

**TWINHEAD INTERNATIONAL CORP.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2022 and 2021**

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	11~31
(7) Related-party transactions	31~32
(8) Pledged assets	32
(9) Commitments and contingencies	32
(10) Losses Due to Major Disasters	32
(11) Subsequent Events	32
(12) Other	33
(13) Other disclosures	
(a) Information on significant transactions	34~35
(b) Information on investees	35
(c) Information on investment in mainland China	36
(d) Major shareholders	37
(14) Segment information	37



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## Independent Auditors' Review Report

To the Board of Directors  
Twinhead International Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Twinhead International Corp. ("the Company") and its subsidiaries ("the Group") as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4 (b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$155,110 thousand and \$97,994 thousand, constituting 13.23% and 8.57% of the consolidated total assets; and the total liabilities amounting to \$31,352 thousand and \$11,910 thousand, constituting 3.54% and 1.34% of the consolidated total liabilities as of March 31, 2022 and 2021, respectively; as well as the total comprehensive income (loss) amounting to \$(4,055) thousand and \$1,099 thousand, constituting (224.90)% and 85.53% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2022 and 2021, respectively.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

May 11, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021**

**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2022, December 31 and March 31, 2021**

(Expressed in Thousands of New Taiwan Dollar)

		<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>				<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>								<b>Liabilities and Equity</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 233,281	20	236,489	21	209,128	18	2100	Short-term borrowings (notes 6(h) and 8)	\$ 620,000	53	620,000	55	620,000	54
1150	Notes receivable, net (notes 6(b) and 6(o))	77	-	116	-	-	-	2150	Notes payable	164	-	177	-	213	-
1170	Accounts receivable, net (notes 6(b) and 6(o))	79,931	7	70,836	6	58,171	5	2170	Accounts payable	128,716	11	75,461	7	121,536	11
1200	Other receivables	1,285	-	1,222	-	15	-	2200	Other payables (note 6(p))	51,040	4	61,523	5	43,087	4
130x	Inventories (note 6(c))	261,894	22	212,209	19	238,553	21	2250	Provisions—current	6,743	1	7,389	1	6,205	1
1470	Prepayments and other current assets	8,806	1	13,452	1	11,763	1	2280	Current lease liabilities (note 6(i))	16,939	1	16,774	1	16,542	1
	<b>Total current assets</b>	<u>585,274</u>	<u>50</u>	<u>534,324</u>	<u>47</u>	<u>517,630</u>	<u>45</u>	2300	Other current liabilities (note 7)	<u>33,333</u>	<u>3</u>	<u>28,946</u>	<u>3</u>	<u>28,127</u>	<u>2</u>
<b>Non-current assets:</b>									<b>Total current liabilities</b>	<u>856,935</u>	<u>73</u>	<u>810,270</u>	<u>72</u>	<u>835,710</u>	<u>73</u>
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d))	1,515	-	1,803	-	8,117	1	2540	<b>Non-Current liabilities:</b>						
1600	Property, plant and equipment (notes 6(e) and 8)	276,801	23	278,146	25	284,063	25	2550	Long-term borrowings (note 6(h))	-	-	-	-	6,891	1
1755	Right-of-use assets (note 6(f))	39,475	3	43,142	4	55,793	5	2580	Provisions—non-current	6,832	1	5,669	1	5,199	-
1760	Investment property, net (notes 6(g), 6(j) and 8)	196,169	17	194,842	17	196,902	17	2645	Non-current lease liabilities (note 6(i))	13,064	1	17,148	1	29,967	3
1840	Deferred income tax assets	43,394	4	43,045	4	43,361	4	2670	Guarantee deposits received	6,811	1	6,676	1	6,785	1
1920	Refundable deposits	7,115	1	7,071	1	7,111	1		Other non-current liabilities	1,487	-	1,525	-	1,573	-
1995	Other non-current assets	22,800	2	24,526	2	30,861	2		<b>Total non-current liabilities</b>	<u>28,194</u>	<u>3</u>	<u>31,018</u>	<u>3</u>	<u>50,415</u>	<u>5</u>
	<b>Total non-current assets</b>	<u>587,269</u>	<u>50</u>	<u>592,575</u>	<u>53</u>	<u>626,208</u>	<u>55</u>		<b>Total liabilities</b>	<u>885,129</u>	<u>76</u>	<u>841,288</u>	<u>75</u>	<u>886,125</u>	<u>78</u>
									<b>Equity attributable to owners of parent (note 6(m)):</b>						
									Share capital:						
								3110	Ordinary shares	247,993	21	247,993	22	1,959,240	171
								3120	Preference shares	11	-	11	-	84	-
										<u>248,004</u>	<u>21</u>	<u>248,004</u>	<u>22</u>	<u>1,959,324</u>	<u>171</u>
								3350	Retained earnings (accumulated deficits)	<u>38,566</u>	<u>3</u>	<u>28,182</u>	<u>3</u>	<u>(1,711,028)</u>	<u>(150)</u>
									Other equities:						
								3410	Exchange differences on translation of foreign financial statements	34,759	3	42,201	4	40,337	4
								3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(17,279)	(2)	(16,991)	(3)	(15,863)	(2)
										<u>17,480</u>	<u>1</u>	<u>25,210</u>	<u>1</u>	<u>24,474</u>	<u>2</u>
									Total equity attributable to owners of parent	<u>304,050</u>	<u>25</u>	<u>301,396</u>	<u>26</u>	<u>272,770</u>	<u>23</u>
								36xx	<b>Non-controlling interests</b>	<u>(16,636)</u>	<u>(1)</u>	<u>(15,785)</u>	<u>(1)</u>	<u>(15,057)</u>	<u>(1)</u>
									<b>Total equity</b>	<u>287,414</u>	<u>24</u>	<u>285,611</u>	<u>25</u>	<u>257,713</u>	<u>22</u>
<b>Total assets</b>		<u>\$ 1,172,543</u>	<u>100</u>	<u>1,126,899</u>	<u>100</u>	<u>1,143,838</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 1,172,543</u>	<u>100</u>	<u>1,126,899</u>	<u>100</u>	<u>1,143,838</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(o) and 7)	\$ 197,247	100	185,269	100
5000	Operating costs (notes 6(c), 6(i) and 6(k))	<u>142,766</u>	<u>72</u>	<u>130,242</u>	<u>70</u>
5900	Gross profit	<u>54,481</u>	<u>28</u>	<u>55,027</u>	<u>30</u>
6000	Operating expenses (notes 6(i), 6(k), 6(p) and 7):				
6100	Selling expenses	12,700	6	13,390	8
6200	Administrative expenses	31,302	16	29,674	16
6300	Research and development expenses	<u>20,865</u>	<u>11</u>	<u>19,123</u>	<u>10</u>
	Total operating expenses	<u>64,867</u>	<u>33</u>	<u>62,187</u>	<u>34</u>
6900	Net operating loss	<u>(10,386)</u>	<u>(5)</u>	<u>(7,160)</u>	<u>(4)</u>
7000	Non-operating income and expenses (notes 6(i) and 6(q)):				
7100	Interest income	45	-	43	-
7010	Other income	8,754	4	12,371	6
7020	Other gains and losses	14,252	7	(3,461)	(2)
7050	Finance costs	<u>(2,533)</u>	<u>(1)</u>	<u>(2,732)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>20,518</u>	<u>10</u>	<u>6,221</u>	<u>3</u>
	Income(Loss) from continuing operations before tax	10,132	5	(939)	(1)
7950	Less: Income tax expense (note 6(m))	<u>51</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net income (loss)	<u>10,081</u>	<u>5</u>	<u>(939)</u>	<u>(1)</u>
8300	Other comprehensive income (loss) (note 6(l)):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(288)	-	1,636	1
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(288)</u>	<u>-</u>	<u>1,636</u>	<u>1</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(7,990)	(4)	588	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(7,990)</u>	<u>(4)</u>	<u>588</u>	<u>1</u>
8300	Other comprehensive income (loss), net	<u>(8,278)</u>	<u>(4)</u>	<u>2,224</u>	<u>2</u>
	Total comprehensive income (loss)	<u>\$ 1,803</u>	<u>1</u>	<u>1,285</u>	<u>1</u>
	Net income (loss) attributable to:				
8610	Owners of parent	\$ 10,384	5	292	-
8620	Non-controlling interests	<u>(303)</u>	<u>-</u>	<u>(1,231)</u>	<u>(1)</u>
		<u>\$ 10,081</u>	<u>5</u>	<u>(939)</u>	<u>(1)</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 2,654	1	2,553	2
8720	Non-controlling interests	<u>(851)</u>	<u>-</u>	<u>(1,268)</u>	<u>(1)</u>
		<u>\$ 1,803</u>	<u>1</u>	<u>1,285</u>	<u>1</u>
9750	Basic earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ 0.42</u>		<u>0.01</u>	
9850	Diluted earnings per share (in New Taiwan dollar) (note 6(n))	<u>\$ 0.41</u>		<u>0.01</u>	

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

**Consolidated Statements of Changes in Equity**

**For the three months ended March 31, 2022 and 2021**

**(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			
<b>Balance at January 1, 2021</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)	-	-	-	292	-	-	-	292	(1,231)	(939)
Other comprehensive income (loss)	-	-	-	-	625	1,636	2,261	2,261	(37)	2,224
Total comprehensive income (loss)	-	-	-	292	625	1,636	2,261	2,553	(1,268)	1,285
<b>Balance at March 31, 2021</b>	<b>\$ 1,959,240</b>	<b>84</b>	<b>1,959,324</b>	<b>(1,711,028)</b>	<b>40,337</b>	<b>(15,863)</b>	<b>24,474</b>	<b>272,770</b>	<b>(15,057)</b>	<b>257,713</b>
<b>Balance at January 1, 2022</b>	\$ 247,993	11	248,004	28,182	42,201	(16,991)	25,210	301,396	(15,785)	285,611
Net income (loss)	-	-	-	10,384	-	-	-	10,384	(303)	10,081
Other comprehensive income (loss)	-	-	-	-	(7,442)	(288)	(7,730)	(7,730)	(548)	(8,278)
Total comprehensive income (loss)	-	-	-	10,384	(7,442)	(288)	(7,730)	2,654	(851)	1,803
<b>Balance at March 31, 2022</b>	<b>\$ 247,993</b>	<b>11</b>	<b>248,004</b>	<b>38,566</b>	<b>34,759</b>	<b>(17,279)</b>	<b>17,480</b>	<b>304,050</b>	<b>(16,636)</b>	<b>287,414</b>

See accompanying notes to consolidated financial statements.

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**Reviewed only, not audited in accordance with generally accepted auditing standards**

**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollar)**

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from (used in) operating activities:</b>		
Net income (loss) before tax	\$ 10,132	(939)
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	6,929	7,450
Amortization	2,813	2,911
Interest expense	2,533	2,732
Interest income	(45)	(43)
Total adjustments to reconcile profit	<u>12,230</u>	<u>13,050</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
Notes receivable	39	-
Accounts receivable	(9,095)	2,407
Accounts receivable—related parties	-	2,848
Other receivables	(48)	-
Inventories	(49,685)	(31,125)
Prepayments and other current assets	4,646	2,944
Total changes in operating assets, net	<u>(54,143)</u>	<u>(22,926)</u>
<b>Net changes in operating liabilities:</b>		
Notes payable	(13)	26
Accounts payable	53,255	(8,323)
Other payables	(10,672)	(14,409)
Provisions	517	(219)
Other current liabilities	4,365	(5,749)
Other non-current liabilities	(38)	203
Total changes in operating liabilities, net	<u>47,414</u>	<u>(28,471)</u>
Total changes in operating assets and liabilities, net	<u>(6,729)</u>	<u>(51,397)</u>
Total adjustments	<u>5,501</u>	<u>(38,347)</u>
Cash inflow generated from (used in) operating activities	15,633	(39,286)
Interest received	30	28
Interest paid	(2,162)	(2,690)
Income taxes paid	(31)	(311)
<b>Net cash flows from (used in) operating activities</b>	<u>13,470</u>	<u>(42,259)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(641)	(872)
Increase in other non-current assets	(1,087)	(3,833)
<b>Net cash flows used in investing activities</b>	<u>(1,728)</u>	<u>(4,705)</u>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from long-term debt	-	6,891
Payment of lease liabilities	(4,046)	(3,958)
Interest paid	(182)	(275)
<b>Net cash flows from (used in) financing activities</b>	<u>(4,228)</u>	<u>2,658</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(10,722)</u>	<u>866</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(3,208)</u>	<u>(43,440)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>236,489</u>	<u>252,568</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 233,281</u>	<u>209,128</u>



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

**TWINHEAD INTERNATIONAL CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**March 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)**

**(1) Company history**

TWINHEAD INTERNATIONAL CORP. (the Company) was incorporated on February 27, 1984, as a company limited by shares under the laws of the Republic of China (ROC). The consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies. The Group is mainly engaged in the design, manufacture, sale and development of computers, computer components, peripherals, software, ASIC chips and workstations, and operation of telecommunication-related business.

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

The consolidated financial statements were reported to the Board of Directors and issued on May 11, 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 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**

- (b) 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**

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

- (a) Statement of compliance

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

(Continued)

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

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2021.

The consolidated entities were as follows:

Name of investor		Name of subsidiary	Principal activity	Percentage of ownership			Remarks
				March 31, 2022	December 31, 2021	March 31, 2021	
The Company		Durabook Americas Inc. (Durabook)	The trading of computers and computer peripheral equipment	80.000 %	80.000 %	80.000 %	Note 1
The Company		Twinhead (Asia) Pte Ltd. (Twinhead (Asia))	Investment holding	100.000 %	100.000 %	100.000 %	Note 1
Twinhead (Asia) Pte Ltd.		Twinhead Enterprises (BVI) Ltd.	Investment holding	100.000 %	100.000 %	100.000 %	Note 1
Twinhead (Asia) Pte Ltd.		Twinhead Kunshan Technology Co., Ltd. (Twinhead Kunshan)	Sales and production of PDAs, calculators and their parts, and computer keyboards	100.000 %	100.000 %	100.000 %	Note 1
Twinhead (Asia) Pte Ltd.		Kunshan Lun Teng System Co., Ltd. (Kunshan Lun Teng)	Import and export of computers, electronic components, and digital cameras, and technical consultant services	100.000 %	100.000 %	100.000 %	Note 1

Note 1: Because they are non-significant subsidiaries, their financial statements were not reviewed by independent auditors.

(c) Income taxes

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

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

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

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

**(6) Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Petty cash	\$ 331	289	342
Checking and demand deposits	<u>232,950</u>	<u>236,200</u>	<u>208,786</u>
Cash and cash equivalents per consolidated statements of cash flows	<u><b>\$ 233,281</b></u>	<u><b>236,489</b></u>	<u><b>209,128</b></u>

(b) Accounts receivables and notes receivable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 77	116	-
Accounts receivable	<u>79,931</u>	<u>70,836</u>	<u>58,171</u>
	<u><b>\$ 80,008</b></u>	<u><b>70,952</b></u>	<u><b>58,171</b></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:

	<u>March 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 66,848	-	-
1 to 30 days past due	10,843	-	-
31 to 60 days past due	80	-	-
61 to 90 days past due	817	-	-
91 to 180 days past due	<u>1,420</u>	-	-
	<u><b>\$ 80,008</b></u>		<u><b>-</b></u>

(Continued)

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

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 47,745	-	-
1 to 30 days past due	22,323	-	-
31 to 60 days past due	884	-	-
	<b>\$ 70,952</b>		<b>-</b>

  

	<b>March 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 50,050	-	-
1 to 30 days past due	8,070	-	-
31 to 60 days past due	51	-	-
	<b>\$ 58,171</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:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Merchandise	\$ 4,254	4,660	11,008
Finished goods	62,287	57,960	48,718
Work in progress	41,461	4,572	38,650
Raw materials and supplies	152,202	143,114	136,734
Goods in transit	1,690	1,903	3,443
Total	<b>\$ 261,894</b>	<b>212,209</b>	<b>238,553</b>

As of March 31, 2022, December 31 and March 31, 2021, the Group's inventories were not provided as pledged assets.

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

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Loss on (reversal of) decline in market value of inventory	<b>\$ 4,843</b>	<b>(276)</b>

(Continued)

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Equity investments at fair value through other comprehensive income:			
Unlisted stocks (domestic)	\$ 1,457	1,744	8,054
Unlisted stocks (overseas)	<u>58</u>	<u>59</u>	<u>63</u>
Total	<u>\$ 1,515</u>	<u>1,803</u>	<u>8,117</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, resulting in the Group to receive the refunds of \$5,186 thousand in August 2021.

No strategic investments were disposed for the three months ended March 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

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

(e) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:					
January 1, 2022	\$ 107,832	161,136	3,811	5,367	278,146
March 31, 2022	<u>\$ 107,832</u>	<u>159,974</u>	<u>3,651</u>	<u>5,344</u>	<u>276,801</u>
January 1, 2021	<u>\$ 107,832</u>	<u>165,606</u>	<u>3,817</u>	<u>8,523</u>	<u>285,778</u>
March 31, 2021	<u>\$ 107,832</u>	<u>164,632</u>	<u>4,098</u>	<u>7,501</u>	<u>284,063</u>

For the three months ended March 31, 2022 and 2021, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on property, plant and equipment. For the information on depreciation expenses for the three months ended March 31, 2022 and 2021, please refers to note 12; for pledged property, plant and equipment, please refers to note 8; for other relative information, please refers to note 6(e) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

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

(f) Right-of-use assets

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying value:				
January 1, 2022	\$ 10,037	31,811	1,294	43,142
March 31, 2022	\$ 10,360	27,953	1,162	39,475
January 1, 2021	\$ 10,349	47,855	1,822	60,026
March 31, 2021	\$ 10,233	43,870	1,690	55,793

For the three months ended March 31, 2022 and 2021, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on right-of-use assets. For the information on depreciation expenses of right-of-use assets for the three months ended March 31, 2022 and 2021, please refers to note 12; for other relative information, please refers to note 6(f) of the consolidated financial statements for the year ended December 31, 2021.

(g) Investment property

For the three months ended March 31, 2022 and 2021, the Group did not have any significant purchase, disposal, or provision (reversal) of impairment on investment properties. For the information on depreciation expenses of investment property for the three months ended March 31, 2022 and 2021, please refers to note 12; for pledged investment properties, please refers to note 8; for other related information, please refers to note 6(g) of the consolidated financial statements for the year ended December 31, 2021.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(g) of the consolidated financial statements for the year ended December 31, 2021.

(h) Long-term and short-term loans

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

(i) Short-term loans

	<u>March 31, 2022</u>			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	TWD	1.51~1.65	2022	\$ 210,000
Secured bank loans	TWD	1.50~1.75	2022~2023	410,000
Total				<u>\$ 620,000</u>
	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	TWD	1.51~1.65	2022	\$ 210,000
Secured bank loans	TWD	1.41~1.50	2022	410,000
Total				<u>\$ 620,000</u>

(Continued)

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

	<b>March 31, 2021</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	2021~2022	320,000
Total				<b>\$ 620,000</b>

As of March 31, 2022, December 31 and March 31, 2021, the unused credit facilities amounted to \$499,920 thousand, \$496,120 thousand and \$479,560 thousand, respectively.

(ii) Long-term loans

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

As of March 31, 2022 and December 31, 2021 the Group had no long-term loans.

(iii) Collateral of loans

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

(i) Lease liabilities

The Group's lease liabilities were as follow:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Current	<b>\$ 16,939</b>	<b>16,774</b>	<b>16,542</b>
Non-current	<b>\$ 13,064</b>	<b>17,148</b>	<b>29,967</b>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<b>\$ 182</b>	<b>275</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 134</b>	<b>92</b>

(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>For the three months ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<b>\$ 4,362</b>	<b>4,325</b>

(i) Real estate leases

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

(ii) Other leases

The Group leases vehicles, with lease terms of three years. The Group has options to purchase the assets at the end of the contract term.

The Group also leases office and dormitory with contract terms of 1 to 2 years. These leases are leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(j) Operating leases

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

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
	Less than one year	\$ 24,128	23,904
One to two years	14,276	17,677	-
Two to three years	6,688	9,196	-
Total undiscounted lease payments	<b>\$ 45,092</b>	<b>50,777</b>	<b>7,449</b>

(k) Employee benefits

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

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 391	370
Operating expenses	1,501	1,477
	<b>\$ 1,892</b>	<b>1,847</b>

(Continued)

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

For other relative information, please refer to note 6(l) to the consolidated financial statements for the year ended December 31, 2021.

(l) Income taxes

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

The Group's income tax expense is as follows:

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Current income tax expense		
Current period	\$ <u>51</u>	<u>-</u>
Income tax expense from continuing operations	\$ <u><u>51</u></u>	<u><u>-</u></u>

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

(m) Capital and other equity

As of March 31, 2022, December 31 and March 31, 2021, 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, 24,799 thousand and 195,924 thousand ordinary shares were issued, respectively. In addition, 1 thousand, 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 three months ended March 31, 2022 and 2021, the reconciliation of outstanding shares of the Company was as follows:

	(Express in thousand shares)			
	<b>Ordinary shares</b>		<b>Preference shares</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Beginning balance on January 1				
(Balance at March 31)	<u><u>24,799</u></u>	<u><u>195,924</u></u>	<u><u>1</u></u>	<u><u>8</u></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.

(Continued)

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

- 2) Dividends and bonus are paid annually after being approved and declared in the annual ordinary shareholders' meeting. Dividends are calculated based on the prior year's days outstanding; however, upon conversion of their preference shares into ordinary shares, the cumulative convertible preference shareholders waive their rights to the current year's profit distribution.
- 3) Dividends and bonus in arrears must be made up in a later year before profits are distributed to ordinary shareholders. Upon conversion of preference shares into ordinary shares, dividends and bonus in arrears should be paid in full, and a cumulative convertible preference shareholders is precluded from sharing in the prior years' profit distribution with the ordinary shareholders. Except for the differences in dividend distribution, a 20% cumulative convertible preference shareholder shares the same rights or obligations as the ordinary stockholders.
- 4) One year after issuance, the cumulative convertible preference shareholders may, at their option, in June of every year, exchange their convertible preference shares for ordinary shares at a 1:1 ratio.
- 5) A cumulative convertible preference shareholder has a higher claim than the ordinary shareholders to the remaining assets in the event of the Company's liquidation, and is limited to the issuance amount of the cumulative convertible preference shares. Unless otherwise stipulated in the articles of incorporation, a cumulative preference shareholder has no other rights or obligations.
- 6) 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.

(Continued)

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

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

	<b>2021</b>
Dividends distributed to common shareholders:	
Cash	<b>\$ 24,799</b>

As of December 31, 2020, the Company had incurred accumulated deficits. Therefore, no dividends were distributed. Related information would be available at the Market Observation Post System Website.

The Company's accumulated undistributed preference shares dividend of \$406 thousand, \$405 thousand and \$404 thousand as of March 31, 2022, December 31 and March 31, 2021, respectively. The appropriation of dividend of \$405 thousand to preference shareholders from 2008 to 2021 was decided during the Company's board meeting held on March 21, 2022 and will be submitted to the stockholders' meeting for approval.

(iii) Other equities (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non- controlling interests	Total
Balance at January 1, 2022	\$ 42,201	(16,991)	2,335	27,545
Foreign exchange differences arising from foreign operation	(7,442)	-	(548)	(7,990)
Unrealized losses from financial assets measured at fair value through other comprehensive loss	-	(288)	-	(288)
Balance at March 31, 2022	<b>\$ 34,759</b>	<b>(17,279)</b>	<b>1,787</b>	<b>19,267</b>
Balance at January 1, 2021	\$ 39,712	(17,499)	1,921	24,134
Foreign exchange differences arising from foreign operation	625	-	(37)	588
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	1,636	-	1,636
Balance at March 31, 2021	<b>\$ 40,337</b>	<b>(15,863)</b>	<b>1,884</b>	<b>26,358</b>

(Continued)

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

(n) Earnings per share

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

(i) Basic earnings per share

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Net income of the Company	\$ 10,384	292
Dividends on non-redeemable preference shares	(1)	(1)
Net income attributable to ordinary shareholders of the Company	<u>\$ 10,383</u>	<u>291</u>
Weighted average number of ordinary shares	<u>24,799</u>	<u>24,799</u>
Basic earnings per share (in NTD)	<u>\$ 0.42</u>	<u>0.01</u>

(ii) Diluted earnings per share

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Net income attributable to ordinary shareholders of the Company (basic)	\$ 10,383	291
Dividends on non-redeemable preference shares	1	1
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 10,384</u>	<u>292</u>
Weighted average number of ordinary shares outstanding (basic)	24,799	24,799
Effect of dilutive potential ordinary shares		
Effect of remuneration to employees	243	-
Effect of convertible preference shares	1	1
Weighted average number of shares outstanding (diluted)	<u>25,043</u>	<u>24,800</u>
Diluted earnings per share (in NTD)	<u>\$ 0.41</u>	<u>0.01</u>

(Continued)

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

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Primary geographical markets:		
United States	\$ 66,080	70,680
Taiwan	21,988	17,492
Germany	22,666	29,174
China	14,962	7,324
France	17,179	16,422
Others	54,372	44,177
	<b>\$ 197,247</b>	<b>185,269</b>
Major products/services lines:		
Laptop	\$ 154,783	146,736
Mainboard	11,657	19,099
Sales of Materials and others	30,807	19,434
	<b>\$ 197,247</b>	<b>185,269</b>

(ii) Contract Balance

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Notes receivable	\$ 77	116	-
Accounts receivable	79,931	70,836	58,171
Total	<b>\$ 80,008</b>	<b>70,952</b>	<b>58,171</b>

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

(p) 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.

(Continued)

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

For the three months ended March 31, 2022, the estimated employee remuneration amounted to \$2,245 thousand and the estimated directors' remuneration amounted \$258 thousand. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and expensed under operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amount, the adjustments will be regarded as changes in accounting estimate and will be reflected in profit or loss in the following year.

As of March 31, 2021, the Company had incurred accumulated deficits. Therefore, no remuneration to employees and directors were accrued by the Company.

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 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.

(q) Non-operating income and expenses

(i) Interest income

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	<u>\$ 45</u>	<u>43</u>

(ii) Other income

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income	\$ 6,925	7,006
Other income— other	1,829	5,365
Total other income	<u>\$ 8,754</u>	<u>12,371</u>

(iii) Other gains and losses

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gain and losses, net	\$ 17,625	(2,778)
Others	(3,373)	(683)
Other gains and losses, net	<u>\$ 14,252</u>	<u>(3,461)</u>

(Continued)

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

## (iv) Finance costs

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest expense	<u>\$ (2,533)</u>	<u>(2,732)</u>

## (r) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk due to financial instruments. Please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2021.

## (i) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>March 31, 2022</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 620,000	622,792	622,792	-	-	-
Notes payable	164	164	164	-	-	-
Accounts payable	128,716	128,716	128,716	-	-	-
Other payables	51,040	51,040	51,040	-	-	-
Lease liabilities	30,003	30,623	17,437	13,094	92	-
Guarantee deposits received	6,811	6,811	100	3,604	3,107	-
Preference shares (including preference shares dividends)	11	417	417	-	-	-
	<u>\$ 836,745</u>	<u>840,563</u>	<u>820,666</u>	<u>16,698</u>	<u>3,199</u>	<u>-</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Secured bank loan	\$ 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>

(Continued)



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

	<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>March 31, 2021</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 620,000	622,258	622,258	-	-	-
Long-term loans	6,891	7,230	69	69	7,092	-
Notes payable	213	213	213	-	-	-
Accounts payable	121,536	121,536	121,536	-	-	-
Other payables	43,087	43,087	43,087	-	-	-
Lease liabilities	46,509	47,999	17,413	17,413	13,173	-
Guarantee deposits received	6,785	6,785	6,685	100	-	-
Preference shares (including preference shares dividends)	84	488	488	-	-	-
	<u>\$ 845,105</u>	<u>849,596</u>	<u>811,749</u>	<u>17,582</u>	<u>20,265</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.

(ii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>March 31, 2022</b>			
Financial assets:			
Monetary assets:			
USD	\$ 19,550	28.63	559,717
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,485	28.63	71,146
<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>March 31, 2021</b>			
Financial assets:			
Monetary assets:			
USD	\$ 18,474	28.54	527,248
Financial liabilities:			
Monetary liabilities:			
USD	\$ 2,215	28.54	63,216

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivable, accounts payable and other payables that were denominated in foreign currencies. 1% appreciation (depreciation) of the TWD against the USD as of March 31, 2022 and 2021, with all other variable factors remaining constant, would have increased (decreased) the net income (loss) before tax by \$4,886 thousand and \$4,640 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 \$17,625 thousand and \$(2,778) thousand for the three months ended March 31, 2022 and 2021, respectively.

(iii) Interest rate risk analysis

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

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

If the interest rate had increased/decreased by 1%, the Group's net income (loss) before tax would have increased/decreased by \$1,550 thousand and \$1,567 thousand for the three months ended March 31, 2022 and 2021, respectively, 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**

## (iv) Fair value

## 1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities were as follows, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

	March 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic)	\$ 1,457	-	-	1,457	1,457
Unlisted stocks (overseas)	58	-	-	58	58
Subtotal	<u>1,515</u>	<u>-</u>	<u>-</u>	<u>1,515</u>	<u>1,515</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	233,281	-	-	-	-
Notes and accounts receivable	80,008	-	-	-	-
Other receivables	1,285	-	-	-	-
Refundable deposits	7,115	-	-	-	-
Subtotal	<u>321,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 323,204</u>	<u>-</u>	<u>-</u>	<u>1,515</u>	<u>1,515</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 620,000	-	-	-	-
Notes and accounts payable	128,880	-	-	-	-
Other payables	51,040	-	-	-	-
Lease liabilities	30,003	-	-	-	-
Guarantee deposits received	6,811	-	-	-	-
Preference shares	11	-	-	-	-
Total	<u>\$ 836,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)



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

	March 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 626,891	-	-	-	-
Notes and accounts payable	121,749	-	-	-	-
Other payables	43,087	-	-	-	-
Lease liabilities	46,509	-	-	-	-
Guarantee deposits received	6,785	-	-	-	-
Preference shares	84	-	-	-	-
Total	<u>\$ 845,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

(Continued)

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

3) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b> <hr/> <b>Unquoted equity instruments</b>
Balance at January 1, 2022	\$ 1,803
Total loss recognized:	
In other comprehensive income	(288)
Balance at March 31, 2022	<u>\$ 1,515</u>
Balance at January 1, 2021	\$ 6,481
Total gain recognized:	
In other comprehensive income	1,636
Balance at March 31, 2021	<u>\$ 8,117</u>

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>· Multiplier of price-to-book ratio (As of March 31, 2022, December 31 and March 31, 2021 was 0.08~1.00)</li> <li>· Market illiquidity discount rate (As of March 31, 2022, December 31 and March 31, 2021 were 20%)</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would increase (decrease) if</li> <li>· the multiplier were higher (lower)</li> <li>· the market illiquidity discount were lower (higher)</li> </ul>

(Continued)

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

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

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

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>March 31, 2022</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	\$ 95	(95)
<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>March 31, 2021</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Market liquidity discount at 20%	5%	507	(507)

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

- (s) Financial risk management

The objectives and policies of the Group's financial risk management are the same as these in note 6(t) of the consolidated financial statements for the year ended December 31, 2021.

- (t) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2021. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2021. For further information, please refer to note 6(u) to the consolidated financial statements for the year ended December 31, 2021.

(Continued)

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

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

For the three months ended March 31, 2022 and 2021, the reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes Foreign exchange movement	March 31, 2022
Short-term borrowings	\$ 620,000	-	-	620,000
Lease liabilities	33,922	(4,046)	127	30,003
Total liabilities from financing activities	<u>\$ 653,922</u>	<u>(4,046)</u>	<u>127</u>	<u>650,003</u>

  

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

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

(b) Significant transactions with related party

(i) Operating revenue

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

	For the three months ended March 31	
	2022	2021
NCS	\$ -	<u>4,353</u>

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

(Continued)



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

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
NCS	\$ <u>7,116</u>	<u>6,880</u>	<u>4,983</u>

- (c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 5,416	4,585
Post-employment benefits	<u>54</u>	<u>54</u>
	<u>\$ 5,470</u>	<u>4,639</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Land	Short-term borrowings	\$ 107,832	107,832	107,832
Buildings	Short-term borrowings	158,884	159,997	163,339
Investment property	Short-term borrowings	<u>142,412</u>	<u>142,763</u>	<u>143,815</u>
		<u>\$ 409,128</u>	<u>410,592</u>	<u>414,986</u>

- (9) Commitments and contingencies: None.**

- (10) Losses Due to Major Disasters: None.**

- (11) Subsequent Events: None.**

(Continued)

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

**(12) Other**

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

By nature	By function			Three months ended March 31, 2022			Three months ended March 31, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total			
Employee benefits									
Salary	7,665	36,879	44,544	7,241	35,120	42,361			
Labor and health insurance	792	3,128	3,920	749	3,052	3,801			
Pension	391	1,501	1,892	370	1,477	1,847			
Remuneration of directors	-	953	953	-	760	760			
Others	427	906	1,333	403	822	1,225			
Depreciation (note)	1,222	5,022	6,244	1,203	5,565	6,768			
Amortization	-	2,813	2,813	-	2,911	2,911			

Note: Depreciation expenses for investment property recognized under other income and expenses to \$685 thousand and \$682 thousand for the three months ended March 31, 2022 and 2021, respectively.

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

(Continued)

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

**(13) Other disclosures**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2022:

- (i) Loans extended to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

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

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	EUROC Venture Capital Corp.	-	Non-current financial assets at fair value through other comprehensive income	80	1,457	10.000 %	1,457	
The Company	II, Inc.	-	Non-current financial assets at fair value through profit or loss	400	-	2.125 %	-	Note 1
The Company	Trigem Computer Inc.	-	Non-current financial assets at fair value through profit or loss	-	-	0.006 %	-	Note 1
The Company	Ambicion Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1	58	0.691 %	58	
The Company	Adolite Inc.	-	Non-current financial assets at fair value through other comprehensive income	400	-	0.535 %	-	Note 1
The Company	Durabook Federal, Inc	-	Non-current financial assets at fair value through other comprehensive income	19	-	19.000 %	-	Note 1

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

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

(in Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Notes 1 and 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	320,142 (Note 3)	-	320,142 (Note 3)	The receivable has been traced and recognized as long-term accounts receivable	-	-
The Company	Durabook	Subsidiary	124,477 (note 4)	0.89	61,703 (Note 4)	The receivable has been traced and recognized as long-term accounts receivable	7,372	-

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

Note 2: Until May 11, 2022.

Note 3: As of March 31, 2022, the Company's accounts receivable and accounts payable of \$430,417 thousand and \$110,275 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 \$320,142 thousand.

Note 4: As of March 31, 2022, the Company's accounts receivable from Durabook were \$124,477 thousand. The overdue receivables of \$61,703 thousand were reclassified to long-term receivables.

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

(Continued)

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

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

(x) Business relationships and significant intercompany transactions:

(in Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction details			
				Account name	Amount (Note 5)	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Durabook	1	Sales revenue	26,360	The transaction is not significantly different from normal transactions	13.36%
0	The Company	Kunshan Lun Teng	1	Sales revenue	10,006	The transaction is not significantly different from normal transactions	5.07 %
0	The Company	Durabook	1	Accounts receivable – related parties	53,970 (Note 3)	The receivables can be offset with accounts payable from purchase or be O/A 60 to 180 days	4.60 %
0	The Company	Twinhead Kunshan Technology Co., Ltd.	1	Long-term accounts receivable – related parties	84,660 (Note 4)	The receivables can be offset with accounts payable from purchase or be O/A over 180 days	7.22 %

Note 1: Company numbering is as follows:

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

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

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

Note 3: As of March 31, 2022, the Company's accounts receivable of \$124,477 thousand, which was offset against the investment of \$70,507 thousand, accounted for using the equity method of Durabook.

Note 4: As of March 31, 2022, the Company's accounts receivable and accounts payable of \$430,417 thousand and \$110,275 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 \$320,142 thousand, which was offset against the investment of \$235,482 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.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2022 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Net income (loss) of investee	Investment income (losses)	Remarks
				March 31, 2022	December 31, 2021	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)	(1,515)	(1,212)	Subsidiary (note 2)
The Company	Twinhead (Asia)	Singapore	Investment holding	539,919	539,919	5,872	100.000 %	- (note 4)	5,451	5,451	Subsidiary (note 2)
Twinhead (Asia)	Twinhead Enterprises (BVI) Ltd.	British Virgin Islands	Investment holding	1,388	1,388	50	100.000 %	1,174	(21)	(21)	Indirect subsidiary (note 2)

Note 1: The exchange rate as of March 31, 2022 : USD1=TWD28.63.

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.

(Continued)

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

(c) Information on investment in mainland China:

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

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2022	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value as of March 31, 2022	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	357,875 (USD12,500)	(2)	357,875 (USD12,500)	-	-	357,875 (USD12,500)	3,590	100.00 %	3,590	(256,845)	-
Twinhead Huazhong Technology Limited Corp.	Installation and sales of laptop parts and accessories; sales and production of related software	114,520 (USD4,000)	(2)	57,260 (USD2,000)	-	-	57,260 (USD2,000)	-	- %	-	-	-
Kunshan Lun Teng	Import and export of computers, electronic components, and digital cameras, and technical consultant services	6,012 (USD210)	(2)	6,012 (USD210)	-	-	6,012 (USD210)	1,999	100.00 %	1,999	21,879	-

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

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

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

Note 3: The exchange rate as of March 31, 2022 : USD1=TWD28.63.

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of March 31, 2022 (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	458,366 (USD16,010)	458,366 (USD16,010)	- (Note 3)

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

Note 2: The exchange rate as of March 31, 2022: USD1=TWD28.63.

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

(iii) Significant transactions with investees in Mainland China:

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

(Continued)

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

(d) Major shareholders:

Unit: share

<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 %

**(14) Segment information**

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