after obtaining the approval from the shareholders and the Financial Supervisory Commission.

(12) Other

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

By nature	By function			Three months ended March 31, 2021			Three months ended March 31, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits									
Salary	7,241	35,120	42,361	7,097	34,435	41,532			
Labor and health insurance	749	3,052	3,801	706	2,834	3,540			
Pension	370	1,477	1,847	372	1,361	1,733			
Remuneration of directors	-	760	760	-	645	645			
Others	403	822	1,225	417	829	1,246			
Depreciation (note)	1,203	5,565	6,768	1,187	5,859	7,046			
Amortization	-	2,911	2,911	-	3,121	3,121			

Note: Depreciation expenses for investment property recognized under other income and expenses to \$682 thousand and \$677 thousand for the three months ended March 31, 2021 and 2020, respectively.

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

(Continued)

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

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2021:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2021 (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				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	8,054	10.000 %	8,054	
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	63	0.691 %	63	
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: None.
- (viii) Receivables from related parties in excess of NT\$100 million or 20% of the Company's issued share capital:

(in Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Notes 1 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	331,058 (Note 3)	-	331,058 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	-	-

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

Note 2: Until May 13, 2021.

Note 3: As of March 31, 2021, the Company's accounts receivable and accounts payable of \$440,986 thousand and \$109,928 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 \$331,058 thousand.

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

(Continued)

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES
Notes to 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	12,027	The transaction is not significantly different from normal transactions	6.49 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	12,159	The transaction is not significantly different from normal transactions	6.56 %
0	The Company	Durabook	1	Accounts receivable – related parties	31,908 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	2.79 %
0	The Company	Twinhead Kunshan	1	Long-term accounts receivable – related parties	76,907 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A over 180 days	6.72 %

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 March 31, 2021, the Company's accounts receivable of \$94,101 thousand, which was offset against the investment of \$62,193 thousand, accounted for using the equity method of Durabook.

Note 4: As of March 31, 2021, the Company's accounts receivable and accounts payable of \$440,986 thousand and \$109,928 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 \$331,058 thousand, which was offset against the investment of \$254,151 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 three months ended March 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Scope of business	(in Thousands of New Taiwan Dollars / in Thousands of shares)							
				Original cost		Ending balance			Net income (loss) of investee	Investment income (losses)	Remarks
				March 31, 2021	December 31, 2020	Shares	Percentage of ownership	Book value			
The Company	Durabook	U.S.A.	The trading of computers and computer peripheral equipment	73,442	73,442	769	80.000 %	- (note 3)	(6,156)	(4,925)	Subsidiary (notes 2 and 5)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	329	329	Subsidiary (note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,236	(52)	(52)	Indirect subsidiary (note 2)

Note 1: The exchange rate as of March 31, 2021 : USD1=TWD28.54.

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

(Continued)

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

(c) Information on investment in mainland China:

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

(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, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of March 31, 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	356,750 (USD12,500)	(2)	356,750 (USD12,500)	-	-	356,750 (USD12,500)	889	100.00 %	889	(268,991)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	114,160 (USD4,000)	(2)	57,080 (USD2,000)	-	-	57,080 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	5,993 (USD210)	(2)	5,993 (USD210)	-	-	5,993 (USD210)	(349)	100.00 %	(349)	17,898	-

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 March 31, 2021 : USD1=TWD28.54.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of March 31, 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	456,925 (USD16,010)	456,925 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of March 31, 2021: USD1=TWD28.54.

Note 3: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau Ministry of Economic Affairs, on June 12, 2020. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from June 9, 2020 to June 8, 2023.

(iii) Significant transactions with investees in Mainland China:

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

(Continued)

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

(d) Major shareholders:

Unit: share

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

(14) Segment information

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