

**TEHCENTIAL INTERNATIONAL LIMITED  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

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

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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. Independent Auditors' 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	8~10
(4) Summary of significant accounting policies	10~24
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	24~25
(6) Explanation of significant accounts	25~54
(7) Related-party transactions	54~57
(8) Pledged assets	57
(9) Commitments and contingencies	57
(10) Losses Due to Major Disasters	57
(11) Subsequent Events	58
(12) Other	58
(13) Other disclosures	
(a) Information on significant transactions	59~60
(b) Information on investees	60
(c) Information on investment in mainland China	60
(d) Major shareholders	61
(14) Segment information	61~63



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## Independent Auditors' Report

To the Board of Directors of Techcential International Limited:

### Opinion

We have audited the consolidated financial statements of Techcential International Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, 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 at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended 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"), Interpretations developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit 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 of the current period. 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. Based on our judgments, the key audit matters that should be disclosed in this audit report are as follows:

#### 1. Revenue recognition

Please refer to note 4(m) "Recognition of Revenue" for accounting policy related to revenue recognition, and note 6(q) for the disclosure related to revenue of the consolidated financial statements.

**Description of key audit matter:**

The Group's operating revenues is the main indicator for investors and management to assess their financial or business performance. Since Techcential International Limited is a listed company, it has a high risk of false representation. Furthermore, its recognition of revenue and its judgment of the timing of the transfer of commodity control rights are extremely important for the expression of its financial statements. Therefore, revenue recognition was considered to be one of our key audit matters.

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

Our audit procedures included:

- Assessing and testing the design, as well as the effectiveness of the operation on the control over revenue recognition.
- Performing a comparison analysis on the top ten customers regarding their sales in the current period to the last period, and the latest quarter, to assess the existence of any significant exceptions, and further identify and analyze the reasons whether there is any significant exception.
- Performing test-of-detail on sales to assess the assertions of existence and accuracy, as well as the appropriateness of recognition.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether sales of goods has been appropriately recognized.

**2. Subsequent measurement of inventory**

Please refer to note 4(h) "Inventories" for accounting policy related to valuation of inventories, note 5 for accounting assumptions and estimation uncertainties of inventories and note 6(e) for information related to impairment of inventories of the consolidated financial statements.

**Description of key audit matter:**

The Group's principle activities are the manufacturing and sales of furniture. As of December 31, 2020, the inventory balance of \$275,113 thousands consisted 29% of the total consolidated assets. Valuation of inventory relies on past experience and future sales forecast, which involved the subjective judgment from the top management. Therefore, the subsequent measurement of inventories was considered to be one of our key audit matters.

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

Our audit procedures included:

- Assessing whether appropriate provision policies for inventories are applied.
- Assessing the appropriateness of the aging movement by examining the aging analysis of inventories.
- Assessing whether the Group's subsequent measurement of inventories has been evaluated in accordance with the Group's provision policy on a consistent basis.
- Understanding the reasonableness of sales prices adopted by the Group's top management and the changes of the market prices after the reporting date, as well as verifying the sales prices and the calculation of net realizable value by vouching the source documents of samples; then, determining whether the provision for net realizable value has been appropriately valued.

- For inventories with low turnover, examining the sales after the reporting date and assessing the basis on net realizable value that was adopted to verify the appropriateness of the Group's valuation on provision on obsolete stock.

### **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, interpretations 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 including the Audit committee, are responsible for overseeing the Group's financial reporting process.

### **Auditor's 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 auditor's 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 auditor's 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 auditor's 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 Min-Ju Chao and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)  
March 22, 2021

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated 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' 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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019			December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and Equity</b>			
11xx <b>Current assets:</b>					21xx <b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 237,873	25	188,084	23	2100 Short-term loans (notes 6(b), (f), (i), 7 and 8)	\$ 109,326	11	7,309	1
1110 Current financial assets at fair value through profit or loss (notes 6(b) and 7)	2,775	-	269	-	2120 Current financial liabilities at fair value through profit or loss (notes 6(b) and (l))	640	-	-	-
1136 Current financial assets at amortized cost (notes 6(b), (i) and 8)	-	-	9,013	1	2170 Accounts payable	93,148	10	65,239	8
1170 Accounts receivable, net (notes 6(c), (q) and 7)	116,181	12	170,247	21	2180 Accounts payable to related parties (note 7)	190	-	2,073	-
1200 Other receivables (notes 6(d) and 7)	1,841	-	3,078	-	2200 Other payables (notes 6(r) and 7)	51,635	5	55,762	7
1310 Inventories (note 6(e))	275,113	29	147,897	18	2230 Current tax liabilities	9,109	1	11,624	1
1410 Prepayments	35,493	4	26,731	3	2280 Current lease liabilities (notes 6(j) and 7)	22,603	2	13,828	2
1470 Other current assets	1,503	-	7,418	1	2322 Long-term loans, current portion (notes 6(b), (f), (k), 7 and 8)	14,296	2	18,632	2
<b>Total current assets</b>	<u>670,779</u>	<u>70</u>	<u>552,737</u>	<u>67</u>	2321 Convertible bonds payable, current portion (notes 6(b) and (l))	192,409	20	-	-
15xx <b>Non-current assets:</b>					2399 Other current liabilities	1,994	-	990	-
1536 Non-current financial assets at amortized cost (notes 6(b), (k) and 8)	3,901	-	4,022	1	<b>Total current liabilities</b>	<u>495,350</u>	<u>51</u>	<u>175,457</u>	<u>21</u>
1600 Property, plant and equipment (notes 6(f), (g), (i), (k), 7 and 8)	145,666	15	144,649	17	25xx <b>Non-Current liabilities:</b>				
1755 Right-of-use assets (notes 6(f), (g) and (j))	106,764	11	51,693	6	2500 Non-current financial liabilities at fair value through profit or loss (notes 6(b) and (l))	-	-	640	-
1780 Intangible assets (notes 6(f) and (h))	157	-	323	-	2531 Convertible bonds payable (notes 6(b) and (l))	-	-	187,590	23
1840 Deferred tax assets (note 6(n))	8,138	1	5,052	1	2540 Long-term loans (notes 6(b), (f), (k), 7 and 8)	14,546	2	29,146	3
1915 Prepayments for equipment (note 6(f))	12,679	1	52,170	6	2570 Deferred tax liabilities (note 6(n))	1,539	-	3,154	-
1920 Refundable deposits (notes 6(k) and 8)	16,831	2	16,532	2	2570 Non-current lease liabilities (notes 6(j) and 7)	65,330	7	34,025	4
<b>Total non-current assets</b>	<u>294,136</u>	<u>30</u>	<u>274,441</u>	<u>33</u>	2670 Other non-current liabilities	5,086	-	5,604	1
					<b>Total non-current liabilities</b>	<u>86,501</u>	<u>9</u>	<u>260,159</u>	<u>31</u>
					2xxx <b>Total liabilities</b>	<u>581,851</u>	<u>60</u>	<u>435,616</u>	<u>52</u>
					31xx <b>Equity attributable to owners of parent (notes 6(l) and (o)):</b>				
					3110 Common stock	236,250	24	236,250	29
					3200 Capital surplus	34,772	4	32,651	4
					3300 Retained earnings:				
					3310 Legal reserve	84	-	84	-
					3350 Unappropriated retained earnings	103,385	11	93,973	11
					3410 Exchange differences on translation of foreign financial statements	103,469	11	94,057	11
						(5,617)	-	14,522	2
					<b>Total equity attributable to owners of parent</b>	<u>368,874</u>	<u>39</u>	<u>377,480</u>	<u>46</u>
					36xx <b>Non-controlling interests</b>	14,190	1	14,082	2
					3xxx <b>Total equity</b>	<u>383,064</u>	<u>40</u>	<u>391,562</u>	<u>48</u>
1xxx <b>Total assets</b>	<u>\$ 964,915</u>	<u>100</u>	<u>827,178</u>	<u>100</u>	2-3xxx <b>Total liabilities and equity</b>	<u>\$ 964,915</u>	<u>100</u>	<u>827,178</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2020		2019	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(q) and 7)</b>	\$ 1,259,850	100	1,386,627	100
5000 <b>Operating costs (notes 6(e), (f), (g), (h), (j), (m), 7 and 12)</b>	1,015,450	81	1,076,063	78
5900 <b>Gross profit from operations</b>	244,400	19	310,564	22
6000 <b>Operating expenses (notes 6(c), (f), (g), (h), (j), (m), (r), 7 and 12):</b>				
6100 Selling expenses	62,622	5	90,301	7
6200 Administrative expenses	72,576	6	74,984	5
6300 Research and development expenses	8,477	-	8,371	1
6450 Expected credit loss	1,626	-	5,092	-
<b>Total operating expenses</b>	145,301	11	178,748	13
6900 <b>Operating income</b>	99,099	8	131,816	9
7000 <b>Non-operating income and expenses (notes 3(a), 6(b), (f), (j), (l), (s) and 7):</b>				
7100 Interest income	901	-	754	-
7010 Other income	4,851	-	9,073	1
7020 Other gains and losses	(7,094)	-	(4,561)	-
7050 Finance costs	(11,078)	(1)	(8,874)	(1)
<b>Total non-operating income and expenses</b>	(12,420)	(1)	(3,608)	-
7900 <b>Profit before tax</b>	86,679	7	128,208	9
7950 <b>Less: Income tax expenses (note 6(n))</b>	31,941	3	36,853	3
8200 <b>Net profit</b>	54,738	4	91,355	6
8300 <b>Other comprehensive income:</b>				
8360 <b>Item that may be reclassified subsequently to profit or loss</b>				
8361 Foreign currency translation difference for foreign operations	(34,235)	(2)	(4,698)	-
8399 Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
8300 <b>Other comprehensive income, net</b>	(34,235)	(2)	(4,698)	-
8500 <b>Total comprehensive income</b>	\$ 20,503	2	86,657	6
<b>Net profit, attributable to:</b>				
8610 Owners of parent	\$ 61,387	5	92,038	6
8620 Non-controlling interests	(6,649)	(1)	(683)	-
	\$ 54,738	4	91,355	6
<b>Total comprehensive income attributable to:</b>				
8710 Owners of parent	\$ 41,248	3	87,760	6
8720 Non-controlling interests	(20,745)	(1)	(1,103)	-
	\$ 20,503	2	86,657	6
<b>Basic earnings per share (expressed in New Taiwan dollars)</b> <b>(note 6(p))</b>				
9750 Basic earnings per share	\$ 2.60		3.90	
9850 Diluted earnings per share	\$ 2.27		3.84	

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Common stock	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated retained earnings	Total				
<b>Balance at January 1, 2019</b>	\$ 236,250	23,735	84	44,460	44,544	18,800	323,329	1,056	324,385
Appropriation and distribution of retained earnings:									
Cash dividends on ordinary share	-	-	-	(42,525)	(42,525)	-	(42,525)	-	(42,525)
Equity component of convertible bonds issued	-	8,916	-	-	-	-	8,916	-	8,916
Net profit (loss) for the year	-	-	-	92,038	92,038	-	92,038	(683)	91,355
Other comprehensive income for the year	-	-	-	-	-	(4,278)	(4,278)	(420)	(4,698)
Total comprehensive income for the year	-	-	-	92,038	92,038	(4,278)	87,760	(1,103)	86,657
Changes in non-controlling interests	-	-	-	-	-	-	-	14,129	14,129
Balance at December 31, 2019	236,250	32,651	84	93,973	94,057	14,522	377,480	14,082	391,562
Appropriation and distribution of retained earnings:									
Cash dividends on ordinary share	-	-	-	(51,975)	(51,975)	-	(51,975)	-	(51,975)
Net profit (loss) for the year	-	-	-	61,387	61,387	-	61,387	(6,649)	54,738
Other comprehensive income for the year	-	-	-	-	-	(20,139)	(20,139)	(14,096)	(34,235)
Total comprehensive income for the year	-	-	-	61,387	61,387	(20,139)	41,248	(20,745)	20,503
Changes in ownership interests in subsidiaries	-	2,121	-	-	-	-	2,121	(2,121)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	22,974	22,974
<b>Balance at December 31, 2020</b>	<u>\$ 236,250</u>	<u>34,772</u>	<u>84</u>	<u>103,385</u>	<u>103,469</u>	<u>(5,617)</u>	<u>368,874</u>	<u>14,190</u>	<u>383,064</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit before income tax	\$ 86,679	128,208
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	32,093	25,009
Amortization expense	152	201
Expected credit loss	1,626	5,092
Net gain on financial assets or liabilities at fair value through profit or loss	(3,117)	-
Interest expense	11,078	8,874
Interest income	(901)	(754)
Loss (gain) on disposal of property, plant and equipment	1,276	(193)
Gain on lease modifications	(386)	(12)
COVID-19-related rent concessions	(1,187)	-
<b>Total adjustments to reconcile profit</b>	<u>40,634</u>	<u>38,217</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss	(2,524)	320
Accounts receivable	52,440	(10,465)
Other receivables	1,752	18,840
Inventories	(127,216)	(17,492)
Prepayments	(8,762)	(2,060)
Other current assets	5,915	9,318
<b>Total changes in operating assets</b>	<u>(78,395)</u>	<u>(1,539)</u>
<b>Changes in operating liabilities:</b>		
Financial liabilities at fair value through profit or loss	-	140
Accounts payable	27,909	4,685
Accounts payable to related parties	(1,883)	1,846
Other payables	1,411	7,408
Other current liabilities	1,004	960
<b>Total changes in operating liabilities</b>	<u>28,441</u>	<u>15,039</u>
<b>Total changes in operating assets and liabilities</b>	<u>(49,954)</u>	<u>13,500</u>
<b>Total adjustments</b>	<u>(9,320)</u>	<u>51,717</u>
Cash inflow generated from operations	77,359	179,925
Interest received	925	775
Interest paid	(6,087)	(11,123)
Income taxes paid	(39,148)	(33,718)
<b>Net cash flows from operating activities</b>	<u>33,049</u>	<u>135,859</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortized cost	-	(55)
Proceeds from disposal of financial assets at amortized cost	9,013	-
Acquisition of property, plant and equipment	(54,095)	(27,546)
Proceeds from disposal of property, plant and equipment	72,610	4,030
Increase in refundable deposits	(299)	(11,686)
Acquisition of right-of-use assets	(12,686)	(2,455)
Acquisition of intangible assets	-	(239)
Increase in prepayments for equipment	(10,333)	(52,571)
<b>Net cash flows from (used in) investing activities</b>	<u>4,210</u>	<u>(90,522)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	102,017	(129,975)
Proceeds from issuance of convertible bonds	-	196,630
Proceeds from long-term loans	-	40,075
Repayments of long-term loans	(16,915)	(12,711)
Increase (decrease) in other payables to related parties	-	(13,828)
Decrease in liabilities under finance lease	(18,156)	(10,030)
Increase in other non-current liabilities	(518)	786
Cash dividends paid	(51,975)	(42,525)
Change in non-controlling interests	22,974	14,129
<b>Net cash flows from financing activities</b>	<u>37,427</u>	<u>42,551</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(24,897)</u>	<u>(2,948)</u>
<b>Net increase in cash and cash equivalents</b>	49,789	84,940
<b>Cash and cash equivalents at beginning of period</b>	188,084	103,144
<b>Cash and cash equivalents at end of period</b>	<u>\$ 237,873</u>	<u>188,084</u>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

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

**(1) Company history**

Techcential International Limited (the "Company") was established in the Cayman Islands in June 2016. The main purpose of the establishment, which resulted from organizational restructuring, was to apply for trading on the Taipei Exchange (TPEX) in the Republic of China. After the restructuring in October, 2016 and acquiring 100% of TC Home SDN. BHD. (TCH) from Techcential SDN. BHD. (TC) in December of the same year, the Company became the holding company of TC and TCH, and became a listed company on the TPEX in the Republic of China (R.O.C.) on January 10th, 2018. The Company and its subsidiaries ("the Group") mainly engages in the manufacturing and sales of furniture and wood pellet, as well as rubber wood trading. Please refer to note 14 for related information.

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 22, 2021.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The details of impact on the Group's adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in note 4(j).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$1,187 thousand.

- (ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- Amendments to IAS 1 and IAS 8 “Definition of Material”

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

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

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

- (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:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.	January 1, 2022
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> <li>● requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	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.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- 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”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for notes 3 and 4(j) that disclose the changes in accounting policies, the significant accounting policies presented in the consolidated financial statements are summarized as follows:

(a) Statement of compliance

These 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss are measured at fair value.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 balances and transactions, 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.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2020	December 31, 2019	
The Company	Techcential Sdn. Bhd. (TC)	Furniture manufacturing and sales	100.00 %	100.00 %	
The Company	TC Home Sdn. Bhd. (TCH)	Furniture manufacturing and sales	100.00 %	100.00 %	
The Company/TC	EHL Cabinetry Sdn. Bhd. (EHL)	Kitchen cabinet manufacturing and sales	70.00 %	100.00 %	Note 1
TC	ESK Biomass Sdn. Bhd. (ESKB)	Wood pellet manufacturing and sales	100.00 %	71.59 %	Note 2
TCH	TC Home Corporation (TCH(US))	Management Consultant	100.00 %	100.00 %	
ESKB	ESK Wood Products Sdn. Bhd. (ESKW)	Rubber Wood processing and sales	100.00 %	100.00 %	Note 3

Note 1: 1. In January 2020, EHL received a cash injection amounting to 3,500 thousand from TC. As of December 31, 2020 and 2019, the total amounts of TC's investment in EHL were MYR 7,000 thousand and MYR 3,500 thousand, respectively. In October 2019, EHL Trading Sdn. Bhd. changed its name to EHL Cabinetry Sdn. Bhd.

2. On February 13, 2020, the board of directors of the Company approved a resolution for the Company to acquire the entire shares of EHL from TC, at the amount of MYR 7,000 thousand. This transaction was completed on June 26, 2020.

3. On March 20, 2020, the board of directors of the Company approved a resolution to introduce strategic investors to co-invest in EHL. The board of directors of EHL then approved the resolutions to increase the issued share capital and to offer the new shares of EHL on April 1, July 2 and December 1, 2020. The amount of each cash injection was MYR 1,000 thousand. The Company forgo the preemptive right to purchase new shares issued by EHL, whose entire newly issued shares were subscribed by the strategic investors. As of December 31, 2020, the Company held 70% of EHL's equity.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Note 2: In January 2020 and June 2019, ESKB received the cash injections of MYR 960 thousand and MYR 4,725 thousand, respectively, from TC. On September 30, 2020, TC purchased all shares held by ESKB's minority interest, at the amount of MYR 1,707 thousand. As of December 31, 2020 and 2019, the total amounts of TC's investment in ESKB were MYR 7,707 thousand and MYR 5,040 thousand, respectively. As of December 31, 2020, the Company held the entire shares of ESKB.

Note 3: In June 2019, ESKW received a cash injection of MYR 5,000 from ESKB. As of December 31, 2020 and 2019, ESKB's investment in ESKW each amounted to MYR 6,000 thousand.

List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

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. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Except for the differences in an investment in equity securities designated as at fair value through other comprehensive income which are recognized in other comprehensive income, the foreign currency differences are recognized in profit and loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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.

(Continued)



**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) 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.

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

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) 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, demand deposits and checking 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.

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 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.

(Continued)



**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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 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.

3) 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, amortized costs, notes and trade receivables, other receivable and guarantee deposit paid).

Loss allowances for bank balances are measured by 12-month ECL 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.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

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.

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.

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 financial assets carried at amortized cost. 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. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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. For corporate customers, 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.

4) 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.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an 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.

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to 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 compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized 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.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

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 or 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.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(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) Subsequent cost

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

(iii) 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 is not depreciated.

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

Buildings and construction	5~50 years
Machinery and equipment	3~10 years
Transportation equipment	3~5 years
Office equipment	3 years
Leasehold improvement	3 years
Other equipment	3 years

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

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Lease

(i) Identifying a lease

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

- 1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) The right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The right to direct the use of the asset throughout the period of use only if either:
  - The Group has the right to direct how and for what purpose the asset is used throughout the period of use.
  - The relevant decisions about how and for what purpose the asset is used are predetermined and:
    - The Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - The Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

(ii) As a lessee

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

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

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there are 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 has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and building that have a lease term of 12 months or less. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(k) Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(i) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(ii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The Group held software as intangible assets and amortization of intangible assets is recognized in profit or loss on a straight-line basis over 3 years from the date that they are available for use.

(Continued)



**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(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 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.

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.

For other assets, 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) Recognition of 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 Group recognizes revenue when control of the products has been 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.

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.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(p) 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 shall be 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 that reflects uncertainty related to income taxes, if any. 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 expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are 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, such as convertible bonds and employee compensation.

(r) Operating segment

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. Each operating segment consists of standalone financial information.

**(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.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

There are no critical judgments in applying 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 inventories.

As inventories are stated 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. Please refer to note 6(e) for further description of the subsequent measurements of inventories.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash	\$ 608	482
Demand and checking deposits	237,265	187,602
Cash and cash equivalents	<u>\$ 237,873</u>	<u>188,084</u>

Please refer to note 6(t) for the disclosure of interest rate risks and sensitivity analysis of the Groups' financial assets and liabilities.

(b) Financial assets measured at fair value through profit or loss

(i) Financial assets at fair value through profit or loss – current

The Group uses derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to arising from its operating activities. As these derivative financial instruments did not qualify for hedge accounting, the Group held the following derivative financial instruments as held-for-trading financial assets as of December 31, 2020 and 2019.

Forward exchange contracts:

	<u>December 31, 2020</u>			<u>Fair value of assets (liabilities)</u>
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	
Forward exchange sold	USD 3,000	USD to MYR	2021.1.5~2021.3.16	<u>2,775</u>
	<u>December 31, 2019</u>			<u>Fair value of assets (liabilities)</u>
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	
Forward exchange sold	USD 500	USD to MYR	2020.1.7~2020.1.14	<u>269</u>

Please refer to note 6(s) for the amounts recognized in the comprehensive income statements that resulted from remeasurement at fair value.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Financial assets measured at amortized cost — current and non-current

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Restricted time deposits	<u>\$ 3,901</u>	<u>13,035</u>
Current	\$ -	9,013
Non-current	<u>3,901</u>	<u>4,022</u>
Total	<u>\$ 3,901</u>	<u>13,035</u>

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

During the years ended December 31, 2020 and 2019, the Group held restricted time deposit, with the weighted average interest rates of 1.21% and 1.83%, which mature on April, 2021 and January to November, 2020, respectively.

- 1) For credit risk, please refer to note 6(t).
- 2) As of December 31, 2020 and 2019, the financial assets measured at amortized costs of the Group had been pledged as collateral for its long-term and short-term borrowings. Please refer to note 8.

(iii) Financial liabilities at fair value through profit or loss — current and non-current

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities		
Call and put option of corporate bonds payable	<u>\$ 640</u>	<u>640</u>
Current	\$ 640	-
Non-current	<u>-</u>	<u>640</u>
Total	<u>\$ 640</u>	<u>640</u>

Please refer to note 6(l) for the Company financial liabilities at fair value through profit or loss arising from issue of unsecured convertible bonds.

(c) Accounts receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts receivable	\$ 121,455	175,994
Less: loss allowance	<u>(5,274)</u>	<u>(5,747)</u>
	<u>\$ 116,181</u>	<u>170,247</u>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2020 and 2019. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomics and relevant industry information.

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its furniture manufacturing and sales, as of December 31, 2020 and 2019 were as follows:

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 86,721	0.15	129
Past due 1~30 days	9,195	0.98	91
Over 91 days	<u>3,196</u>	100.00	<u>3,196</u>
	<b><u>\$ 99,112</u></b>		<b><u>3,416</u></b>
	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 104,318	0.11	110
Past due 1~30 days	18,918	0.46	88
Past due 31~60 days	1,837	4.51	83
Past due 61~90 days	13	34.65	5
Over 91 days	<u>2</u>	100.00	<u>2</u>
	<b><u>\$ 125,088</u></b>		<b><u>288</u></b>

As of December 31, 2020, the accounts receivable from the operating segment of its furniture sales was \$0.

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its furniture sales as of December 31, 2019 was as follows:

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Over 91 days	<b><u>\$ 2,226</u></b>	100.00	<b><u>2,226</u></b>

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its rubber wood processing and sales, as well as its wood pellet manufacturing and sales, as of December 31, 2020 and 2019 were as follow:

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 9,235	1.29	119
Past due 1~30 days	8,929	3.93	351
Past due 31~60 days	1,775	9.89	175
Past due 61~90 days	934	20.64	193
Past due 91~120 days	538	18.13	98
Past due 121~150 days	14	29.94	4
Over 210 days	918	100.00	918
	<b>\$ 22,343</b>		<b>1,858</b>
	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 30,330	1.34	406
Past due 1~30 days	9,510	4.97	472
Past due 31~60 days	3,620	13.08	474
Past due 61~90 days	2,387	27.18	649
Past due 91~120 days	140	19.94	28
Past due 121~150 days	872	29.37	256
Past due 151~180 days	567	29.29	166
Past due 181~210 days	773	38.99	301
Over 210 days	481	100.00	481
	<b>\$ 48,680</b>		<b>3,233</b>

The movement in the allowance of accounts receivable are as follows:

	<b>2020</b>	<b>2019</b>
Balance as of January 1	\$ 5,747	766
Impairment losses recognized	1,626	5,092
Amounts written off	(1,852)	-
Foreign exchange loss	(247)	(111)
Balance as of December 31	<b>\$ 5,274</b>	<b>5,747</b>

The accounts receivables of the Group were not discounted nor pledged as collaterals.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (d) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables (included related party)	\$ 1,841	3,078
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u><b>\$ 1,841</b></u>	<u><b>3,078</b></u>

For further credit risk information, please refers to note 6(t).

## (e) Inventories

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for loss</u>	<u>Net receivables value</u>
Raw materials	\$ 112,404	1,551	110,853
Work in process	58,004	263	57,741
Semi-finished goods	48,420	3,477	44,943
Finished goods	<u>62,779</u>	<u>1,203</u>	<u>61,576</u>
	<u><b>\$ 281,607</b></u>	<u><b>6,494</b></u>	<u><b>275,113</b></u>
	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for loss</u>	<u>Net receivables value</u>
Raw materials	\$ 42,487	2,406	40,081
Work in process	36,764	379	36,385
Semi-finished goods	33,073	3,457	29,616
Finished goods	<u>45,904</u>	<u>4,089</u>	<u>41,815</u>
	<u><b>\$ 158,228</b></u>	<u><b>10,331</b></u>	<u><b>147,897</b></u>

The changes in the aforementioned allowance for loss were as follows:

	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ 10,331	7,309
Losses recognized (reversed)	(3,400)	3,151
Foreign currency translation effect	<u>(437)</u>	<u>(129)</u>
Balance as of December 31	<u><b>\$ 6,494</b></u>	<u><b>10,331</b></u>

(Continued)



**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019, in addition to the normal cost of goods sold, the following loss and revenue were included in the Group's operating costs:

	<b>2020</b>	<b>2019</b>
Loss on market price decline and obsolete and slow-moving inventories (gain from price recovery of inventory)	\$ (3,400)	3,151
Revenue from sale of scraps	(746)	-
Loss on inventory obsolescence	4,479	5,356
Loss on idle capacity	12,606	-
Physical count variance	155	3,253
	<b>\$ 13,094</b>	<b>11,760</b>

As of December 31, 2020 and 2019, The Group did not pledge the inventory as collateral.

(f) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the years ended December 31, 2020 and 2019, were as follows:

	Land	Buildings and construction	Machinery and equipment	Transportation Equipment	Office Equipment	Leasehold improvement	Other facilities	Construction in progress and testing equipment	Total
Cost or deemed cost:									
Balance on January 1, 2020	\$ 18,231	96,740	66,958	33,700	8,787	-	10,338	12,233	246,987
Additions	-	1,161	19,143	4,920	2,401	-	5,517	15,243	48,385
Disposal	-	(854)	(68,313)	(10,719)	(442)	-	(667)	(2,509)	(83,504)
Reclassification (note 1)	-	56	57,544	-	133	-	43	(10,113)	47,663
Foreign currency translation effect	(787)	(4,180)	(2,913)	(1,441)	(385)	-	(459)	(535)	(10,700)
Balance at December 31, 2020	<b>\$ 17,444</b>	<b>92,923</b>	<b>72,419</b>	<b>26,460</b>	<b>10,494</b>	<b>-</b>	<b>14,772</b>	<b>14,319</b>	<b>248,831</b>
Balance at January 1, 2019	\$ 18,396	95,221	49,999	33,906	8,602	126	9,773	-	216,023
Additions	-	2,421	10,049	8,178	683	-	1,714	12,486	35,531
Disposal	-	-	(3,975)	(1,210)	(409)	(128)	-	-	(5,722)
Reclassification (notes 1, 2 and 3)	-	-	11,740	(6,788)	(6)	-	(1,035)	-	3,911
Foreign currency translation effect	(165)	(902)	(855)	(386)	(83)	2	(114)	(253)	(2,756)
Balance at December 31, 2019	<b>\$ 18,231</b>	<b>96,740</b>	<b>66,958</b>	<b>33,700</b>	<b>8,787</b>	<b>-</b>	<b>10,338</b>	<b>12,233</b>	<b>246,987</b>
Depreciation and impairments loss:									
Balance at January 1, 2020	\$ -	40,144	26,677	19,877	7,635	-	8,005	-	102,338
Depreciation	-	1,934	6,958	3,644	870	-	1,472	-	14,878
Disposal	-	(78)	(3,539)	(5,449)	(238)	-	(314)	-	(9,618)
Foreign currency translation effect	-	(1,739)	(1,161)	(854)	(331)	-	(348)	-	(4,433)
Balance at December 31, 2020	<b>\$ -</b>	<b>40,261</b>	<b>28,935</b>	<b>17,218</b>	<b>7,936</b>	<b>-</b>	<b>8,815</b>	<b>-</b>	<b>103,165</b>
Balance at January 1, 2019	\$ -	38,640	19,993	20,907	7,219	126	8,124	-	95,009
Depreciation	-	1,888	7,596	4,502	886	-	787	-	15,659
Disposal	-	-	(186)	(1,178)	(393)	(128)	-	-	(1,885)
Reclassification (notes 2 and 3)	-	-	(400)	(4,135)	(3)	-	(824)	-	(5,362)
Foreign currency translation effect	-	(384)	(326)	(219)	(74)	2	(82)	-	(1,083)
Balance at December 31, 2019	<b>\$ -</b>	<b>40,144</b>	<b>26,677</b>	<b>19,877</b>	<b>7,635</b>	<b>-</b>	<b>8,005</b>	<b>-</b>	<b>102,338</b>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Carrying amounts:	Land	Buildings and construction	Machinery and equipment	Transportation Equipment	Office Equipment	Leasehold improvement	Other facilities	Construction in progress and testing equipment	Total
Balance at December 31, 2020	\$ 17,444	52,662	43,484	9,242	2,558	-	5,957	14,319	145,666
Balance at December 31, 2019	\$ 18,231	56,596	40,281	13,823	1,152	-	2,333	12,233	144,649

- Note: 1. The cost of \$47,663 thousand and \$15,950 thousand, respectively, was transferred from prepayments for equipment for the years ended December 31, 2020 and 2019.
2. The cost and accumulated depreciation of \$12,033 thousand and \$5,359 thousand, respectively, were reclassified to right-of-use assets due to the effect of retrospective application.
3. The cost and accumulated depreciation of \$6 thousand and \$3 thousand, respectively, were transferred to intangible assets.

Please refer to note 8 for the disclosure of assets pledged as collateral for loans.

(g) Right-of-use assets

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

Cost:	Land	Buildings	Machinery and equipment	Transportation Equipment	Other equipment	Total
Balance at January 1, 2020	\$ 147	39,180	12,703	12,703	1,089	65,822
Additions	-	25,486	63,537	-	-	89,023
Disposals (early termination)	-	(19,678)	-	-	-	(19,678)
Foreign currency translation effect	(6)	(1,707)	(706)	(549)	(47)	(3,015)
Balance at December 31, 2020	\$ 141	43,281	75,534	12,154	1,042	132,152
Balance at January 1, 2019	\$ -	-	-	-	-	-
Effects of retrospective application (note 1)	-	25,254	3,997	6,937	1,099	37,287
Balance at January 1, 2019 after restatement	-	25,254	3,997	6,937	1,099	37,287
Additions	150	16,753	8,923	5,949	-	31,775
Disposals (early termination)	-	(2,308)	-	-	-	(2,308)
Foreign currency translation effect	(3)	(519)	(217)	(183)	(10)	(932)
Balance at December 31, 2019	\$ 147	39,180	12,703	12,703	1,089	65,822
Accumulated depreciation and impairment losses:						
Balance at January 1, 2020	\$ 16	6,020	1,294	5,710	1,089	14,129
Depreciation	47	10,451	4,513	2,204	-	17,215
Disposals (early termination)	-	(5,316)	-	-	-	(5,316)
Foreign currency translation effect	-	(273)	(67)	(253)	(47)	(640)
Balance at December 31, 2020	\$ 63	10,882	5,740	7,661	1,042	25,388

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation Equipment</u>	<u>Other equipment</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	-	-	-
Effects of retrospective application	-	-	400	4,135	824	5,359
Balance at January 1, 2019 after restatement	-	-	400	4,135	824	5,359
Depreciation	17	6,494	917	1,644	278	9,350
Disposals (early termination)	-	(350)	-	-	-	(350)
Foreign currency translation effect	(1)	(124)	(23)	(69)	(13)	(230)
Balance at December 31, 2019	<u>\$ 16</u>	<u>6,020</u>	<u>1,294</u>	<u>5,710</u>	<u>1,089</u>	<u>14,129</u>
Carrying amount:						
Balance at December 31, 2020	<u>\$ 78</u>	<u>32,399</u>	<u>69,794</u>	<u>4,493</u>	<u>-</u>	<u>106,764</u>
Balance at December 31, 2019	<u>\$ 131</u>	<u>33,160</u>	<u>11,409</u>	<u>6,993</u>	<u>-</u>	<u>51,693</u>

Note 1: The cost and accumulated depreciation of \$12,033 thousand and \$5,359 thousand, respectively, were reclassified to right-of-use assets due to the effect of retrospective application.

(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Computers and Software</u>
Cost:	
Balance at January 1, 2020	\$ 732
Foreign currency translation effect	(32)
Balance at December 31, 2020	<u>\$ 700</u>
Balance at January 1, 2019	\$ 496
Additions	239
Reclassification	6
Foreign currency translation effect	(9)
Balance at December 31, 2019	<u>\$ 732</u>
Amortization:	
Balance at January 1, 2020	\$ 409
Amortization	152
Foreign currency translation effect	(18)
Balance at December 31, 2020	<u>\$ 543</u>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Computers and Software</b>
Balance at January 1, 2019	\$ 211
Amortization	201
Reclassification	3
Foreign currency translation effect	(6)
Balance at December 31, 2019	<b>\$ 409</b>
Carrying amount:	
Balance at December 31, 2020	<b>\$ 157</b>
Balance at December 31, 2019	<b>\$ 323</b>

## (i) Short-term loans

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Secured bank loans	<b>\$ 109,326</b>	<b>7,309</b>
Unused credit line	<b>\$ 52,987</b>	<b>209,795</b>
Interest rate (%)	<b>1.23~4.12</b>	<b>4.12</b>

Please refer to note 8 for the information of the collateral for loans.

## (j) Lease liabilities

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	<b>\$ 22,603</b>	<b>13,828</b>
Non-current	<b>\$ 65,330</b>	<b>34,025</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	<b>\$ 4,021</b>	<b>2,111</b>
Expenses relating to short-term leases	<b>\$ 548</b>	<b>2,993</b>
COVID-19-related rent concessions (recognized as other income)	<b>\$ 1,187</b>	<b>-</b>

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

	<b>2020</b>	<b>2019</b>
Total cash flows from operating activities	<b>\$ (4,569)</b>	<b>(5,104)</b>
Total cash flows from investing activities	<b>(18,156)</b>	<b>(10,030)</b>
Total cash outflow for leases	<b>\$ (22,725)</b>	<b>(15,134)</b>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Real estate leases

The Group leases buildings for its office space and warehouse. The leases of office typically run for a period of 2 to 6 years, and of warehouse for 1 to 7 years.

(ii) Other leases

The Group leases machinery and equipment and transportation equipment, with lease terms of one to five years. The Group has an option to transfer ownership of the vehicles and equipment unconditionally at the end of the contract term.

The Group leases machinery and equipment and buildings, with lease terms of 1 year. These leases are considered as short-term leases. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(k) Long-term loans

The details were as follows:

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity date</b>	<b>Amount</b>
Secured loans	USD	1.73~2.4	2022.6.28	\$ 18,326
Secured loans	MYR	4.85~6.1	2022.7.1~2028.6.1	<u>10,516</u>
Subtotal				28,842
Less: current portion				<u>14,296</u>
Total				<b>\$ <u>14,546</u></b>
Unused credit line				<u>\$ -</u>

<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity date</b>	<b>Amount</b>
Secured loans	USD	1.71~4.15	2020.11.30~2022.6.28	\$ 36,050
Secured loans	MYR	4.89~6.39	2022.7.1~2028.6.1	<u>11,728</u>
Subtotal				47,778
Less: current portion				<u>18,632</u>
Total				<b>\$ <u>29,146</u></b>
Unused credit line				<u>\$ -</u>

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Loan Contracts

- 1) TC entered into an agreement (Citi agreement) with Citi Bank (Citi) in November 20, 2012, with the total credit line of USD 900,000.

According to the Citi agreement, the borrower needs to meet the following commitment clauses within the duration of the loan:

- a) Debt Service Cover Ratio (DSCR) shall not be less than 1.3 times. DSCR is defined as operating income + depreciation and amortization + interest expenses, divided by long term debts – current portion + interest expenses.
- b) Leverage ratio shall not exceed 4.0 times, and is defined as total liabilities divided by tangible assets.
- 2) TC entered into an agreement with Hong Leong Bank (HLB) in February 2, 2016, with the total credit line of MYR 3,358,000, which was changed to MYR 2,700,126 on October 9, 2017:

According to the agreement with HLB, once any portion of the credit line is used, the borrower needs to meet the following requirements within the duration of the loan:

- a) The Borrower is to maintain the gearing ratio of not more than 1.5 times at all times.
- b) The Borrower is to continue to maintain the business' main operating account with the Bank throughout the term of the loan.

The above financial ratios were calculated based on TC's annual financial statements.

As of December 31, 2020 and 2019, the Group has met the above financial ratios commitment clauses.

(ii) Collateral for loans

Please refer to note 8 for more information on the collateral for loans.

(l) Corporate bonds payable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total amount of convertible bonds	\$ 202,000	202,000
Less: Discount on issuing convertible bonds	9,660	9,660
Underwriting expense	<u>5,126</u>	<u>5,126</u>
Discounted present value of bonds payable when issued	187,214	187,214
Amortization of discount on bonds payable	<u>5,195</u>	<u>376</u>
Ending balance of bonds payable	<u><b>\$ 192,409</b></u>	<u><b>187,590</b></u>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group issued unsecured convertible bonds, and their liability and equity components were as follows:

Based on the resolution on loan repayment and plant expansion of the board of directors' meetings held on October 7, 2019, the Company decided to issue its unsecured convertible bonds in the amount of \$200,000 thousand at par value with an interest rate of 0%, a period of 3 years and 101% of the face value.

On November 14, 2019, the Financial Supervisory Commission approved the Company's application to issue its unsecured convertible bonds. The Company issued its unsecured convertible bonds on December 3, 2019, in the amount of \$202,000 thousand.

The Group issued its convertible bonds in accordance with IAS 39, which requires the Company to recognize liability and equity components of convertible bonds separately as follows:

Discounted present value under effective interest rate method	\$ 192,340
Embedded derivative financial instruments (put option and call option)	500
Equity component (conversion option)	<u>9,160</u>
	<u><u>\$ 202,000</u></u>

(i) Terms of issuing unsecured convertible bonds are as follows:

The unsecured convertible bonds

- 1) Coupon rate: 0%
- 2) Issue period: 3 years (December 3, 2019, to December 3, 2022)
- 3) Repayment term:

The bonds are repayable in cash upon the maturity of the bonds except for those which were repurchased by the Company, sold back to the Company, or converted to common stock before maturity.

- 4) Conversion period:

Beginning from three month after the issue date (March 4, 2020) until maturity (December 3, 2022), bondholders may convert the bonds into common stock according to the conversion arrangement.

- 5) The Company's call option (right of redemption):

Beginning from three month after the issue date (March 4, 2020) until 40 days before maturity (October 24, 2022), if the stock closing price exceeds 30% of the conversion price for 30 consecutive working days, or the remaining amount of bonds payable which have not yet been converted into shares is lower than 10% of the total issue amount, the Company is entitled to send a "bond redemption notification" to bondholders and publish an announcement through the TPEx to exercise its call option.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

6) Bondholders' put option:

Bondholders are entitled to exercise the put option beginning from the put date (December 3, 2021) with an exercise price at 100.50% (annual yield rate of the put option is 0.25%) of the face value of the bonds. Upon receipt of a sell back request, the Company shall pay the amount to bondholders by cheque or electronic transfer within 5 working days of the put date.

7) Conversion price and adjustment:

The conversion price at the issue date is \$40.8 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEX. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such recalculated conversion price is lower than that announced to the public through the TPEX before the ex-rights date for issuing new shares, the Company should re announce the adjustment of the conversion price through the TPEX. The conversion price as of December 31, 2020 is NT\$37.60 per share.

(ii) Financial liabilities measured at fair value through profit or loss are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Balance as of January 1	\$ 640	-
Issuance	-	500
Valuation loss	-	140
Balance as of December 31	<u>\$ 640</u>	<u>640</u>

(iii) The balance of the equity component recorded as capital surplus— stock warrants are as follows:

	<b>2020</b>	<b>2019</b>
Balance as of January 1	\$ 8,916	-
Addition in this period	-	9,160
Less: underwriting expenses	-	(244)
Balance as of December 31	<u>\$ 8,916</u>	<u>8,916</u>

(Continued)



**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The first unsecured convertible bondholders are entitled to exercise the put option and request the Group to pay the full amount at the agreed price beginning from two years after the issuance date (December 3, 2021). Based on conservatism, the Group reclassified the above convertible bonds (without having to repay the entire amount within one year) to current liabilities on December 31, 2020.

(m) Employee benefits

The Malaysia subsidiaries of the Group follow the Employee's Provident Fund system of Malaysia (EPF) to contribute to their employee retirement savings. Each month, the Group contributes to its employees benefits by using the employee's salary, times, a contribution rate of 12%. For employees with a salary under MYR 5,000, the contribution rate is 13%, and for employees that are over 60 years old, the contribution rate is reduced by half. The Group follows the regulations and transfers the contributions to each employee's independent account. These accounts are under the government's management and arrangements. Besides contributing to its employee benefits monthly, the Group has no further responsibilities.

The pension expenses from defined contribution plans of 2020 and 2019, were paid to the subsidiaries' local government organizations, the details are as follows:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ 1,735	1,901
Operating expenses	<u>6,709</u>	<u>5,973</u>
	<u>\$ 8,444</u>	<u>7,874</u>

(n) Income taxes

(i) The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense (benefit)		
Current period	\$ 36,806	37,572
Adjustment for prior periods	<u>(70)</u>	<u>1,785</u>
	<u>36,736</u>	<u>39,357</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>(4,795)</u>	<u>(2,504)</u>
Income tax expense	<u>\$ 31,941</u>	<u>36,853</u>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Reconciliation of income tax expense (benefit) and profit before tax for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ <u>86,679</u>	<u>128,208</u>
Income tax using the Company's domestic tax rate	\$ 21,449	33,471
Adjustment according to tax act	9,640	1,490
Change in provision in prior period	(70)	1,785
Current-year losses for which no deferred tax asset was recognized	922	107
Total	\$ <u>31,941</u>	<u>36,853</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax losses	\$ <u>5,265</u>	<u>6,568</u>

The Malaysia Income Tax Act allows the net losses before 2018, as assessed by the tax authorities, to be offset against the taxable income before the income is taxed. The last deductible year is set on 2025. Starting 2019, the net losses are to be offset against any future taxable income over a period of seven years for local tax purposes.

The Group's estimated unused loss carry-forwards up to December 31, 2020, were as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Year of expiry</u>
TCH:		
2015	\$ 2,927	2025
2016	632	2025
2018	791	2025
2019	418	2026
EHL:		
2020	497	2027
	\$ <u>5,265</u>	

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Recognized deferred tax assets and liabilities

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

Deferred tax assets:

	Provision of doubtful debts	Provision of inventory Obsolescence	Tax loss carryforward	Property Plant and Equipment useful life	Unrealized exchange (gains) losses	Other	Total
<b>Balance at January 1, 2020</b>	\$ 1,379	2,480	752	-	-	441	5,052
Recognized in profit or loss	(1,323)	(555)	1,581	2,738	1,079	(212)	3,308
Foreign currency translation effect	(56)	(106)	(36)	(20)	(3)	(1)	(222)
<b>Balance at December 31, 2020</b>	<u>\$ -</u>	<u>1,819</u>	<u>2,297</u>	<u>2,718</u>	<u>1,076</u>	<u>228</u>	<u>8,138</u>
<b>Balance at January 1, 2019</b>	\$ 184	1,754	-	-	-	-	1,938
Recognized in profit or loss	1,222	756	767	-	-	452	3,197
Foreign currency translation effect	(27)	(30)	(15)	-	-	(11)	(83)
<b>Balance at December 31, 2019</b>	<u>\$ 1,379</u>	<u>2,480</u>	<u>752</u>	<u>-</u>	<u>-</u>	<u>441</u>	<u>5,052</u>

Deferred tax liabilities:

	Property Plant and Equipment useful life	Unrealized exchange (gains) losses FVPL	Other	Total
<b>Balance at January 1, 2020</b>	\$ (3,154)	-	-	(3,154)
Recognized in profit or loss	3,026	(606)	(933)	1,487
Foreign currency translation effect	128	2	(2)	128
<b>Balance at December 31, 2020</b>	<u>\$ -</u>	<u>(604)</u>	<u>(935)</u>	<u>(1,539)</u>
<b>Balance at January 1, 2019</b>	\$ (2,498)	-	-	(2,498)
Recognized in profit or loss	(693)	-	-	(693)
Foreign currency translation effect	37	-	-	37
<b>Balance at December 31, 2019</b>	<u>\$ (3,154)</u>	<u>-</u>	<u>-</u>	<u>(3,154)</u>

(iii) Examination and approval

The Company is not required to pay income tax in the country in which it is incorporated; therefore, no filing of income tax return is needed. As for other subsidiaries, income taxes were filed as follows:

1) Malaysia:

- a) According to Malaysia's tax regulations, taxable corporation profit is calculated using the current year total income, deducted by all costs, losses, tax expenses, and all other non-taxable items.
- b) The tax rate for both 2020 and 2019 was 24%. If the subsidiary meets the criteria, it would then be eligible to specific tax preferences.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) United States

According to the Federal tax regulations and North Carolina tax regulations, the Federal tax rates for both 2020 and 2019 was 21%. The tax rate of North Carolina State for both years 2020 and 2019 were 2.5%.

The Group's subsidiaries have declared their income tax through the year of 2019 to their local tax agencies.

(o) Share capital and other equity

As of December 31, 2020 and 2019, the total value of authorized ordinary shares each amounted to \$500,000 thousand, with a par value of \$10 per share; the total ordinary shares issued each was 23,625 thousand. All payments of shares have been received.

(i) Capital surplus

The balance of capital surplus was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Additional paid-in capital stock	\$ 23,630	23,630
Gain or loss on entity's disposition of equity of the subsidiary	2,121	-
Share-Based Payment	105	105
Issuance of convertible bonds-stock warrant	8,916	8,916
	<u><u>\$ 34,772</u></u>	<u><u>32,651</u></u>

(ii) Retained earnings

According to the amendment of the Company's articles of association, if there is any profit, the Company shall set the following aside for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; and (iii) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules. If there should be any remaining profits, subject to the discretion of the Directors, after combining all or part of the accumulated undistributed profits in the previous years and the reversed special surplus reserve, with the current profit after deducting the aforementioned of reserves, the combined amount shall be allocated as dividends to the shareholders subject to the discretion of the directors and upon approval by the shareholders. Subject to the Law and the Applicable Public Company Rules, and after having considered the financial, business and operational factors of the Company, the dividends shall not be less than 10% of the profit after tax of the relevant year, provided that if in any year, the Company has net loss or the amount of the accumulated undistributed profits is less than 20% of the paid-in capital of the Company, the Company may not distribute any dividend to the Members. The distribution may be made by way of cash or stock, or a combination of both, provided that the cash dividends shall not be less than 10% of the total amount of dividends payable.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Since the Company is engaged in supplying customized products in a specific market and is in its growth stage, the Board shall prepare the dividend proposal by taking into account the profit of the year, overall development, financial plans, capital need, projection of the industry and the Company's prospects, to be proposed during the shareholders' meeting for approval.

1) Special reserve

In accordance with Ruling No. 1010012865 issued by FSC on April 6, 2012, the Company shall set aside a special reserve before earnings distribution, and equal to the net balance of other deductions in shareholders' equity in the current period from net income in the current period and prior to unappropriated retained earnings. The special reserve set aside based on the deductions in shareholders' equity that resulted from prior periods cannot be distributed to shareholders. The Company can distribute the special reserve with an amount net exceeding that of the reversal of such deductions.

2) Earnings distribution

Amendment of the Company's articles of association regarding to the semi-annual earnings distribution or offset losses was decided in resolution made by the shareholders on June 27, 2019.

Earnings distributions for 2019 and 2018 were decided by the shareholders on June 18, 2020, and 2019, respectively, and earnings distribution for first half of 2019 was decided by the board of directors on August 9, 2019. The dividends distributed to shareholders were as follows:

	<u>2019</u>	<u>First half of 2019</u>	<u>2018</u>
Cash dividends distributed to ordinary shareholders	\$ <u>51,975</u>	<u>18,900</u>	<u>23,625</u>

Earnings distributions for 2020 was proposed in resolution made by the board of directors on March 22, 2022. The dividends distributed to shareholders were as follows: :

	<u>2020</u>	
	<u>Amount per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders		
Cash	\$ 2.00	<u>47,250</u>

The earnings distribution information would be available on the Market Observation Post System.

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (p) Earnings per share

The calculation of basic and diluted earnings per share was calculated as follows:

	2020	2019
Basic earnings per share:		
Profit of the Company for the year	\$ <u>61,387</u>	<u>92,038</u>
Weighted average number of common shares	<u>23,625</u>	<u>23,625</u>
Basic EPS (New Taiwan dollars)	\$ <u>2.60</u>	<u>3.90</u>
Diluted earnings per share:		
Profit of the Company for the year	\$ 61,387	92,038
Influence of dilutive expense	<u>4,819</u>	<u>516</u>
Profit of the Company for the year for calculating diluted EPS	\$ <u>66,206</u>	<u>92,554</u>
Weighted average number of ordinary shares	23,625	23,625
Potential dilutive effect on common stock		
Influence of employee stock remuneration	210	90
Conversion of convertible bonds	<u>5,319</u>	<u>393</u>
Weighted-average number of common shares outstanding – diluted	<u>29,154</u>	<u>24,108</u>
Diluted EPS (New Taiwan dollars)	\$ <u>2.27</u>	<u>3.84</u>

## (q) Revenue from contracts with customers

## (i) Disaggregation of revenue

	2020			
	Department A	Department B	Department C	Total
Primary geographical markets				
United States	\$ 1,110,939	-	-	1,110,939
Malaysia	31,145	159	108,979	140,283
Other	<u>8,628</u>	<u>-</u>	<u>-</u>	<u>8,628</u>
	<u>\$ 1,150,712</u>	<u>159</u>	<u>108,979</u>	<u>1,259,850</u>
Major products/services lines				
Furniture manufacturing and sales	\$ 1,151,738	159	-	1,151,897
Rubber wood machining and sales	-	-	96,341	96,341
Wood pellet manufacturing and sales	-	-	16,038	16,038
Less: Sales returns and discount	<u>1,026</u>	<u>-</u>	<u>3,400</u>	<u>4,426</u>
Net sales	<u>\$ 1,150,712</u>	<u>159</u>	<u>108,979</u>	<u>1,259,850</u>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2019			Total
	Department A	Department B	Department B	
Primary geographical markets				
United States	\$ 1,104,087	38,445	-	1,142,532
Malaysia	6,658	22	214,065	220,745
Canada	-	10,189	-	10,189
Other	6,565	6,596	-	13,161
	<u>\$ 1,117,310</u>	<u>55,252</u>	<u>214,065</u>	<u>1,386,627</u>
Major products/services lines				
Furniture manufacturing and sales	\$ 1,122,629	56,011	-	1,178,640
Rubber wood machining and sales	-	-	214,276	214,276
Wood pellet manufacturing and sales	-	-	4,690	4,690
Less: Sales returns and discount	5,319	759	4,901	10,979
Net sales	<u>\$ 1,117,310</u>	<u>55,252</u>	<u>214,065</u>	<u>1,386,627</u>

(ii) Remaining balances of contract

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivables	\$ 121,455	175,994	165,640
Less: Loss allowance	(5,274)	(5,747)	(766)
Total	<u>\$ 116,181</u>	<u>170,247</u>	<u>164,874</u>

For notes and accounts receivable, please refer to note 6(c).

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

According to the amendment of the Company's articles of incorporation, no less than 3% of current-year profit income before tax excluding employee's compensation shall be distributed as employee compensation and no more than 5% of it as remuneration of directors. However, if the Company has an accumulated deficit, the profit should be used to offset the deficit. Compensation and remuneration shall be made by way of cash but may also be made by stock. The recipients of stock and cash may include the employees of the Company's affiliated companies who meet certain conditions decided by the Board of Directors of the Company.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019, the Company estimated its employee's compensation to be \$5,442 thousand and \$2,852 thousand, respectively, and the remuneration of directors and supervisors to be \$204 thousand and \$180 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. The differences between the amounts of employee's compensation mentioned above decided in resolution made by the board of directors in 2021 and 2020 and the estimated amounts of employee's compensation stated in the Company consolidated financial statements for the years ended December 31, 2020 and 2019 were \$0 thousand and \$38 thousand. The differences would be regarded as changes in accounting estimates by the Company and would be reflected in profit or loss for 2021 and 2020. Related information would be available at the Market Observation Post System.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>2020</u>	<u>2019</u>
Interest income	\$ <u>901</u>	<u>754</u>

(ii) Other income

The details of other income were as follows:

	<u>2020</u>	<u>2019</u>
Settlement of insurance claim income	\$ 2,331	4,715
COVID-19-related rent concessions	1,187	-
Others	<u>1,333</u>	<u>4,358</u>
Total	\$ <u>4,851</u>	<u>9,073</u>

(Continued)



**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Gains (losses) on disposals of property, plant and equipment	\$ (1,276)	193
Gain of lease modification	386	12
Foreign exchange loss	(11,015)	(3,486)
Gain (loss) of financial assets (liabilities) at fair value through profit or loss	5,570	(460)
Others	<u>(759)</u>	<u>(820)</u>
Total	<u>\$ (7,094)</u>	<u>(4,561)</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2020</u>	<u>2019</u>
Interest expense:		
Bank loans	\$ (2,238)	(6,054)
Lease liabilities	(4,021)	(2,111)
Convertible bonds	(4,819)	(376)
Related-party loans	<u>-</u>	<u>(333)</u>
Total	<u>\$ (11,078)</u>	<u>(8,874)</u>

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The book value of financial assets represents the maximum risk exposure.

2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. These factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances. The Group's accounts receivable are obviously concentrated on three main customers, which accounted for 63% and 54% of the total amount of accounts receivable as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, the Group's accounts receivable concentrated on three main customers were \$72,814 thousand and \$91,885 thousand, respectively.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Credit risk of accounts receivable and Financial assets measured at amortized cost

Please refer to note 6(c) for information on credit risk of accounts receivable.

Please refer to note 6(b) for details on Financial assets measured at amortized cost and refer to note 6(d) for details on other receivables. Financial assets measured at amortized cost and other receivables are determined to have low credit risk, therefore, they are measured using the 12-month ECL allowance method.

(ii) Liquidity risk

The following table shows the maturity of financial liabilities including estimated interest:

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>2~5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>					
Non derivative financial liabilities					
Short-term loan	\$ 109,326	109,326	109,326	-	-
Accounts payable (include related party)	93,338	93,338	93,338	-	-
Other payable (include related party)	51,635	51,635	51,635	-	-
Long-term loan	28,842	29,775	14,792	12,144	2,839
Lease liabilities	87,933	98,514	27,033	71,481	-
Convertible bonds payable (include derivative financial liabilities)	193,049	200,000	-	200,000	-
	<u>\$ 564,123</u>	<u>582,588</u>	<u>296,124</u>	<u>283,625</u>	<u>2,839</u>
<b>December 31, 2019</b>					
Non derivative financial liabilities					
Short-term loan	\$ 7,309	7,309	7,309	-	-
Accounts payable (include related party)	67,312	67,312	67,312	-	-
Other payable	28,481	28,481	28,481	-	-
Long-term loan	47,778	50,777	19,753	26,870	4,154
Lease liabilities	47,853	52,698	15,945	36,359	394
Convertible bonds payable (include derivative financial liabilities)	188,230	200,000	-	200,000	-
	<u>\$ 386,963</u>	<u>406,577</u>	<u>138,800</u>	<u>263,229</u>	<u>4,548</u>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(iii) Currency risk

1) Currency risk exposure

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 7,517	28.09	214,427	7,700	29.92	230,346
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	947	28.09	26,601	2,260	29.92	67,595

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on accounts receivables.

A 0.25% strengthening (weakening) of the TWD and MYR against the USD as at December 31, 2020 and 2019, would have decreased (increased) the net profit before tax for the years ended December 31, 2020 and 2019 by \$470 thousand and \$407 thousand, respectively.

3) Foreign exchange gain and loss on monetary items

Due to the different types of functional currency of the Group, the Group discloses its exchange gains and losses of monetary items aggregately. The Company's exchange loss, including realized and unrealized, were \$11,015 thousand and \$3,486 thousand for the years ended December 31, 2020 and 2019, respectively.

(iv) Interest rate analysis

The Group's financial liabilities and the restricted time deposits interest rate exposure was due to interest rate fluctuation.

If the interest rate had increased/decreased by 1%, the Group's net income before taxation would have decreased/increased by \$1,343 thousand and \$516 thousand for the years ended December 31, 2020 and 2019.

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss are measured at fair value on a recurring basis. The book value and the fair value of financial assets and financial liabilities, including fair value hierarchy disclosures (excluding financial instruments in which their book value are not measured at fair value, but represent a reasonable approximation of their fair value, or lease liabilities, as disclosure for such instruments is not required), are as follows:

	December 31, 2020				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets	\$ 2,775	-	2,775	-	2,775
Financial assets measured at amortized cost					
Cash and cash equivalents	237,873	-	-	-	-
Financial assets measured at amortized cost	3,901	-	-	-	-
Accounts receivables	116,181	-	-	-	-
Other receivables	1,841	-	-	-	-
Refundable deposits	16,831	-	-	-	-
Subtotal	376,627	-	-	-	-
Total	<u>\$ 379,402</u>	<u>-</u>	<u>2,775</u>	<u>-</u>	<u>2,775</u>
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities	\$ 640	-	640	-	640
Financial liabilities measured at amortized cost					
Short-term loans	109,326	-	-	-	-
Accounts payable (include related parties)	93,338	-	-	-	-
Other payables (include related parties)	51,635	-	-	-	-
Long-term loan	28,842	-	-	-	-
Lease liabilities	87,933	-	-	-	-
Convertible bonds payable	192,409	-	-	-	-
Subtotal	563,483	-	-	-	-
Total	<u>\$ 564,123</u>	<u>-</u>	<u>640</u>	<u>-</u>	<u>640</u>

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2019				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets	\$ 269	-	269	-	269
Financial assets measured at amortized cost					
Cash and cash equivalents	188,084	-	-	-	-
Financial assets measured at amortized cost	13,035	-	-	-	-
Accounts receivables	170,247	-	-	-	-
Other receivables	3,078	-	-	-	-
Refundable deposits	16,532	-	-	-	-
Subtotal	<u>390,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 391,245</u>	<u>-</u>	<u>269</u>	<u>-</u>	<u>269</u>
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities	\$ 640	-	640	-	640
Financial liabilities measured at amortized cost					
Short-term loans	7,309	-	-	-	-
Accounts payable (include related parties)	67,312	-	-	-	-
Other payables	28,481	-	-	-	-
Long-term loan	47,778	-	-	-	-
Lease liabilities	47,853	-	-	-	-
Convertible bonds payable	187,590	-	-	-	-
Subtotal	<u>386,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 386,963</u>	<u>-</u>	<u>640</u>	<u>-</u>	<u>640</u>

2) Valuation techniques and assumptions used in fair value determination

a) Non derivative financial instruments

- i) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: cash and cash in bank, accounts receivable and payable (including related parties), other receivables and payables (including related parties), refundable deposits, and short-term loans.
- ii) The fair value of convertible bonds is estimated using a valuation model, but the fair value of convertible bonds is not necessarily equal to future cash outflow.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

iii) Fair value of long-term debt, lease liabilities, and long-term payable is estimated using the present value of future cash flows discounted by the interest rates the Group may obtain for similar loans and lease payable. However, long term debt is recognized by its book value because most of it has floating rates. Lease liabilities are calculated based on the fixed rate agreed in the lease contract or incremental borrowing rate. Long term payable is calculated based on the weighted average cost of capital (WACC). There were no significant differences between book value and discounted present value. Thus, long term payable is recognized by book value.

b) Derivative financial instruments

Forward exchange contracts were usually estimated by the current forward exchange rates of the transaction banks. The fair value of convertible bond options, redemption rights, and put options was estimated using an external expert's valuation reports.

(u) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

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

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Group's management monitors risk exposure, risk control, and the managing process and ensures appropriate handling to balance the risk and control.

The Group minimizes the risk exposure through derivative financial instruments. The management of the finance department regulates the use of derivative and non-derivative financial instruments in accordance with the Group's policy in consideration of the risks arising from financial instruments such as credit risk, currency risk, and interest rate risk to which the Group is exposed. The Group has no transactions any derivative financial instruments of speculation.

The management reports the results of derivative financial instruments to the board of directors on a regularly basis.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

1) Receivables and other receivables

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 financial statement analysis and external ratings, when available.

2) Investments

The credit risk exposure of the bank deposits and other financial instruments is measured and monitored by the Group's management. Since the Group's counterparties are banks with good credit standing, there is no significant default risk and therefore no significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. For information on guarantees as of December 31, 2020 and 2019, please refer to note 13.

(iv) Liquidity risk

Based on the management forecast about monitored working capital demand, the Group maintains sufficient fund to fulfill operational requirements and retains adequate unused credit line to avoid violation of related terms and conditions. The forecast is in consideration of finance project and compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2020 and 2019, the Group's unused credit line amounted to \$52,987 thousand and \$209,795 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and changes in equity instrument prices, which 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.

The Group buys and sells derivatives, and also incurs financial assets in order to manage market risks. All such transactions are carried out within the scope of the Group's internal control policy.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the USD and MYR. According to Malaysian regulations announced in May 2016, at any point of time, if any foreign exchange transactions occur, 75% of the foreign currency must be exchange to MYR. The regulation does not have significant impact on the Group.

In order to manage its future transactions and realized currency risk on assets and liabilities, the management of the Group adopt the forward foreign exchange contracts to hedge the risk.

The Group uses forward foreign exchange contracts to lower its currency risk that is caused by exchange rates fluctuation, and set a stop loss point to lower its currency risk.

2) Interest rate risk

The interest rate risk is explained in interest rate analysis in this note. The changes of interest rate do not have a significant effect on the fair value of the aforementioned financial liabilities.

(v) Capital management

The Group manages capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of 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, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

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

The Group's collective quantitative data is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	<u>\$ 581,851</u>	<u>435,616</u>
Total equity	<u>\$ 383,064</u>	<u>391,562</u>
Debt-to-equity ratio	<u>151.89 %</u>	<u>111.25 %</u>

(Continued)



**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(w) Non-cash financing activities

For the years ended December 31, 2020 and 2019 the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through leasing. Please refer to notes 6(j) for related information.

Reconciliation of liabilities from financing activities are as follows:

	January 1, 2020	Cash flows	Non-cash changes				December 31, 2020	
			Acquisition of contracts	Cancellation of contracts	COVID-19- related rent concessions	Amortization of discount		Translation effect
Long-term loans	\$ 47,778	(16,915)	-	-	-	-	(2,021)	28,842
Short-term loans	7,309	102,017	-	-	-	-	-	109,326
Lease liabilities	47,853	(18,156)	76,337	(14,747)	(1,187)	-	(2,167)	87,933
Convertible bonds payable	187,590	-	-	-	-	4,819	-	192,409
Total liabilities from activities	<u>\$ 290,530</u>	<u>66,946</u>	<u>76,337</u>	<u>(14,747)</u>	<u>(1,187)</u>	<u>4,819</u>	<u>(4,188)</u>	<u>418,510</u>

  

	January 1, 2019	Cash flows	Non-cash changes				December 31, 2019	
			Acquisition of contracts	Cancellation of contracts	Issued corporate bonds	Amortization of discount		Translation effect
Long-term loans	\$ 21,353	27,364	-	-	-	-	(939)	47,778
Short-term loans	137,284	(129,975)	-	-	-	-	-	7,309
Lease liabilities	31,165	(10,030)	29,320	(1,970)	-	-	(632)	47,853
Convertible bonds payable	-	196,630	-	-	(9,416)	376	-	187,590
Total liabilities from activities	<u>\$ 189,802</u>	<u>83,989</u>	<u>29,320</u>	<u>(1,970)</u>	<u>(9,416)</u>	<u>376</u>	<u>(1,571)</u>	<u>290,530</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Eng Say Kaw	Management of the Company
Eng Kai Pin	Management of the Company
Eng Kai Jie	Management of the Company
Yee Foo Chong	Management of the Company
Tey Pek Kiang	Management of the Company
Hock Guan Seng Sdn Bhd	Other related parties
Living Nature Sdn Bhd	Other related parties (note)
Zelaxis Sdn Bhd	Other related parties
Idealtage Derelopment Sdn Bhd	Other related parties
Exus Biomass Sdn Bhd	Other related parties
Suasa Kreatrif (M) Sdn Bhd	Other related parties (note)

This entity was no longer a related party to the Group since on April 1, 2020.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Sales

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

	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>894</u>	<u>-</u>

There is no significant difference on credit terms between related parties and other customers.

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Account receivables	Other related parties	\$ <u>-</u>	<u>7</u>

As of December 31, 2020 and 2019, there was no need to recognize allowance for bad debt of the account receivables of other related parties.

(iii) Purchase and Operating Cost

Purchase and commission related parties for processing

	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>15,284</u>	<u>31,043</u>

There is no significant difference on the processing cost, purchase price and payment terms between other related parties and other manufacturers.

(iv) Loans from Related Parties

The interest charged to the Group is calculated based on the interest rate imposed on related parties' borrowings by external financial institutions. The interest-bearing borrowings provided by related parties were unsecured. The interest expense from related party loans for year 2019 was \$333 thousand. There were no outstanding related party loans as of December 31, 2020 and 2019.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Payables

The details of the Group's accounts payable to related parties from commission for processing, advance payment, and interest expense are as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Account payables	Other related parties	\$ 190	2,073
Other payables	Other related parties	219	89
Total		<u>\$ 409</u>	<u>2,162</u>

(vi) Revenue from sale of scrap

The amounts of sale of scrap by the Group to its related parties were as follows:

	<u>2020</u>	<u>2019</u>
Living Nature Sdn Bhd	\$ 215	1,404
Other related parties	68	463
Total	<u>\$ 283</u>	<u>1,867</u>

There is no significant difference on the sales price and payment terms between other related parties and other customers.

The details of the Group's other receivable of other related parties arising from the transactions mentioned above were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables	Other related parties	\$ -	237

(vii) Guarantee

For the years ended December 31, 2020 and 2019, Eng Say Kaw, Eng Kai Pin, Eng Kai Jie, Yee Foo Chong, Tey Pek Kiang and Zelaxis Sdn Bhd have become the joint guarantors by forward contracts, loans and providing credit guarantees to the Group and the leasing company.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 20,115	18,364
Post-employment benefits	<u>1,989</u>	<u>1,543</u>
	<u>\$ 22,104</u>	<u>19,907</u>

For the years ended December 31, 2020 and 2019, the costs of motor vehicles offered for management use by the Group were \$20,701 thousand (MYR 2,953 thousand) and \$22,845 thousand (MYR 3,062 thousand), respectively.

**(8) Pledged assets:**

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets measured at amortized cost			
Restricted time deposit (under other current assets)	Short-term loans	\$ -	9,013
Restricted time deposit (under other non-current financial assets)	Long-term loans	3,901	4,022
Refundable deposits	Long-term loans	7,335	8,006
Property, plant and equipment:			
Land	Long-term and short-term loans	17,444	18,231
Building and constructions	Long-term and short-term loans	<u>50,087</u>	<u>53,943</u>
Total		<u>\$ 78,767</u>	<u>93,215</u>

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

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

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(11) Subsequent Events:**

Two resolutions were approved during the board meeting held on March 22, 2021 as follows:

For a capital increase by issuing ordinary shares within the quota of 7,000 thousand shares, at a par value of \$10 per share, with the minimum issuance price per share of 75%-85% of the market price, and at a maximum amount of \$150,000 thousand. The actual issuance price and the amount of capital increase shall be submitted to the authority after the declaration takes effect and the chairman of the board shall be authorized to jointly negotiate with the securities underwriters in accordance with market conditions. The purpose of this capital increase is to purchase industrial land and build factories.

For the issuance of 2nd non-guaranteed convertible corporate bond (CB) in Taiwan R.O.C. with total amount of \$140,000 thousand. Each bond having a face value of \$100,000, with the coupon rate tentatively set at 0.5% and a tentative issuance period of 3 years. After the actual issuance and conversion measures are submitted to the authority for approval, they will be proposed to authorize the chairman of the Company to negotiate with the underwriters in accordance with the current market conditions. The purpose of this conversion is to purchase industrial land and build factories.

**(12) Other:**

(a) A summary of personnel costs, depreciation, depletion and amortization is as follows:

Function Account	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	108,657	53,039	161,696	111,756	61,584	173,340
Health insurance	1,202	454	1,656	716	501	1,217
Pension	1,735	6,709	8,444	1,901	5,973	7,874
Other personnel expense	2,037	779	2,816	1,512	626	2,138
Depreciation	20,605	11,488	32,093	19,068	5,941	25,009
Amortization	3	149	152	4	197	201

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED

### Notes to Consolidated Interim Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

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

##### (i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period (note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	TC	Other receivables	Yes	104,900 (MYR15,000)	-	-	3.00	2	-	Operating capital	-	-	-	110,662 (Note 2)	147,550 (Note 2)
1	TC	TCH	Other receivables	Yes	34,967 (MYR5,000)	13,987 (MYR2,000)	13,987 (MYR2,000)	3.00	2	-	Operating capital	-	-	-	1,561,323 (Note 2)	1,561,323 (Note 2)
1	TC	EHL	Other receivables	Yes	34,967 (MYR5,000)	34,967 (MYR5,000)	34,967 (MYR5,000)	3.00	2	-	Operating capital	-	-	-	156,132 (Note 3)	208,176 (Note 3)
1	TC	ESKB	Other receivables	Yes	34,967 (MYR5,000)	24,477 (MYR3,500)	24,477 (MYR3,500)	3.00	2	-	Operating capital	-	-	-	1,561,323 (Note 2)	1,561,323 (Note 2)
1	TC	ESKW	Other receivables	Yes	34,967 (MYR5,000)	-	-	3.00	2	-	Operating capital	-	-	-	1,561,323 (Note 2)	1,561,323 (Note 2)
2	ESKW	ESKB	Other receivables	Yes	3,497 (MYR500)	3,497 (MYR500)	3,497 (MYR500)	3.00	2	-	Operating capital	-	-	-	135,420 (Note 2)	135,420 (Note 2)

Note 1: The nature of financing is classified as follows:

1. business-related.
2. short-term financing

Note 2: The maximum aggregate amount of loans granted and individual loan granted by the Company shall not exceed 40% and 30%, respectively. For entities in which the Company, directly or indirectly, owned more than 100% of their shares, the amount available for financing shall not exceed 300% of net worth of the Company.

Note 3: The maximum aggregate amount of loans granted and individual loan granted by the lending company shall not exceed 40% and 30% of the net worth of lending company, respectively.

Note 4: The mentioned transactions between the Group's subsidiaries have been eliminated in the financial statements.

Note 5: The exchange rate was (MYR:NTD=1: 6.9933)

##### (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 2)	Highest balance for guarantees and endorsements during the period (note 3)	Balance of guarantees and endorsements as of reporting date (note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (note 1)										
0	The Company	TC	1	147,550	42,138 (USD1,500)	42,138 (USD1,500)	-	-	11.42 %	184,437	Y	N	N
1	TC	EHL	3	208,176	97,976 (MYR14,101)	97,976 (MYR14,101)	48,953 (MYR7,000)	-	18.83 %	260,222	N	N	N
1	TC	ESKB	1	208,176	6,082 (MYR870)	6,082 (MYR870)	6,082 (MYR870)	-	1.17 %	260,222	N	N	N
1	TC	ESKW	1	208,176	35,026 (USD500; MYR3,000)	35,026 (USD500; MYR3,000)	6,993 (USD1,000)	-	6.73 %	260,222	N	N	N

Note 1: The relationship between guarantor and guarantee is as follows:

1. A subsidiary whose common stock is more than 50% owned by the guarantors.
2. For entities in which the Company, directly or indirectly, owned more than 90% of their shares.
3. For entities which do business with the Company.

Note 2: The following are in accordance with the internal control policy "Policy and Procedures for Loaning of Funds and Making of Endorsement/Guarantees":

1. The overall guarantee amount and guarantee provided to any individual company shall not exceed 50% and 40% of the net worth of the Company's latest financial statements.
2. The aggregate endorsement/ guarantees amount and maximum amount permitted to any single entity of the Company and subsidiaries shall not exceed 50% and 40%, respectively, of the net worth on the latest financial statements of the Company.

Note 3: The exchange rate was (USD:NTD=1:28.0921; MYR:NTD=1:6.9933).

##### (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None.

##### (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED

### Notes to Consolidated Interim Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b) and 6(l).
- (x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TC	EHL	2	Other receivable	35,072	Loans, no available comparisons. The mutual negotiable terms and conditions.	3.63%
1	TC	TCH	2	Other receivable	14,057	Loans, no available comparisons. The mutual negotiable terms and conditions.	1.46%
1	TC	ESKB	2	Other receivables	24,724	Loans, no available comparisons. The mutual negotiable terms and conditions.	2.56%

Note 1: the numbering is as follows

1. 0 represents the parent company.
2. 1 and thereafter subsidiary companies.

Note 2: the nature of relationship is as follows

1. Parent company to subsidiary company
2. Subsidiary company to subsidiary company
3. Subsidiary company to parent company

Note 3: The account should be disclosed if the amount is over 1% of the total assets from the statement of financial position and total operating revenue from the statement of comprehensive income.

Note 4: The mentioned transactions between the Group's subsidiaries have been eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value (Notes 1 and 2)			
The Company	TC	Malaysia	Furniture manufacturing and sales	77,137	77,137	10,000,000	100.00 %	520,441	86,275	86,696	Subsidiary
The Company	TCH	Malaysia	Furniture manufacturing and sales	13,842	13,842	2,000,000	100.00 %	(1,715)	(506)	(506)	Subsidiary
The Company	EHL	Malaysia	Kitchen cabinet manufacturing and sales	50,492	-	7,000,000	70.00 %	33,111	(22,671)	(10,896)	Subsidiary (note 3)
TC	ESKB	Malaysia	Wood pellet manufacturing and sales	56,884	37,924	8,000,012	100.00 %	48,133	(6,022)	(4,160)	Sub-subsidiary
TCH	TCH(US)	United States	Management Consultant	3	3	100	100.00 %	730	(5)	(5)	Sub-subsidiary
ESKB	ESKW	Malaysia	Rubber wood processing and sales	45,118	45,118	6,000,000	100.00 %	45,140	134	83	Sub-subsidiary
TC	EHL	Malaysia	Kitchen cabinet manufacturing and sales	-	25,013	-	- %	-	(22,671)	(7,640)	Subsidiary

Note 1: Investment gains (losses) have been recognized by the equity method based on the financial statements of the investee companies audited by the company's certified Public Accountant.

Note 2: The long-term investment and investment gain or loss have been eliminated in the preparation of the consolidated financial statements.

Note 3: The Company acquired the entire shares of EHL from TC and introduced strategic investors to co-invest in EHL; for related information, please refer to note 4(c).

(c) Information on investment in mainland China: None.

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
Eng Synergy Management Sdn. Bhd.		9,844,000	41.66 %
Eng Say Kaw		2,100,000	8.88 %
Surging Success Sdn. Bhd.		1,890,000	8.00 %
Only Inspiration Sdn. Bhd.		1,654,000	7.00 %
Bank SinoPac as Custodian for Conceptscope Resources Sdn. Bhd. Investment Account		1,634,000	6.91 %
Youlen Enterprise		1,339,000	5.66 %
Golden Encore		1,324,000	5.60 %

Note: (1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

(2) If the aforementioned data contained shares which were kept in trust by the shareholders, the data disclosed will be deemed as the settlor's separate account for the fund set by the trustee. As for the shareholder who reports its share equity as an insider and whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, its shares should include its self-owned shares and trusted shares, as well as the shares of the individuals who have power to decide how to allocate the trust assets. For the information on reported share equity of the insider, please refer to the Market Observation Post System.

(3) The shareholding ratio is calculated by unconditionally rounding it down to two decimal places.

**(14) Segment information:**

(a) General information

The Group has three reportable segments, Segment A, Segment B, and Segment C. Segment A manufactures and sells furniture. Segment B buys and sells furniture. Segment C processes rubber wood and manufactures, and sells wood pellets.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report, that the chief operating decision maker reviews, as the basis to determine resource allocation and make a performance evaluation. The Group's operating segments' profits and losses are measured based on the income before income tax. The amount reported should be consistent with the report used by the chief operating decision maker.

The measured amount of assets and liabilities of the Group's reportable segments has not yet been reported to the operating decision makers.

The Group's operating segment information and reconciliation are as follows:

	<b>2020</b>				
	<b>Segment A</b>	<b>Segment B</b>	<b>Segment C</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue					
Revenue from external customers	\$ 1,150,712	159	108,979	-	1,259,850
Intersegment revenues	958	-	14,514	(15,472)	-
Interest revenue	900	-	1	-	901
Total revenue	<u>\$ 1,152,570</u>	<u>159</u>	<u>123,494</u>	<u>(15,472)</u>	<u>1,260,751</u>
Interest Expense	<u>\$ 11,168</u>	<u>154</u>	<u>2,304</u>	<u>(2,548)</u>	<u>11,078</u>
Depreciation and Amortization	<u>\$ 23,342</u>	<u>11</u>	<u>8,892</u>	<u>-</u>	<u>32,245</u>
Reportable segment profit or loss	<u>\$ 92,915</u>	<u>(565)</u>	<u>(5,671)</u>	<u>-</u>	<u>86,679</u>
	<b>2019</b>				
	<b>Segment A</b>	<b>Segment B</b>	<b>Segment C</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue					
Revenue from external customers	\$ 1,117,310	55,252	214,065	-	1,386,627
Intersegment revenues	124,268	3	11,015	(135,286)	-
Interest revenue	2,992	7	-	(2,245)	754
Total revenue	<u>\$ 1,244,570</u>	<u>55,262</u>	<u>225,080</u>	<u>(137,531)</u>	<u>1,387,381</u>
Interest Expense	<u>\$ 7,367</u>	<u>191</u>	<u>3,561</u>	<u>(2,245)</u>	<u>8,874</u>
Depreciation and Amortization	<u>\$ 12,658</u>	<u>13</u>	<u>12,539</u>	<u>-</u>	<u>25,210</u>
Reportable segment profit or loss	<u>\$ 130,979</u>	<u>(1,153)</u>	<u>(1,618)</u>	<u>-</u>	<u>128,208</u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Product and service information

Revenue from external customers of the Group was as follows:

<u>Products and Services</u>	<u>2020</u>	<u>2019</u>
Furniture manufacturing and sales	\$ 1,150,871	1,172,562
Rubber wood processing and sales	93,038	210,044
Wood pellet manufacturing and sales	<u>15,941</u>	<u>4,021</u>
Total	<u><u>\$ 1,259,850</u></u>	<u><u>1,386,627</u></u>

(d) Geographic information

Export sales revenue by country is based on the billing location of the customer, and non-current assets by location are based on where the assets are located. The information is as follows:

Export sales

<u>Region</u>	<u>2020</u>	<u>2019</u>
United States	\$ 1,110,939	1,142,532
Malaysia	140,283	220,745
Canada	-	10,189
Other	<u>8,628</u>	<u>13,161</u>
Total	<u><u>\$ 1,259,850</u></u>	<u><u>1,386,627</u></u>

Non-current Assets

<u>Region</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Malaysia	<u><u>\$ 265,266</u></u>	<u><u>248,835</u></u>

Non current assets include property, plant and equipment, right-of-use assets, intangible assets, and prepayment for equipment, not including financial assets measured at amortized cost, deferred tax assets and refundable deposits.

(e) Information on major customers

	<u>2020</u>	<u>2019</u>
Customer A	<u><u>\$ 464,167</u></u>	<u><u>613,231</u></u>