

**TWINHEAD INTERNATIONAL CORP.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 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' 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' 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. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~24
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	24
(6) Explanation of significant accounts	25~52
(7) Related-party transactions	52~53
(8) Pledged assets	53
(9) Commitments and contingencies	54
(10) Losses Due to Major Disasters	54
(11) Subsequent Events	54
(12) Other	54
(13) Other disclosures	
(a) Information on significant transactions	55~56
(b) Information on investees	57
(c) Information on investment in mainland China	57~58
(d) Major shareholders	58
(14) Segment information	58~59

## Representation Letter

The entities that are required to be included in the combined financial statements of Twinhead International Corp. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Twinhead International Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Twinhead International Corp.

Chairman: Kao, Yu-Jen

Date: March 21, 2022



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.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web home.kpmg/tw

## Independent Auditors' Report

To the Board of Directors of Twinhead International Corp.:

### Opinion

We have audited the consolidated financial statements of Twinhead International Corp. (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Inventory measurement**

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

#### **Description of key audit matter:**

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

#### **How the matter was addressed in our audit:**

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

## **Other Matter**

Twinhead International Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified audit opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 21, 2022

#### **Notes to Readers**

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 236,489	21	252,568	22	2100	Short-term borrowings (notes 6(h) and 8)	\$ 620,000	55	620,000	53
1150	Notes receivable, net (notes 6(b) and 6(p))	116	-	-	-	2150	Notes payable	177	-	187	-
1170	Accounts receivable, net (notes 6(b) and 6(p))	70,836	6	60,578	5	2170	Accounts payable	75,461	7	129,859	11
1180	Accounts receivable—related parties, net (notes 6(b), 6(p) and 7)	-	-	2,848	-	2200	Other payables (notes 6(l) and 6(q))	61,523	5	57,729	5
1200	Other receivables	1,222	-	-	-	2250	Provisions—current (note 6(i))	7,389	1	6,071	1
130x	Inventories (note 6(c))	212,209	19	207,428	18	2280	Current lease liabilities (note 6(j))	16,774	1	16,448	1
1470	Prepayments and other current assets	13,452	1	14,707	1	2300	Other current liabilities (note 7)	28,946	3	34,187	3
	<b>Total current assets</b>	<u>534,324</u>	<u>47</u>	<u>538,129</u>	<u>46</u>		<b>Total current liabilities</b>	<u>810,270</u>	<u>72</u>	<u>864,481</u>	<u>74</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	1,803	-	6,481	1	2550	Provisions—non-current (note 6(i))	5,669	1	5,552	-
1600	Property, plant and equipment (notes 6(e) and 8)	278,146	25	285,778	24	2645	Non-current lease liabilities (note 6(j))	17,148	1	34,017	3
1755	Right-of-use assets (note 6(f))	43,142	4	60,026	5	2670	Guarantee deposits received	6,676	1	6,803	1
1760	Investment property, net (notes 6(g), 6(k) and 8)	194,842	17	197,849	17		Other non-current liabilities	1,525	-	1,370	-
1840	Deferred income tax assets (note 6(m))	43,045	4	43,339	4		<b>Total non-current liabilities</b>	<u>31,018</u>	<u>3</u>	<u>47,742</u>	<u>4</u>
1920	Refundable deposits	7,071	1	7,110	1		<b>Total liabilities</b>	<u>841,288</u>	<u>75</u>	<u>912,223</u>	<u>78</u>
1995	Other non-current assets	24,526	2	29,939	2		<b>Equity attributable to owners of parent (notes 6(d) and 6(n)):</b>				
	<b>Total non-current assets</b>	<u>592,575</u>	<u>53</u>	<u>630,522</u>	<u>54</u>	3110	Share capital:				
						3120	Ordinary shares	247,993	22	1,959,240	168
							Preference shares	11	-	84	-
								<u>248,004</u>	<u>22</u>	<u>1,959,324</u>	<u>168</u>
						3350	Retained earnings (accumulated deficits)	<u>28,182</u>	<u>3</u>	<u>(1,711,320)</u>	<u>(146)</u>
							Other equities:				
						3410	Exchange differences on translation of foreign financial statements	42,201	4	39,712	3
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(16,991)	(3)	(17,499)	(2)
								<u>25,210</u>	<u>1</u>	<u>22,213</u>	<u>1</u>
							Total equity attributable to owners of parent	<u>301,396</u>	<u>26</u>	<u>270,217</u>	<u>23</u>
						36xx	<b>Non-controlling interests</b>	<u>(15,785)</u>	<u>(1)</u>	<u>(13,789)</u>	<u>(1)</u>
							<b>Total equity</b>	<u>285,611</u>	<u>25</u>	<u>256,428</u>	<u>22</u>
	<b>Total assets</b>	<u>\$ 1,126,899</u>	<u>100</u>	<u>1,168,651</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 1,126,899</u>	<u>100</u>	<u>1,168,651</u>	<u>100</u>

See accompanying notes to consolidated financial statements.



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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	2021		2020	
	Amount	%	Amount	%
4000 <b>Operating revenues (note 6(p) and 7)</b>	\$ 867,893	100	863,359	100
5000 <b>Operating costs (notes 6(c), 6(e), 6(f), 6(i), 6(j) and 6(l))</b>	<u>608,149</u>	<u>70</u>	<u>606,187</u>	<u>70</u>
5900 <b>Gross profit</b>	<u>259,744</u>	<u>30</u>	<u>257,172</u>	<u>30</u>
6000 <b>Operating expenses (notes 6(b), 6(e), 6(f), 6(j), 6(l), 6(q) and 7):</b>				
6100 Selling expenses	55,712	6	56,639	7
6200 Administrative expenses	117,766	14	113,088	13
6300 Research and development expenses	76,988	9	86,102	10
6450 Reversal of impairment loss determined in accordance with IFRS 9	-	-	(886)	-
<b>Total operating expenses</b>	<u>250,466</u>	<u>29</u>	<u>254,943</u>	<u>30</u>
6900 <b>Net operating income</b>	<u>9,278</u>	<u>1</u>	<u>2,229</u>	<u>-</u>
7000 <b>Non-operating income and expenses (notes 6(d), 6(g), 6(j), 6(k) and 6(r)):</b>				
7100 Interest income	168	-	246	-
7010 Other income	40,723	5	37,029	4
7020 Other gains and losses	(13,304)	(2)	(12,055)	(1)
7050 Finance costs	<u>(10,847)</u>	<u>(1)</u>	<u>(11,680)</u>	<u>(1)</u>
<b>Total non-operating income and expenses</b>	<u>16,740</u>	<u>2</u>	<u>13,540</u>	<u>2</u>
<b>Income from continuing operations before tax</b>	26,018	3	15,769	2
7950 <b>Less: Income tax expense (note 6(m))</b>	<u>246</u>	<u>-</u>	<u>337</u>	<u>-</u>
<b>Net income</b>	<u>25,772</u>	<u>3</u>	<u>15,432</u>	<u>2</u>
8300 <b>Other comprehensive income (loss) (note 6(n)):</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	508	-	(4,921)	(1)
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>508</u>	<u>-</u>	<u>(4,921)</u>	<u>(1)</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	2,903	-	1,046	-
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>2,903</u>	<u>-</u>	<u>1,046</u>	<u>-</u>
8300 <b>Other comprehensive income (loss), net</b>	<u>3,411</u>	<u>-</u>	<u>(3,875)</u>	<u>(1)</u>
<b>Total comprehensive income (loss)</b>	<u>\$ 29,183</u>	<u>3</u>	<u>11,557</u>	<u>1</u>
<b>Net income attributable to:</b>				
8610 Owners of parent	\$ 28,182	3	21,387	3
8620 Non-controlling interests	<u>(2,410)</u>	<u>-</u>	<u>(5,955)</u>	<u>(1)</u>
	<u>\$ 25,772</u>	<u>3</u>	<u>15,432</u>	<u>2</u>
<b>Comprehensive income (loss) attributable to:</b>				
8710 Owners of parent	\$ 31,179	3	18,602	2
8720 Non-controlling interests	<u>(1,996)</u>	<u>-</u>	<u>(7,045)</u>	<u>(1)</u>
	<u>\$ 29,183</u>	<u>3</u>	<u>11,557</u>	<u>1</u>
9750 <b>Basic earnings per share (in New Taiwan dollar) (note 6(o))</b>	<u>\$ 1.14</u>		<u>0.86</u>	
9850 <b>Diluted earnings per share (in New Taiwan dollar) (note 6(o))</b>	<u>\$ 1.13</u>		<u>0.86</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital			Retained earnings (accumulated deficits)	Total other equity interest				Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Preference share	Total share capital		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			
<b>Balance at January 1, 2020</b>	\$ 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)	-	-	-	21,387	-	-	-	-	21,387	(5,955)	15,432
Other comprehensive income (loss)	-	-	-	-	2,136	(4,921)	(2,785)	-	(2,785)	(1,090)	(3,875)
Total comprehensive income (loss)	-	-	-	21,387	2,136	(4,921)	(2,785)	-	18,602	(7,045)	11,557
Retirement of treasury 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	-	-	-	-
<b>Balance at December 31, 2020</b>	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)	-	-	-	28,182	-	-	-	-	28,182	(2,410)	25,772
Other comprehensive income (loss)	-	-	-	-	2,489	508	2,997	-	2,997	414	3,411
Total comprehensive income (loss)	-	-	-	28,182	2,489	508	2,997	-	31,179	(1,996)	29,183
Capital reduction to offset accumulated deficits	(1,711,247)	(73)	(1,711,320)	1,711,320	-	-	-	-	-	-	-
<b>Balance at December 31, 2021</b>	\$ 247,993	11	248,004	28,182	42,201	(16,991)	25,210	-	301,396	(15,785)	285,611

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollar)

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Net income before tax	\$ 26,018	15,769
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	28,743	30,355
Amortization	11,847	14,050
Reversal of impairment loss determined in accordance with IFRS 9	-	(886)
Interest expense	10,847	11,680
Interest income	(168)	(246)
Dividend income	-	(321)
Total adjustments to reconcile profit	<u>51,269</u>	<u>54,632</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	(116)	-
Accounts receivable	(10,258)	25,315
Accounts receivable—related parties	2,848	(2,848)
Other receivables	(1,222)	-
Inventories	(4,781)	(919)
Prepayments and other current assets	1,228	2,162
Total changes in operating assets, net	<u>(12,301)</u>	<u>23,710</u>
Net changes in operating liabilities:		
Notes payable	(10)	(149)
Accounts payable	(54,398)	148
Other payables	4,090	6,905
Provisions	1,435	1,219
Other current liabilities	(4,960)	671
Other non-current liabilities	155	(1,053)
Total changes in operating liabilities, net	<u>(53,688)</u>	<u>7,741</u>
Total changes in operating assets and liabilities, net	<u>(65,989)</u>	<u>31,451</u>
Total adjustments	<u>(14,720)</u>	<u>86,083</u>
Cash inflow generated from operating activities	11,298	101,852
Interest received	168	246
Interest paid	(10,183)	(10,371)
Income taxes paid	(498)	(51)
<b>Net cash flows from operating activities</b>	<u>785</u>	<u>91,676</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(5)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	560
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	5,186	6,125
Acquisition of property, plant and equipment	(1,728)	(2,135)
Decrease in refundable deposits	5	69
Increase in other non-current assets	(6,434)	(2,612)
Dividends received	-	321
<b>Net cash flows from (used in) investing activities</b>	<u>(2,971)</u>	<u>2,323</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	210,000	160,000
Decrease in short-term loans	(210,000)	(130,000)
Decrease (increase) in guarantee deposits received	(108)	55
Payment of lease liabilities	(16,420)	(16,186)
Interest paid	(960)	(1,345)
Change in non-controlling interests	-	(8,147)
<b>Net cash flows from (used in) financing activities</b>	<u>(17,488)</u>	<u>4,377</u>
Effect of exchange rate changes on cash and cash equivalents	<u>3,595</u>	<u>727</u>
Net (decrease) increase in cash and cash equivalents	(16,079)	99,103
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>\$ 236,489</u>	<u>252,568</u>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 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.

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

The consolidated financial statements were approved by the Board of Directors and issued on March 21, 2022.

**(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”

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”

(Continued)

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

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

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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

**(4) Summary of significant accounting policies**

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

(Continued)

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

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

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

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

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

The consolidated entities were as follows:

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

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

(Continued)

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

(d) Foreign currencies

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

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

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

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

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

- (i) An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.
- 1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
  - 2) It is held primarily for the purpose of trading;
  - 3) It is expected to be realized within twelve months after the reporting period; or
  - 4) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

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

- (ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.
- 1) It is expected to be settled in the normal operating cycle;
  - 2) It is held primarily for the purpose of trading;
  - 3) It is due to be settled within twelve months after the reporting period; or
  - 4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

(i) Financial assets

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

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

(Continued)



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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI )

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

(Continued)

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

(Continued)

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

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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

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

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

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

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

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

(Continued)

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

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

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(Continued)

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

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

(Continued)

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

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

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

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

(j) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

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

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

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

(ii) As a lessor

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

(Continued)



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

(k) Investment property

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

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

(l) Impairment of non-financial assets

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

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

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

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

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

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

(m) Provisions

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

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

(Continued)



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

(n) Revenue

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

(i) Sale of goods

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

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

(ii) Financing components

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

(o) Government grants

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(Continued)

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

(q) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(Continued)

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

(r) Earnings per share

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

(s) Operating segments

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

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

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

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

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

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

Inventory measurement

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

(Continued)

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

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty cash	\$ 289	270
Checking and demand deposits	<u>236,200</u>	<u>252,298</u>
Cash and cash equivalents per consolidated statements of cash flows	<u><u>\$ 236,489</u></u>	<u><u>252,568</u></u>

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

(b) Accounts receivables and notes receivable (including related parties)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 116	-
Accounts receivable	70,836	60,578
Accounts receivable – related parties	<u>-</u>	<u>2,848</u>
	<u><u>\$ 70,952</u></u>	<u><u>63,426</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 accounts receivables and notes receivable. To measure the expected credit losses, accounts receivable and notes receivable 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>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 47,745	-	-
1 to 30 days past due	22,323	-	-
31 to 60 days past due	<u>884</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 70,952</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	-	-
	<b>\$ 60,578</b>		<b>-</b>

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

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

	2021	2020
Beginning balance on January 1	\$ -	899
Impairment loss reversed	-	(886)
Foreign exchange gain	-	(13)
Ending balance on December 31	<b>\$ -</b>	<b>-</b>

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

(c) Inventories

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

	December 31, 2021	December 31, 2020
Merchandise	\$ 4,660	6,131
Finished goods	57,960	61,982
Work in progress	4,572	7,678
Raw materials and supplies	143,114	128,639
Goods in transit	1,903	2,998
Total	<b>\$ 212,209</b>	<b>207,428</b>

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

(Continued)

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

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

	<u>2021</u>	<u>2020</u>
Loss on decline in market value of inventory	\$ 8,016	11,654
Loss from scrapped inventory	-	761
Loss on physical count	-	153
Total	<u>\$ 8,016</u>	<u>12,568</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income:		
Unlisted stocks (domestic)	\$ 1,744	6,413
Unlisted stocks (overseas)	59	68
Total	<u>\$ 1,803</u>	<u>6,481</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.

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 and \$321 thousand for the years ended December 31, 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(s).

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

(Continued)

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

(e) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2021	\$ 118,425	430,538	181,789	113,097	843,849
Additions	-	192	764	772	1,728
Disposal	-	-	(160)	(477)	(637)
Effect of changes in exchange rates	-	-	(21)	(135)	(156)
Balance at December 31, 2021	<u>\$ 118,425</u>	<u>430,730</u>	<u>182,372</u>	<u>113,257</u>	<u>844,784</u>
Balance at January 1, 2020	\$ 118,425	429,981	181,896	112,703	843,005
Additions	-	557	71	1,507	2,135
Disposal	-	-	(239)	(725)	(964)
Reclassification	-	-	-	(250)	(250)
Effect of changes in exchange rates	-	-	61	(138)	(77)
Balance at December 31, 2020	<u>\$ 118,425</u>	<u>430,538</u>	<u>181,789</u>	<u>113,097</u>	<u>843,849</u>
Depreciation and impairment loss:					
Balance at January 1, 2021	\$ 10,593	264,932	177,972	104,574	558,071
Depreciation	-	4,662	768	3,886	9,316
Disposal	-	-	(160)	(477)	(637)
Effect of changes in exchange rates	-	-	(19)	(93)	(112)
Balance at December 31, 2021	<u>\$ 10,593</u>	<u>269,594</u>	<u>178,561</u>	<u>107,890</u>	<u>566,638</u>
Balance at January 1, 2020	\$ 10,593	260,287	176,894	100,546	548,320
Depreciation	-	4,645	1,263	4,905	10,813
Disposal	-	-	(239)	(725)	(964)
Reclassification	-	-	-	(89)	(89)
Effect of changes in exchange rates	-	-	54	(63)	(9)
Balance at December 31, 2020	<u>\$ 10,593</u>	<u>264,932</u>	<u>177,972</u>	<u>104,574</u>	<u>558,071</u>
Carrying value:					
December 31, 2021	<u>\$ 107,832</u>	<u>161,136</u>	<u>3,811</u>	<u>5,367</u>	<u>278,146</u>
December 31, 2020	<u>\$ 107,832</u>	<u>165,606</u>	<u>3,817</u>	<u>8,523</u>	<u>285,778</u>
January 1, 2020	<u>\$ 107,832</u>	<u>169,694</u>	<u>5,002</u>	<u>12,157</u>	<u>294,685</u>

(i) Impairment loss and subsequent reversal

As of December 31, 2021 and 2020, the accumulated property impairment amounted to \$10,593 thousand. The above accumulated asset impairment was recognized based on the carrying value of the factory building and machinery at Da Fa Industrial exceeding its estimated recoverable amount. After assessment, no additional impairment loss should be recognized for the years ended December 31, 2021 and 2020.

(ii) Collateral

As of December 31, 2021 and 2020, the Group's property, plant and equipment were provided as pledged assets; please refer to note 8.

(Continued)

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

(f) Right-of-use assets

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

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 10,867	78,117	2,641	91,625
Effect of changes in exchange rates	(58)	(191)	-	(249)
Balance at December 31, 2021	<u>\$ 10,809</u>	<u>77,926</u>	<u>2,641</u>	<u>91,376</u>
Balance at January 1, 2020	\$ 10,699	79,196	2,641	92,536
Disposal	-	(762)	-	(762)
Effect of changes in exchange rates	168	(317)	-	(149)
Balance at December 31, 2020	<u>\$ 10,867</u>	<u>78,117</u>	<u>2,641</u>	<u>91,625</u>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 518	30,262	819	31,599
Depreciation	257	15,923	528	16,708
Effect of changes in exchange rates	(3)	(70)	-	(73)
Balance at December 31, 2021	<u>\$ 772</u>	<u>46,115</u>	<u>1,347</u>	<u>48,234</u>
Balance at January 1, 2020	\$ 255	15,030	291	15,576
Depreciation	254	16,059	528	16,841
Disposal	-	(762)	-	(762)
Effect of changes in exchange rates	9	(65)	-	(56)
Balance at December 31, 2020	<u>\$ 518</u>	<u>30,262</u>	<u>819</u>	<u>31,599</u>
Carrying value:				
December 31, 2021	<u>\$ 10,037</u>	<u>31,811</u>	<u>1,294</u>	<u>43,142</u>
December 31, 2020	<u>\$ 10,349</u>	<u>47,855</u>	<u>1,822</u>	<u>60,026</u>
January 1, 2020	<u>\$ 10,444</u>	<u>64,166</u>	<u>2,350</u>	<u>76,960</u>

(g) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2021	\$ 95,830	173,400	269,230
Effect of changes in exchange rates	-	(462)	(462)
Balance at December 31, 2021	<u>\$ 95,830</u>	<u>172,938</u>	<u>268,768</u>
Balance as at January 1, 2020	\$ 95,830	172,068	267,898
Effect of changes in exchange rates	-	1,332	1,332
Balance at December 31, 2020	<u>\$ 95,830</u>	<u>173,400</u>	<u>269,230</u>

(Continued)



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

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Depreciation and impairment loss:			
Balance at January 1, 2021	\$ -	71,381	71,381
Depreciation	-	2,719	2,719
Effect of changes in exchange rates	-	(174)	(174)
Balance at December 31, 2021	<u>\$ -</u>	<u>73,926</u>	<u>73,926</u>
Balance at January 1, 2020	\$ -	68,171	68,171
Depreciation	-	2,701	2,701
Effect of changes in exchange rates	-	509	509
Balance at December 31, 2020	<u>\$ -</u>	<u>71,381</u>	<u>71,381</u>
Carrying value:			
Balance at December 31, 2021	<u>\$ 95,830</u>	<u>99,012</u>	<u>194,842</u>
Balance at December 31, 2020	<u>\$ 95,830</u>	<u>102,019</u>	<u>197,849</u>
Balance at January 1, 2020	<u>\$ 95,830</u>	<u>103,897</u>	<u>199,727</u>
Fair value:			
Balance at December 31, 2021			<u>\$ 589,920</u>
Balance at December 31, 2020			<u>\$ 589,920</u>
Balance at January 1, 2020			<u>\$ 509,630</u>

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

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

The investment properties of the Group are located at Kunshan City, Jiangsu Province, China and Xindian Dist., New Taipei City, Taiwan. The range of yields applied to the net annual rentals to determine the fair value of the property for which the current prices in an active market are unavailable was 1.58%~6.60% for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Group's investment properties were provided as pledged assets; please refer to note 8.

(Continued)

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

## (h) Short-term loans

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

	<b>December 31, 2021</b>			<b>Amount</b>
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	
Unsecured loans	TWD	1.51~1.65	2022	\$ 210,000
Secured bank loans	TWD	1.41~1.50	2022	410,000
Total				<b>\$ 620,000</b>

  

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

As of December 31, 2021 and 2020, the unused credit facilities amounted to \$496,120 thousand and \$479,320 thousand, respectively.

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

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

## (i) Provisions

	<b>Restoration liabilities</b>	<b>Other</b>	<b>Total</b>
Balance at January 1, 2021	\$ 3,729	7,894	11,623
Provisions made during the year	-	6,557	6,557
Provisions used during the year	-	(4,545)	(4,545)
Provisions reversed during the year	-	(540)	(540)
Effect of changes in exchange rates	-	(37)	(37)
Balance at December 31, 2021	<b>\$ 3,729</b>	<b>9,329</b>	<b>13,058</b>
Current	\$ -	7,389	7,389
Non-current	3,729	1,940	5,669
	<b>\$ 3,729</b>	<b>9,329</b>	<b>13,058</b>

(Continued)

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

	<u>Restoration liabilities</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2020	\$ 3,729	6,675	10,404
Provisions made during the year	-	11,492	11,492
Provisions used during the year	-	(9,338)	(9,338)
Provisions reversed during the year	-	(840)	(840)
Effect of changes in exchange rates	-	(95)	(95)
Balance at December 31, 2020	<u>\$ 3,729</u>	<u>7,894</u>	<u>11,623</u>
Current	\$ -	6,071	6,071
Non-current	<u>3,729</u>	<u>1,823</u>	<u>5,552</u>
	<u>\$ 3,729</u>	<u>7,894</u>	<u>11,623</u>

(i) Restoration liabilities

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

(ii) Other provisions

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

(j) Lease liabilities

The Group's lease liabilities were as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	\$ <u>16,774</u>	<u>16,448</u>
Non-current	\$ <u>17,148</u>	<u>34,017</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>960</u>	<u>1,345</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>437</u>	<u>452</u>

(Continued)

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

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

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 17,817</u>	<u>17,983</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.

(k) Operating leases

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 23,904	13,467
One to two years	17,677	-
Two to three years	9,196	-
Total undiscounted lease payments	<u>\$ 50,777</u>	<u>13,467</u>

Rental income from investment properties was \$23,728 thousand and \$24,233 thousand for the years ended December 31, 2021 and 2020, respectively. The direct expenses from investment properties were \$2,297 thousand and \$2,293 thousand for the years ended December 31, 2021 and 2020, respectively.

(Continued)

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

(l) Employee benefits

(i) Defined contribution plans

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

The employees of the Durabook Americas Inc. could choose a specific ratio (adjusted by the inflation rate) to contribute their own pensions under the definition of the pension plan. The employees contribute 50% of the pension voluntarily and the contribution shall not exceed a specific ratio of the salary. Durabook Americas Inc. recognized the amount of the retirement fund that should be allocated according to the pension plan as current expense.

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

The Group's pension costs under the defined contribution plan were \$7,484 thousand and \$6,858 thousand for the years ended December 31, 2021 and 2020, respectively.

(ii) Short-term employee benefit liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Compensated absence liabilities	<u>\$ 8,108</u>	<u>8,207</u>

(m) Income taxes

(i) Income tax expenses

The amount of the Company's income tax for the years ended December 31, 2021 and 2020, was as follows:

	<b>2021</b>	<b>2020</b>
Current income tax expense		
Current period	\$ 209	329
Adjustment for prior periods	<u>37</u>	<u>8</u>
Income tax expense from continuing operations	<u>\$ 246</u>	<u>337</u>

(Continued)

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

Reconciliations of the Group's income tax expenses and the income before tax for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Income before tax	\$ <u>26,018</u>	<u>15,769</u>
Income tax using the Company's domestic tax rate	\$ 5,204	3,154
Effect of tax rates in foreign jurisdiction	3,196	(1,412)
Adjustment under tax laws	2,154	302
Gain from equity investments under the equity method	(1,485)	(2,028)
Dividend income	-	(64)
Change in unrecognized deferred tax assets for tax losses	(7,170)	(10,127)
Overestimate of previous deferred tax assets	20	-
Change in unrecognized deductible temporary differences	978	10,504
Underestimate of previous income tax	37	8
Others	<u>(2,688)</u>	<u>-</u>
Income tax expense	\$ <u>246</u>	<u>337</u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Deductible temporary differences	\$ 144,281	139,390
The carryforward of unused tax losses	<u>1,742,388</u>	<u>1,039,149</u>
	\$ <u>1,886,669</u>	<u>1,178,539</u>

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

(Continued)

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

As of December 31, 2021, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

a) Taiwan

<u>Year of tax loss occurred</u>	<u>Amount</u>	<u>Year of expiration</u>
2013	\$ 59,124	2023
2014	85,358	2024
2015	95,026	2025
2016	298,592	2026
2017	71,323	2027
2019	25,418	2029
2020	686,474	2030
	<u>\$ 1,321,315</u>	

b) United States (Federal tax)

<u>Year of tax loss occurred</u>	<u>Amount</u>	<u>Year of expiration</u>
2012	\$ 8,529	2032
2013	14,644	2033
2014	6,054	2034
2015	39,768	2035
2016	41,280	2036
2018	11,126	2038
2019	44,372	2039
2020	29,977	2040
2021	17,661	2041
	<u>\$ 213,411</u>	

2) Recognized deferred tax assets

Changes in the amount of deferred tax assets for 2021 and 2020 were as follows:

Deferred tax assets:

	<u>Loss carryforwards</u>	<u>Allowance for inventory valuation</u>	<u>Impairment loss</u>	<u>Others</u>	<u>Total</u>
<b>Balance at January 1, 2021</b>	\$ 6,366	22,453	11,200	3,320	43,339
Recognized in profit or loss	(134)	(439)	-	573	-
Foreign currency translation differences for foreign operations	(178)	(87)	-	(29)	(294)
<b>Balance at December 31, 2021</b>	<u>\$ 6,054</u>	<u>21,927</u>	<u>11,200</u>	<u>3,864</u>	<u>43,045</u>

(Continued)

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

	Loss carryforwards	Allowance for inventory valuation	Impairment loss	Others	Total
<b>Balance at January 1, 2020</b>	\$ 5,655	23,453	11,200	3,582	43,890
Recognized in profit or loss	1,030	(831)	-	(199)	-
Foreign currency translation differences for foreign operations	(319)	(169)	-	(63)	(551)
<b>Balance at December 31, 2020</b>	<u>\$ 6,366</u>	<u>22,453</u>	<u>11,200</u>	<u>3,320</u>	<u>43,339</u>

(iii) Income tax assessment

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

(n) Capital and other equity

As of December 31, 2021 and 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 and 195,924 thousand ordinary shares were issued, respectively. In addition, 1 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 years ended December 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
Capital reduction to offset accumulated deficits	(171,125)	-	(7)	-
Retirement of treasury shares	-	(3,007)	-	-
Ending balance on December 31	<u>24,799</u>	<u>195,924</u>	<u>1</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.

(Continued)



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

- 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.
  - 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.
- (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.

(Continued)

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

The Company's accumulated undistributed preference share dividend of \$405 thousand and \$403 thousand as of December 31, 2021 and 2020, respectively, will be recognized and distributed if approved in the shareholders' meeting.

On March 21, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings as follows:

	<b>2021</b>	
	<b>Amount per share (NT dollars)</b>	<b>Amount</b>
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.00	<b>24,799</b>

(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)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Non- controlling interests</b>	<b>Total</b>
Balance at January 1, 2021	\$ 39,712	(17,499)	1,921	24,134
Foreign exchange differences arising from foreign operation	2,489	-	414	2,903
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	508	-	508
Balance at December 31, 2021	<b>\$ 42,201</b>	<b>(16,991)</b>	<b>2,335</b>	<b>27,545</b>
Balance at January 1, 2020	\$ 37,576	(15,118)	3,011	25,469
Foreign exchange differences arising from foreign operation	2,136	-	(1,090)	1,046
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(4,921)	-	(4,921)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	2,540	-	2,540
Balance at December 31, 2020	<b>\$ 39,712</b>	<b>(17,499)</b>	<b>1,921</b>	<b>24,134</b>

(Continued)

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

(o) Earnings per share

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

(i) Basic earnings per share

	<u>2021</u>	<u>2020</u>
Net income of the Company	\$ 28,182	21,387
Dividends on non-redeemable preference shares	(2)	(17)
Net income attributable to ordinary shareholders of the Company	<u>\$ 28,180</u>	<u>21,370</u>
Weighted average number of ordinary shares	<u>24,799</u>	<u>24,799</u>
Basic earnings per share (in NTD)	<u>\$ 1.14</u>	<u>0.86</u>

(ii) Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Net income attributable to ordinary shareholders of the Company (basic)	\$ 28,180	21,370
Dividends on non-redeemable preference shares	2	17
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 28,182</u>	<u>21,387</u>
Weighted average number of ordinary shares outstanding (basic)	24,799	24,799
Effect of dilutive potential ordinary shares		
Effect of remuneration to employees	171	-
Effect of convertible preference shares	1	1
Weighted average number of shares outstanding (diluted)	<u>24,971</u>	<u>24,800</u>
Diluted earnings per share (in NTD)	<u>\$ 1.13</u>	<u>0.86</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
United States	\$ 273,522	336,791
Taiwan	77,819	162,439
Germany	132,297	128,262
China	58,289	70,213
France	57,013	42,631
Others	268,953	123,023
	<u>\$ 867,893</u>	<u>863,359</u>

(Continued)

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

	<u>2021</u>	<u>2020</u>
Major products/services lines:		
Laptop	\$ 703,949	620,544
Mainboard	72,138	140,650
Sales of Materials and others	<u>91,806</u>	<u>102,165</u>
	<u>\$ 867,893</u>	<u>863,359</u>

## (ii) Contract Balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes receivable	\$ 116	-	-
Accounts receivable	70,836	60,578	85,893
Accounts receivable – related parties	-	2,848	-
Less: allowance for impairment	-	-	(899)
Total	<u>\$ 70,952</u>	<u>63,426</u>	<u>84,994</u>

Please refer to the note 6(b) for the details on notes receivable, accounts receivables and allowance for impairment.

## (q) Remunerations to employees and directors

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 year ended December 31, 2021, the estimated employee remuneration amounted to \$3,203 thousand and the estimated directors' remuneration amounted \$640 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. 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. The amounts, as stated in the consolidated financial statements, were identical to those of the actual distributions for 2021.

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

(Continued)

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

(r) Non-operating income and expenses

(i) Interest income

	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ <u>168</u>	<u>246</u>

(ii) Other income

	<u>2021</u>	<u>2020</u>
Rental income	\$ 27,208	27,721
Dividend income	-	321
Other income — other		
Government grants	6,760	7,129
Other	<u>6,755</u>	<u>1,858</u>
Subtotal	<u>13,515</u>	<u>8,987</u>
Total other income	\$ <u>40,723</u>	<u>37,029</u>

(iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	\$ (10,584)	(9,353)
Others	<u>(2,720)</u>	<u>(2,702)</u>
Other gains and losses, net	\$ <u>(13,304)</u>	<u>(12,055)</u>

(iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense	\$ <u>(10,847)</u>	<u>(11,680)</u>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2021 and 2020, the maximum credit risk exposure amounted to \$317,537 thousand and \$329,585 thousand, respectively.

2) Concentration of credit risk

As of December 31, 2021 and 2020, 22% and 35%, respectively, of the accounts receivable were from the sales to one customer. In addition, for the years ended December 31, 2021 and 2020, 75% and 71%, respectively, of the sales of the Group concentrated in the Americas and Europe.

(Continued)

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

(ii) 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>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 620,000	623,179	623,179	-	-	-
Notes payable	177	177	177	-	-	-
Accounts payable	75,461	75,461	75,461	-	-	-
Other payables	61,523	61,523	61,523	-	-	-
Lease liabilities	33,922	34,719	17,362	17,126	231	-
Guarantee deposits received	6,676	6,676	100	3,469	3,107	-
Preference shares (including preference shares dividends)	11	416	416	-	-	-
	<u>\$ 797,770</u>	<u>802,151</u>	<u>778,218</u>	<u>20,595</u>	<u>3,338</u>	<u>-</u>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 620,000	623,012	623,012	-	-	-
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	487	487	-	-	-
	<u>\$ 865,127</u>	<u>870,308</u>	<u>835,389</u>	<u>17,512</u>	<u>17,407</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.

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>December 31, 2021</b>			
Financial assets:			
Monetary assets:			
USD	\$ 19,893	27.68	550,638
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,276	27.68	35,320

(Continued)

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

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of December 31, 2021 and 2020, with all other variable factors remaining constant, would have increased (decreased) the net income before tax by \$5,152 thousand and \$5,280 thousand, respectively. The analysis was performed on the same basis for both periods with all other variable factors remaining constant, gains.

3) Foreign exchange gain and loss on monetary item

Due to the numerous types of functional currency of the Group, the Group aggregately discloses its exchange gains and losses on monetary items. The Group's exchange losses, including realized and unrealized, were \$10,584 thousand and \$9,353 thousand for the years ended December 31, 2021 and 2020, respectively.

(iv) Interest rate risk analysis

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

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

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have both increased/decreased by \$6,200 thousand for the years ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

(Continued)

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

## (v) Fair value

## 1) Categories and fair value of financial instruments

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

	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 1,744	-	-	1,744	1,744
Unlisted stocks (overseas)	59	-	-	59	59
Subtotal	<u>1,803</u>	<u>-</u>	<u>-</u>	<u>1,803</u>	<u>1,803</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	236,489	-	-	-	-
Notes and accounts receivable (including related parties)	70,952	-	-	-	-
Other receivables	1,222	-	-	-	-
Refundable deposits	7,071	-	-	-	-
Subtotal	<u>315,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 317,537</u>	<u>-</u>	<u>-</u>	<u>1,803</u>	<u>1,803</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 620,000	-	-	-	-
Notes and accounts payable	75,638	-	-	-	-
Other payables	61,523	-	-	-	-
Lease liabilities	33,922	-	-	-	-
Guarantee deposits received	6,676	-	-	-	-
Preference shares	11	-	-	-	-
Total	<u>\$ 797,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)



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

	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)	68	-	-	68	68
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	-	-	-	-
Notes and accounts receivable	63,426	-	-	-	-
Refundable deposits	7,110	-	-	-	-
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>

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.

(Continued)

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

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

3) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance at January 1, 2021	\$ 6,481
Total gain recognized:	
In other comprehensive income	508
Return of capital for the period	(5,186)
Balance at December 31, 2021	<u>\$ 1,803</u>
Balance at January 1, 2020	\$ 18,082
Total loss recognized:	
In other comprehensive income	(4,921)
Return of capital for the period	(6,125)
Additions	5
Disposal	(560)
Balance at December 31, 2020	<u>\$ 6,481</u>

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

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income—equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>· Multiplier of price-to-book ratio (As of December 31, 2021 and 2020 was 0.08~1.00 and 0.08~0.99, respectively.)</li> <li>· Market illiquidity discount rate (As of December 31, 2021 and 2020 were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> <li>· the multiplier were higher (lower)</li> <li>· the market illiquidity discount were lower (higher)</li> </ul>

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

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

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2021</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 113	(113)
<b>December 31, 2020</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	405	(405)

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.

(Continued)

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

(t) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

(Continued)

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

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

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

2) Investments

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

3) Guarantees

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

- a) entity with business relationship,
- b) entity holds directly or indirectly more than 50% of the shares in the Group,
- c) entity that holds directly or indirectly more than 50% of the voting rights in the Group.

As of December 31, 2021 and 2020, no other guarantees were provided.

(iv) Liquidity risk

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

(Continued)

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

(v) Market risk

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

1) Currency risk

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

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

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

2) Interest rate risk

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

(u) Capital management

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

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

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

(Continued)

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

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Total liabilities	\$ <u>841,288</u>	<u>912,223</u>
Total assets	\$ <u>1,126,899</u>	<u>1,168,651</u>
Debt ratio	<u>75 %</u>	<u>78 %</u>

As of December 31, 2021, there were no material changes in the Group's debt ration.

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

The Group did not have any non-cash flow transactions on its investing activities for the years ended December 31, 2021 and 2020.

For the years ended December 31, 2021 and 2020, the reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1,</u> <u>2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December</u> <u>31, 2021</u>
			<u>Foreign</u> <u>exchange</u> <u>movement</u>	<u>Other</u>	
Short-term borrowings	\$ 620,000	-	-	-	620,000
Lease liabilities	50,465	(16,420)	(123)	-	33,922
Total liabilities from financing activities	<u>\$ 670,465</u>	<u>(16,420)</u>	<u>(123)</u>	<u>-</u>	<u>653,922</u>

  

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

**(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.)

(Continued)

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

(b) Significant transactions with related party

(i) Operating revenue

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

	<u>2021</u>	<u>2020</u>
NCS	<u>\$ 5,662</u>	<u>140,467</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>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	Other related parties	<u>\$ -</u>	<u>2,848</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>December 31, 2021</u>	<u>December 31, 2020</u>
NCS	<u>\$ 6,880</u>	<u>3,994</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 21,122	19,712
Post-employment benefits	<u>216</u>	<u>216</u>
	<u>\$ 21,338</u>	<u>19,928</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	Short-term borrowings	\$ 107,832	107,832
Buildings	Short-term borrowings	159,997	164,452
Investment property	Short-term borrowings	<u>142,763</u>	<u>144,166</u>
		<u>\$ 410,592</u>	<u>416,450</u>

(Continued)



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

- (9) **Commitments and contingencies: None.**
- (10) **Losses Due to Major Disasters: None.**
- (11) **Subsequent Events: None.**
- (12) **Other**

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

By function By nature	Years ended December 31, 2021			Years ended December 31, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	28,029	138,433	166,462	26,800	135,248	162,048
Labor and health insurance	3,049	11,447	14,496	2,783	10,496	13,279
Pension	1,504	5,980	7,484	1,470	5,388	6,858
Remuneration of directors	-	3,776	3,776	-	2,775	2,775
Others	1,866	3,547	5,413	1,836	3,444	5,280
Depreciation (note)	4,863	21,161	26,024	4,765	22,889	27,654
Amortization	-	11,847	11,847	-	14,050	14,050

Note: Depreciation expenses for investment property recognized under other income and expenses to \$2,719 thousand and \$2,701 thousand for the years ended December 31, 2021 and 2020, respectively.

(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 years ended December 31, 2021:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 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				Maximum investment in 2021	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	1,744	10.000 %	1,744	10,375	
The Company	II, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	30,800	Note 1
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	63,609	Note 1
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	59	0.691 %	59	5,015	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	8,969	Note 1
The Company	Durabook Federal, Inc	-	Non-current financial assets at fair value through other comprehensive income	19	-	19.000 %	-	5	Note 1

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

- (iv) Accumulated holding amount of a single security in excess of NT\$300 million or 20% of the Company's issued share capital: None.
- (v) Acquisition of real estate in excess of NT\$300 million or 20% of the Company's issued share capital: None.
- (vi) Disposal of real estate in excess of NT\$300 million or 20% of the Company's issued share capital: None.
- (vii) Sales to and purchases from related parties in excess of \$100 million or 20% of the Company's issued share capital:

(in Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Durabook	Subsidiary	(Sale)	(77,648)	(9) %	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	46,439 (Note 1)	23 %	Note 2
Durabook Americas Inc.	The Company	Parent company	Purchase	77,648	89 %	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	(46,439)	(98) %	Note 2

Note 1: As of December 31, 2021, the Company's accounts receivable of \$112,690 thousand, which was offset against the investments of \$66,251 thousand, accounted for using the equity method of Durabook.

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

(Continued)

**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**  
**Notes to 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	318,240 (Note 3)	-	318,240 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	6,233	-
The Company	Durabook	Subsidiary	112,690 (note 4)	0.77	60,083 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	9,032	-

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

Note 2: Until March 21, 2022.

Note 3: As of December 31, 2021, the Company's accounts receivable and accounts payable of \$424,856 thousand and \$106,616 thousand, respectively, were derived from the purchasing of supplies on behalf of, and the purchasing of goods from, Twinhead Kunshan Technology Co., Ltd., resulting in the net accounts receivable to be \$318,240 thousand.

Note 4: As of December 31, 2021, the Company's accounts receivable from Durabook were \$112,690 thousand. The overdue receivables of \$60,083 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			Percentage of the total consolidated revenue or total assets
				Account name	Amount (Note 5)	Trading terms	
0	The Company	Durabook	1	Sales revenue	77,648	The transaction is not significantly different from normal transactions	8.95 %
0	The Company	Kunshan Lun Teng	1	Sales revenue	44,842	The transaction is not significantly different from normal transactions	5.17 %
0	The Company	Durabook	1	Accounts receivable – related parties	46,439 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	4.12 %
0	The Company	Twinhead Kunshan Technology Co., Ltd.	1	Long-term accounts receivable – related parties	82,129 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A over 180 days	7.29 %

Note 1: Company numbering is as follows:

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

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

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

Note 3: As of December 31, 2021, the Company's accounts receivable of \$112,690 thousand, which was offset against the investment of \$66,251 thousand, accounted for using the equity method of Durabook.

Note 4: As of December 31, 2021, the Company's accounts receivable and accounts payable of \$424,856 thousand and \$106,616 thousand, respectively, were derived from the purchasing of supplies on behalf of, and the purchasing of goods from, Twinhead Kunshan Technology Co., Ltd., resulting in the net accounts receivable to be \$318,240 thousand, which was offset against the investment of \$236,111 thousand, accounted for using the equity method of Twinhead Kunshan Technology Co., Ltd..

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.

(Continued)

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2020	Net income (loss) of investee	Investment income (losses)	Remarks
				December 31, 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)	73,442	(12,052)	(9,642)	Subsidiary (note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	539,919	17,069	17,069	Subsidiary (note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,195	1,388	(92)	(92)	Indirect subsidiary (note 2)

Note 1: The exchange rate as of December 31, 2021 : USD1=TWD27.68.

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 December 31, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2020	Investment income (losses) (Note 2)	Book value as of December 31, 2021	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Twinhead Kunshan Technology Co., Ltd.	Sales and production of PDAs, calculators and their parts, and computer keyboards	346,000 (USD12,500)	(2)	346,000 (USD12,500)	-	-	346,000 (USD12,500)	15,405	100.00 %	346,000 (USD12,500)	15,405	(254,401)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	110,720 (USD4,000)	(2)	55,360 (USD2,000)	-	-	55,360 (USD2,000)	-	- %	55,360 (USD2,000)	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	5,813 (USD210)	(2)	5,813 (USD210)	-	-	5,813 (USD210)	2,159	100.00 %	5,813 (USD210)	2,159	19,095	-

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

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

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The exchange rate as of December 31, 2021 : USD1=TWD27.68.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 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	443,157 (USD16,010)	443,157 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of December 31, 2021: USD1=TWD27.68.

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.

(Continued)

**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:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Kaos Enterprise Co., Ltd.		3,973,315	16.02 %
Protegas Futuro Holdings, LLC		3,802,385	15.33 %
Outstanding Corporation		1,644,480	6.63 %
KANG EEL SHIUAN Co., Ltd.		1,391,327	5.61 %

Unit: share

**(14) Segment information**

(a) General information

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

(b) Information about the products and services

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

<u>Products and services</u>	<u>2021</u>	<u>2020</u>
Laptop	\$ 703,949	620,544
Mainboard	72,138	140,650
Sales of materials and others	91,806	102,165
Total	<u>\$ 867,893</u>	<u>863,359</u>

(c) Geographical information

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

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
United States	\$ 273,522	336,791
Taiwan	77,819	162,439
Germany	132,297	128,262
China	58,289	70,213
France	57,013	42,631
Other countries	268,953	123,023
Total	<u>\$ 867,893</u>	<u>863,359</u>

(Continued)

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

<u>Geographical information</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current assets:		
Taiwan	\$ 472,490	500,265
China	64,188	67,170
United States	<u>3,978</u>	<u>6,157</u>
Total	<u>\$ 540,656</u>	<u>573,592</u>

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

(d) Information about major customers

For the years ended December 31, 2021 and 2020, the Group's major customers whose revenue was 10% or more of the net sales were as follows:

<u>Name of customer</u>	<u>2021</u>	<u>2020</u>
Customer N	Note 1	202,713
Customer P	Note 1	93,932
Customer D	\$ 131,232	Note 2

Note 1: Revenue from aforementioned customers was not 10% or more of the net sales in 2021.

Note 2: Revenue from aforementioned customers was not 10% or more of the net sales in 2020.