Stock Code: 6616

TECHCENTIAL
INTERNATIONAL LTD
特昇國際

Techcential International Ltd
特昇國際股份有限公司

2020 Annual Report

The annual report is available at http://mops.twse.com.tw

Company website: http://www.techcential-international.com

Printed on 30 May 2021

Notice to Readers

This English-version Annual Report is a summary translation of the Chinese version and is not an official document of the Annual General Meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Position: Internal Audit
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Deputy spokesperson: Chang Ming-Huang
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II. Litigation and non-litigated agent

Name: Chang Ming-Huang
Position: Director
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III. Company Information

a) Techcential International Ltd
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b) Subsidiary: Techcential Sdn. Bhd.
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Tel: +60-6-987-3999

c) Subsidiary: TC Home Sdn. Bhd.
Address: PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.
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d) Subsidiary: EHL Cabinetry Sdn. Bhd.
Address: PTD 4063, Kawasan Perindustrian P.T Jamil, PT. Jawa, 84150 Muar, Johor, Malaysia.
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e) Subsidiary: TC Home Corporation
Address: c/o Isaacson Isaacson Sheriden Fountain & Leftwich, LLP, 804 Green Valley Road, Suite 200, Greensboro, Guilford County, North Carolina 27408.
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f) Subsidiary: ESK Biomass Sdn. Bhd.
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g) Subsidiary: ESK Wood Products Sdn. Bhd.
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IV. Stock Agency

Name: Sinopac Securities
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Address: 3F, No.17, Bo'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan
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V. Auditors

Auditors: Charlotte Chao, Lisa Kuang

Firm: KPMG Website: www.kpmg.com.tw

Address: 68F, No.7, Sec 5, XinYi Road, Taipei City 11049, Taiwan R.O.C.

Tel: (02)8101-6666

VI. Name of overseas securities dealers and methods to inquire into overseas securities: None

VII. Directors:

Title	Name	Nationality
Chairman	Eng Say Kaw	Malaysia
Director	Eng Synergy Management Sdn Bhd	Malaysia
	representative: Eng Kai Pin	Malaysia
Director	Surging Success Sdn Bhd	Malaysia
	representative: Poa Keng Ling	Malaysia
Director	Chang Ming Huang	Taiwan R.O.C
Independent Director	Tay Puay Chuan	Malaysia
Independent Director	Oun Lek Wee	Malaysia
Independent Director	Liao Wei chuan	Taiwan R.O.C

VIII. Corporate website： https://www.techcential-international.com/home-page-eng/

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Exhibits 1: Consolidated Financial Statements 2020

1.0 Letters to Shareholders

Dear Shareholders

Thank you very much for your continued support and love. We hereby present the business achievements of the Group at the end of 2020 and the operating outlook for 2021 as follows:

1.1 2020 business report

2020 was a year of outstanding performance for Techcential International Ltd. TC had thrived obtained orders from several new customers and developed PU product serial which is popular and cost-effective. EHL has invested in the factory construction and purchase machinery of kitchen cabinet manufacturing. EHL also planned to hire foreign technical personnel to complete trial production in the shortest time and contribute to the company's revenue.

Techcential International Ltd issued 1st convertible corporate bonds on December 3, 2019, and used all the funds raised on repaying bank loans, reinvesting in subsidiaries, and enriching working capital. Yet, the Malaysian government had implemented a Movement Control Order (MCO) to prevent the spread of the COVID-19 pandemic and block the entire territory from March 18, 2020. Therefore, most of the companies in Malaysia stop operating for at least one and a half month. TC managed to apply for the government's permit and resumption of work in early of May; other subsidiaries resume work around early of June. The company operation and profitability were affected during the MCO, and EHL were rejected repeatedly for the foreign cadres' application due to the government implemented the administrative control order until end of 2020; as a result, the machinery installation schedule had been delayed. However, driven by TC's strong order demand and expected large numbers of shipments, the group's revenue performance in 2020 is still outstanding.

The company's overall operations in 2020 are as follows:

1.1.1 Operating income

The Group's revenue in 2020 was NTD 1.26 billion, which was a 9% decrease compared with NTD 1.386 billion in 2019. The decline in revenue was mainly caused by the implementation of the MCO in Malaysia and the group suspension of operations for at least one and a half month. However, because the sales for wooden furniture in the United States was heating up and the PU Paper product design was popular, the demand for orders of TC bedroom furniture in 2020 H2 was strong. The monthly revenue in the last quarter of 2020 was also increased compared with the same period in 2019. Therefore, the annual revenue decline was not significant.

1.1.2 Net profit after tax

The Group's net profit after tax in 2020 of NTD 54, 738 thousand, which was dropped approximately 40% compared to the net profit after tax in 2019 of NTD 91,355 thousand. This is because (i) the US dollar gradually depreciated due to the changes in the global political and economic situation; (ii) the impact of the COVID-19 pandemic caused an imbalance in the global shipping supply chain in the 2020H2, affecting the smoothness of the company's freight; (iii) the cost of raw materials slightly increased in the 2020H2, which affected company gross profit. Besides, due to the impact of the Malaysia MCO, EHL was unable to recruit foreign technician and suppliers to the factory as scheduled, so that the production progress of kitchen cabinets was delayed.

1.1.3 Budget implementation

The financial forecast did not announce in 2020.

1.1.4 Overview of research and development

The company's main research and development status in 2020 is as follows:

• Research and improvement of production process technology, development of alternative raw materials and introduction of automated machinery and equipment

• Actively cooperate with market demand to develop new designs series and functions, focusing on value-added products (ie. placing a USB charging stand in the bedside table, etc.)

• Increasing the strength of material development and style design of PU Paper products which more favored by young consumers.

1.1.5 Cash dividend distribution

Hereby summarize the TIL cash dividend distribution status in the following table. Besides, to appreciate all shareholders for long-term support, the Board had approved and is expected to submit to the 2021 Shareholders' meeting to issue a cash dividend of NT$2 per share in 2020H2.

Year	EPS	Cash dividend distributed
2017	1.44	NT$1 per share

2018	1.57	NT$1 per share
First half of 2019	1.80	NT$0.8 per share
Second half of 2019	2.10	NT$2.2 per share
First half of 2020	0.44	No distribution (Note 1)
Second half of 2020	2.16	NT$2 per share (Note 2)

Note 1: Due to the impact of the worldwide COVID-19 Pandemic and Malaysia imposed MCO that caused the company stop operation for more than 1 month, the Board decided not to distribute cash dividend for 2020H1, in order to retain sufficient funds for company operation.

Note 2: It will be submitted to the shareholders meeting for voting on June 29, 2021, after discussion and approval by the Board on March 22, 2021.

1.2 Summary of the 2021 business plan

TIL group of companies are based in Malaysia. Subsidiary TC received a notification from employees that was diagnosed positive for COVID-19 on December 29, 2020. The company's management immediately stopped operation, conduct Antigen test screening for all employees and actively cooperate with the competent authority include Ministry of Health to disinfect the factory area during the shutdown period. The company also quickly coordinated with customers for deferred shipments and the following factory stop operation which lasted for 16 days. In the early stage of the resumption of work, employees who resumed work have prioritized in warehouse inventory department for arrange shipments. At last, the decrease in operating days in January affected the company's revenue fell by 49% compared to the same period last year. Fortunately, the TC has fully resumed work in the last week of January, and the production department has officially started operations. The operating status in February and March is back to normal. However, because the products are mainly export to the United States, the sea freight and supply chain issues that occurred in the 2020 H2 also continued to 2021. Our management will focus on this part and will try different strategies to cooperate with customers and shipping companies for getting more containers and shipping on time.

The company will continue to increase the production efficiency of wooden bedroom furniture and discover new customers, focus on new product design and innovative functions, and actively invest in the upstream raw material procurement and processing business, which should be beneficial to future revenue and profits. To strengthen market competitiveness, and timely meet customer demand for product design and quality, the group will continue to study automated manufacturing process and actively develops more functional and value-added products, especially on PU product serials that will drive the company's revenue in 2021. The company expects to add a new plant into

production in 2021, and actively cultivate outsourcing manufacturers, and plan the material department to work in two shifts to increase the output of material preparation and the company's production capacity.

In 2021, TIL will not only continue to focus on the sales and procurement of rubberwood, but also the production and manufacturing of EHL kitchen cabinets which started invest in 2019 Q4. The Malaysia MCO had affected the progress for EHL foreign cadres hiring and delayed the factory construction and machinery installation phase. Till 2020 Q4, EHL had successfully got approval from the competent authority to allow relevant persons to enter the country and finished the installation of machinery. EHL has also produced some sample for buyers and expected to contribute group revenue in 2021.

1.3 Affected by the external competition environment, regulatory environment and overall economic environment.

According to CSIL data, the total value of the global furniture industry reached USD490 billion in 2019, which the Asia-Pacific region is the global furniture manufacturing center and about two-thirds are importing from Asian countries (China, Vietnam, and Malaysia). This trend will continue in the next few years. Due to the US-China trade war, American furniture import orders gradually shift to Southeast Asia, especially the prospects of the furniture industry in Vietnam, Thailand, and Malaysia is good. According to the data provided by the Malaysian Furniture Council, Malaysia's total furniture exports reached RM 12.86 billion in 2020, an increase of 15% from 2019. The furniture exports to the United States (RM 7.65 billion) are growth over 60% compared to the same period last year. According to the preliminary estimate of the U.S. Department of Commerce, the total sales of the U.S. furniture retail industry in January 2021 was US$11.35 billion, an increase of 12% from the US$10.14 billion in December 2020 and an increase of 12% compared with the growth rate 11.7% in January 2020. The National Retail Federation (NRF) also predicts that the total retail sales in 2021 (excluding car dealers, gas stations, and restaurants) will increase by 6.5% to 8.2% compared to 2020.

The COVID-19 pandemic is a global and ongoing issue in 2020 and continue to prevail in 2021. It will have a tremendous impact on world economic powers such as China, United States, Japan, Germany, United Kingdom, and Malaysia. Although vaccines have successfully developed, the follow-up situation of vaccine implementation in various countries, border control regulations, related virus variants, and developments in the international situation is a concern by everyone. TIL will actively comply with standard operating procedures and take good care of the health and safety of employees. At the same time, TIL will pay close attention to the global epidemic prevention policies and the economic development situation of subsequent countries, and adjust business strategies at any time to continue creating good operating results.

We would like to thank all shareholders for your continued support and advice. Wish you all stay healthy and happy as always.

Chairman : Eng Say Kaw

CEO : Eng Kai Pin

CFO : Tan Kok Bee

2.0 Company Profile

2.1 Introduction

Techcential International Ltd ("TIL", "the Company") was incorporated in the Cayman Islands in 2016 as an investment holding company. Its subsidiaries are Techcential Sdn. Bhd., EHL Cabinetry Sdn. Bhd., TC Home Sdn. Bhd., TC Home Corporation, ESK Biomass Sdn. Bhd. and ESK Wood Products Sdn. Bhd.

Techcential Sdn. Bhd. ("TC"), founded in 2001, mainly engaged in the design, manufacture, and sale of American wooden bedroom furniture. TC Home Sdn. Bhd. ("TCH") had established in 2013 and there are plans to reorganize the business in 2019. The company invested in panel furniture (Panel Furniture/Knock-Down Furniture) that is convenient for consumers to assemble by themselves. ESK Biomass Sdn. Bhd. is an investment company in September 2018 (100% shareholding) for the production and manufacturing of wood pellets. ESK Wood Products Sdn. Bhd. is a subsidiary invested by ESK Biomass Sdn. Bhd., the main operating project is the processing and manufacturing of raw materials-rubber wood. The original business of EHL Cabinetry Sdn. Bhd. was to purchase directly from raw material suppliers to reduce the production costs. However, the supply has obvious transfer order after the United States launched an anti-dumping duties investigation on kitchen cabinet furniture in 2019. Plan to invest in the manufacture of kitchen cabinets and start the production and sales of kitchen cabinet furniture in the second quarter of 2021.

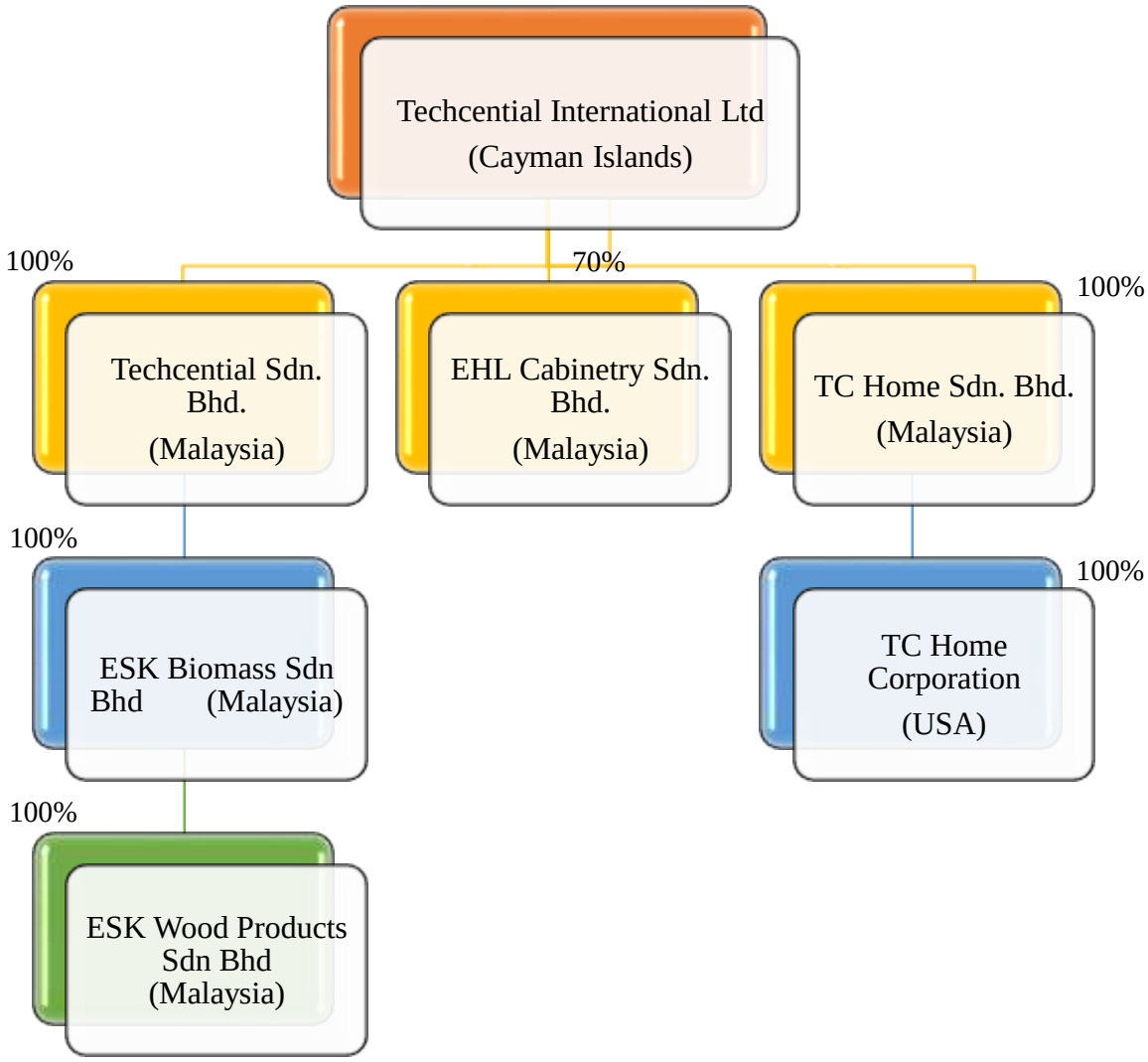
2.2 Company History

Year	Accomplishment
2012	TC revenue over RM60 million.
2013	1. Established TC Home Sdn. Bhd., mainly developing the trading of furniture. 2. The number of employees of the group has increased to 400. 3. DingXin Work Flow ERP GP system was introduced into company management.
2014	1. The Group's revenue exceeded RM80mil with an annual growth rate of approximately 30%. 2. TC built a second plant to expand production capacity.
2015	1. The Group's revenue is approximately RM100mil with an annual growth rate of approximately 20%. 2.TCH launched its own brand TC Home in High Point, North Carolina, USA, and has since operated its own brand furniture business. 3.TCH became one of the world's largest furniture exhibition "High Point Furniture Market" exhibitors.

Year	Accomplishment
2016	1.TCH actively explored the US West market and joined the Las Vegas Furniture Market. 2.TCH set up a warehouse in Malaysia to fully promote the "Mixed Container Program", which provide more flexibilities and more choices for small and medium-sized retailers in the United States.
2017	Techcential won the "International Golden Eagle Award" hosted by Malaysia Nanyang Siang Pau and in the same year, it was approved listing by the TPEX.
2018	On January 10th, TIL became one of the public listed company in Taiwan, and TIL actively invested in the procurement and manufacturing of rubber wood.
2019	1.Techential Sdn Bhd participated in MIFF International Furniture Fair in Kuala Lumpur, Malaysia. 2. The adjusted business of EHL and invested in the manufacture of kitchen cabinets. 3. TIL Issuance of the first unsecured conversion of corporate bonds in the Republic of China (Taiwan).

2.3 Group Structure

30 April 2021



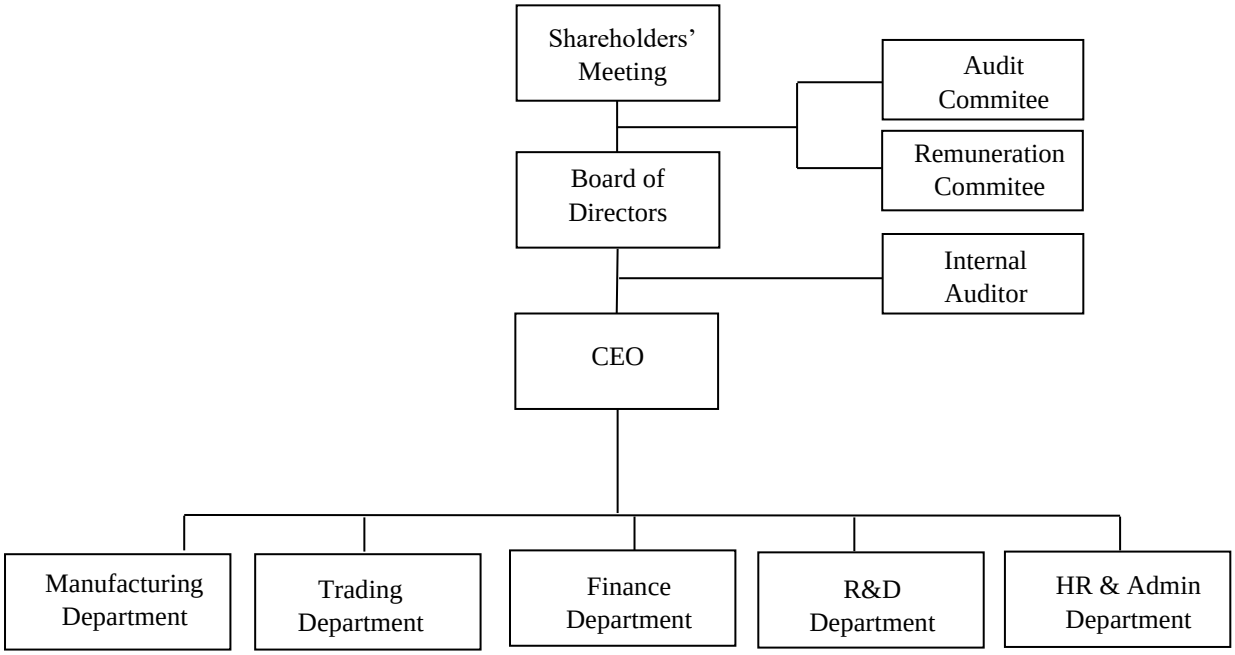
2.4 Risk Factors: Please refer to page 97 for Analysis and assessment of risk matters.

3.0 Corporate Governance Report

3.1 Company Organization

3.1.1 Organizational Structure

30 April 2021



3.1.2 Main Corporate Functions

Department	Functions
CEO	Responsible for planning, execution, and coordination of company operations. To ensure that the company works well and provides good quality products and services.
Internal Audit	Examine and evaluate the internal control system, operation, and flaws in the management regulation, and adequately provide improvement suggestions and reviews in order to maintain effective implementation of management regulations and also to assist the Board of Directors on the auditing of company internal regulations and the executions.
Manufacturing	Responsible for the design, manufacture and sales of American wooden bedroom furniture
Trading	Responsible for the wholesale sale of American wooden restaurant furniture, children's bed furniture, and the sales and development of own brand furniture.
Finance	Functions related to the Company's finance, accounting, equity, treasury and asset management, establishment of policy and procedures, and to provide the optimal strategy for company management.
R&D	Responsible for the design, improvement, proofing, assembly testing, production process and product quality improvement of American wooden furniture.
HR & Admin	Responsible for the planning, formulation, inspection and revision of the personnel and administrative aspects of the rules and regulations, and responsible for personnel recruitment and related business and management.

3.2 Director, supervisor, general manager, deputy general manager, associate, department and branch supervisor:

3.2.1 Directors and Supervisors

(A) Board of Directors

30 April 2021; Unit: Thousand Shares；%

Title	Name	Gender	Nationality or location Registered	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Qualification	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Eng Say Kaw	Male	Malaysia	2016.11.20	2019.06.27	3 years	420	2.00	2,100	8.89	-	-	-	-	Malaysia SMK Tengku Mahkota Malaysia SPM VI Industries Bhd., CEO Idealhope Furniture Sdn. Bhd., CEO	Zelaxis Sdn. Bhd.Director Everglow Upholstery Sdn. Bhd.Director Exus Biomass Sdn. Bhd.Director Woodvature Sdn. Bhd.Director Idealtage Development Sdn. Bhd.Director EHL Trading Sdn. Bhd.Director Eng Synergy Management Sdn. Bhd.Director Grace Impact Sdn. Bhd.Director TC Home Sdn. Bhd.Director	–	–	–
Director	Eng Synergy Management Sdn. Bhd.	-	Malaysia	2016.12.05	2019.06.27	3 years	11,760	56.00	9,844	41.67	-	-	-	-	–	–	–	–	–
	Representative: Eng Kai Pin	Male	Malaysia	2016.06.14	2019.06.27	3 years	-	-	8	0.03	-	-	-	-	Malaysia Muar Chung Hwa High School Techcential Sdn. Bhd., Marketing Manager	Techcential International Ltd, CEO Techcential Sdn. Bhd., Director Woodgress Sdn. Bhd., Director Idealtage Development Sdn. Bhd., Director Vosme International Sdn. Bhd., Director EHL Trading Sdn. Bhd., Director TC Home Sdn. Bhd., Director & CEO TC Home Corporation, Director & CEO	ESK B Excutive Director CEO of TC	Eng Kai Jie Eng Kai Jian	Brother Brother
Director	Surging Success Sdn. Bhd.	-	Malaysia	2016.12.05	2019.06.27	3 years	1,890	9.00	1,890	8.00	-	-	-	-	–	–	–	–	–

Title	Name	Gender	Nationality or location Registered	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Qualification	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
	Representative: Poa Keng Ling	Female	Malaysia	2016.12.05	2019.06.27	3 years	-	-	8	0.03	-	-	-	-	Universiti Utara Malaysia, Bachelor of Economic LH Kiln Dry & Moulding Sdn.Bhd., PA of CEO Techcential Sdn.Bhd., Executive of Costing & Purchasing Techcential Sdn. Bhd., Manager of Costing & Purchasing	Techcential Sdn. Bhd., President of Costing & Purchasing EHL Trading Sdn. Bhd., CEO	–	–	–
Director	Chang Ming-Huang	Male	Taiwan	2018.06.29	2019.06.27	3 years	-	-	-	-	-	-	-	-	National Chung-Cheng University, Master of Law	Founder of Rich CPA Firm			
Independent Director	Tay Puay Chuan	Male	Malaysia	2016.12.05	2019.06.27	3 years	-	-	-	-	-	-	-	-	Bachelor of Laws, University of London, UK; Bukit Oman Royal Police Inspector; Fajar Sawmill Sdn. Bhd., Factory Manager; Syarikat Teong Sheng Sdn. Bhd., Factory Manager; Fadzilah Ong Chee Seong & Associates Lawyer; Member of Parliament of Malaysia	Founder of Tay Puay Chuan & Co. Guan Chong Berhad Sdn. Bhd., Independent Director Sern Kou Resources Sdn. Bhd., Independent Director Homeritz Corporation Sdn. Bhd., Independent Director Star Foundation, Director Vtar Sdn. Bhd., Director	–	–	–
Independent Director	Oun Lek Wee	Male	Malaysia	2016.12.05	2019.06.27	3 years	-	-	-	-	-	-	-	-	Malaysia Multimedia University, Bachelor of Accounting Ernst & Young Malaysia (Melaka Office) Audit Executive, Manager & Senior Manager ACCA Member MIA Member	Founder of Oun & Partners CPA Firm	–	–	–
Independent Director	Liao Wei Chuan	Male	Taiwan	2016.12.05	2019.06.27	3 years	-	-	-	-	-	-	-	-	Chung Yuan Christian University, Bachelor of Accounting Masterlink Securities Group, Underwriting Dev, VP KGI Securities, Investment		–	–	–

Title	Name	Gender	Nationality or location Registered	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Qualification	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															Banking Dev, Senior VP ICBC Securities Underwriting Dev, Senior Executive VP				

(B) Supervisor: Not applicable.

3.2.2 Major shareholders of the institutional shareholders：

Institutional shareholders	Major shareholders
Eng Synergy Management Sdn. Bhd.	Tay Su Siang 70.65%, Eng Chong Len 29.35%
Surging Success Sdn. Bhd.	Chong Yu Chau 50.11%, Eng Xin Yi 49.89%

(1) Major shareholders of the major shareholders that are juridical persons: Not Applicable.

3.2.3 Professional qualifications and independence analysis of Directors and Supervisors:

30 April 2021

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independent Criteria (Note)										Concurrently Serving as an Independent Director at Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of The Company in a Public or Private Junior College, College or University	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of The Company	1	2	3	4	5	6	7	8	9	10	
Eng Say Kaw			✓	✓			✓		✓	✓	✓	✓	✓	—
Eng Kai Pin Representative of Eng Synergy Management Sdn. Bhd.			✓			✓	✓	✓	✓	✓	✓	✓		—
Surging Success Sdn. Bhd. Representative: Poa Keng Ling			✓		✓	✓	✓	✓	✓	✓	✓	✓		—
Chang Ming Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Tay Puay Chuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Note3
Oun Lek Wee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Liao Wei Chuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note: Please tick the appropriate corresponding boxes if Directors and Supervisors have been met any of the following criteria during the two years term of office and prior to being elected. :

(1) Not an employee of the Company or any of its affiliates;

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary;

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings;

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs;

(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company;

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;

(9) Not been a person of any conditions defined in Article 30 of the Company Law; and

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.4 President, Vice President of the Company and its affiliates

30 April 2021; Unit: Thousand Shares；%

Title	Name	Gender	Nationality	Date Elected	Shareholding		Spouse and Minor Shareholdings		Shareholding by Nominee Arrangement		Education and Experience	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Status of Manager obtains employee stock options
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO	Eng Kai Pin	Male	Malaysia	2016.12.5	8	0.03	-	-	-	-	Malaysia Muar Chung Hwa High School Techcential Sdn. Bhd. Marketing Manager	Techcential Sdn. Bhd., Director Idealtage Development Sdn. Bhd., Director Vosme International Sdn. Bhd., Director EHL Trading Sdn. Bhd., Director TC Home Sdn. Bhd., Director & CEO TC Home Corporation, Director & CEO	ESK B Excutive Director CEO of TC	Eng Kai Jie Eng Kai Jian	Brother Brother	–
CFO	Tan Kok Bee	Male	Malaysia	2016.12.5	-	-	-	-	-	-	UK LCCI Accounting Advanced Diploma Malaysia MIA registered accountant Leong Hup Holdings Bhd. , Account Manager UDS Capital Bhd. , Account Manager Mamee Double-decker (Malaysia) Bhd., Account Manager Techcential Sdn. Bhd., Finance Manager	-	-	–	–	–
HR & Admin Manager	Tan Leng Im	Female	Malaysia	2001.6.11	-	-	-	-	-	-	UK London Chamber of Commerce and Industry Accounting Junior Certificate LH Kiln Dry & Moulding Sdn.Bhd., Account Executive Techcential Sdn.Bhd., Account Executive; HR & Admin Executive	-	–	–	–	–
R&D Manager	Koh Chin Joo	Male	Malaysia	2003.10.13	-	-	-	-	-	-	SPM, Malaysia Four Stars Enterprise - Interior Desinger Workshop Founder Yeu Hong Furniture Industries Sdn. Bhd., Leader of Production Techcential Sdn. Bhd., R&D Executive	-	–	–	–	–
IA Manager	Yee Lee Ching	Female	Malaysia	2018.05.15	5	0.02	0	0.00	0	0.00	Kaohsiung Medical University, Degree of Pyschology	-	–	–	–	–
ESK B Excutive Director	Eng Kai Jie	Male	Malaysia	2010.2.10	-	-	-	-	-	-	Malaysia Inti University, Business & Administrative Course Techcential Sdn. Bhd., Executive of Quality Control & Production; VP of HR & Admin; Manager of Costing & Purchasing	Techcential Sdn. Bhd., Director Idealtage Development Sdn. Bhd., Director TC Home Sdn. Bhd., Director TC Home Corporation, Director	CEO CEO of TC	Eng Kai Pin Eng Kai Jian	Brother Brother	–

Title	Name	Gender	Nationality	Date Elected	Shareholding		Spouse and Minor Shareholdings		Shareholding by Nominee Arrangement		Education and Experience	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Status of Manager obtains employee stock options
					Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
TC - Manager of Costing & Purchasing	Poa Keng Ling	Female	Malaysia	2001.6.11	8	0.03	-	-	-	-	Universiti Utara Malaysia, Bachelor of Economic LH Kiln Dry & Moulding Sdn.Bhd., PA of CEO Techcential Sdn.Bhd., Executive of Costing & Purchasing Techcential Sdn. Bhd., Manager of Costing & Purchasing	–	–	–	–	–
CEO of EHL	Lim Swee Soon	Male	Malaysia	2019.11.14	-	-	-	-	-	-	Malaysiaj Informative College, Diploma of Marketing Hgs Components Enterprise, Owner Hock Guan Seng Sdn Bhd, Director	–	–	–	–	–
CEO of TC	Eng Kai Jian	Male	Malaysia	2019.05.10	-	-	-	-	-	-	University of Nebraska – Lincoln, Degree in Marketing Techcential Sdn Bhd Marketing Manager	–	CEO ESK B Excutive Director	Eng Kai Pin Eng Kai Jie	Brother Brother	

3.2.5 Remuneration of Directors (including the Independent Directors), supervisors, presidents, vice presidents and affiliates

(A) Remuneration of Directors (including the Independent Directors)

31 December 2020 , Unit: NTD Thousand

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of Net Income		Relevant remuneration received by Directors who are also employees								Total Compensation (A+B+C+D+E+F+G) as A % of Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C) (Note 1)		Allowances (D)				Compensation, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Bonuses (G)						
																The Company		Companies in the Consolidated Financial Report				
		The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	The Company	Companies in the Consolidated Financial Report	
Chairman	Eng Say Kaw	238	2,601	–	–	60	60	-	-	0.49%	4.34 %	–	3,546	–	–	–	-	–	–	0.49 %	10.11%	–
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin																					
Director	Surging Success Sdn. Bhd. Representative: Poa Keng Ling																					
Director	Chang Ming-Huang																					
Independent Director	Tay Puay Chuan	861	861	-	-	144	144	13	13	1.66%	1.66%	-	-	-	-	-	-	-	-	1.66 %	1.66%	-
Independent Director	Oun Lek Wee																					
Independent Director	Liao Wei Chuan																					

Remuneration Table

Remuneration Paid to Directors	Name of Directors			
	Total Compensation (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Under NT$ 1,000,000	Tay Puay Chuan, Oun Lek Wee, Liao Wei Chuan, Chang Ming Huang	-	Tay Puay Chuan, Oun Lek Wee, Liao Wei Chuan, Chang Ming Huang	-
NT$2,000,000（includes）～NT$5,000,000 （not included）	–	–	-	Eng Kai Pin, Poa Keng Ling
NT$2,000,000（includes）～NT$5,000,000 （not included）	–	Eng Say Kaw	–	Eng Say Kaw
NT$5,000,000 （ includes ） ～ NT$10,000,000 （ not included）	–	–	–	–
NT$10,000,000 （ includes ） ～ NT$15,000,000 （ not included）	–	–	–	–
NT$15,000,000 （ includes ） ～ NT$30,000,000 （ not included）	–	–	–	–
NT$30,000,000 （ includes ） ～ NT$50,000,000 （ not included）	–	–	–	–
NT$50,000,000 （ includes ） ～ NT$100,000,000 （ not included）	–	–	–	–
Over NT$ 100,000,000	–	–	–	–
Total	4	1	4	3

(B) Compensation to Supervisors: Not Applicable.

(C) Remuneration of President and Vice Presidents

31 December 2020 , Unit: NTD Thousand

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowances (C)		Employees' Bonus (D)				Total Compensation (A+B+C+d) as a % of Net Income		Compensation Paid to President and Vice
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CEO	Eng Kai Pin	–	5,590	–	–	–	1,501	–	–	–	–	–	11.5%	–
ESK B Excecutive Director	Eng Kai Jie													
CEO of TC	Eng Kai Jian													
TC - Manager of Costing & Purchasing	Poa Keng Ling													
CEO of EHL	Lim Swee Soon													

Remuneration Table

Remuneration Paid to the President and Vice President	Name of President and Vice President	
	The Company	Companies in the consolidated financial report
Under NT$ 1,000,000	–	-
NT$1,000,000（includes）～NT$2,000,000 （not included）	–	Eng Kai Pin, Eng Kai Jie, Eng Kai Jian, Poa Keng Ling, Lim Swee Soon
NT$2,000,000（includes）～NT$3,500,000 （not included）	–	-
NT$3,500,000（includes）～NT$5,000,000 （not included）	-	-
NT$5,000,000（includes）～NT$10,000,000（not included）	–	–
NT$10,000,000 （ includes ） ～ NT$15,000,000 （ not included）	–	–
NT$15,000,000 （ includes ） ～ NT$30,000,000 （ not included）	–	–
NT$30,000,000 （ includes ） ～ NT$50,000,000 （ not included）	–	–
NT$50,000,000 （ includes ） ～ NT$100,000,000 （ not included）	–	–
Over NT$ 100,000,000	–	–
Total	0	5

(D) Names of executives distributing employees' bonuses:

Unit: NTD Thousand ; %

	Title	Name	In Stock (Fair Market Value)	In Cash	Total	% of net income after tax
Manager	CEO	Eng Kai Pin	-	-	-	-
	ESK B Executive Director	Eng Kai Jie				
	TC - Manager of Costing & Purchasing	Poa Keng Ling				

	CEO of TC	Eng Kai Jian				
	CEO of EHL	Lim Swee Soon				
	CFO	Tan Kok Bee				

(E) Compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(1) The analysis on the proportion of total remuneration to net income after tax paid to the Company's Directors, President, and Vice Presidents by the Company and its affiliates:

Unit: NTD Thousand

	Year 2019		Year 2020	
	Amount	%	Amount	%
Remuneration of Directors, President and Vice Presidents	9,305	10.19	7,225	11.77
The Company's Consolidated Net Income	6,566	7.19	7.090	11.55

(2) The remuneration payout policy, standards and procedures that corresponds to business performance and future risks:

A. Directors

Remuneration of Directors corresponds to the Directors' service and value to the business operations, and with reference to the salary level of industry standards.

B. President and Vice Presidents

Remuneration of President and Vice Presidents corresponds to their position, corporate responsibilities, contributions to the business operations, and with reference to the salary level of similar industries as well as position standards.

3.3 The state of operations of the Board of Directors, the Audit Committee and the Compensation Committee:

3.3.1 The state of operations of the Board of Directors:

The Board of Directors held a total of 8 meetings from the fiscal year 2020 to the printing date of this Annual Report. The attendance of Directors is as below.

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Chairman	Eng Say Kaw	8	0	100%	-
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	8	0	100%	-
Director	Surging Success Sdn. Bhd. Representatvie：Poa Keng Ling	8	0	100%	-
Director	Chang Ming Huang	8	0	100%	-
Independent Director	Tay Puay Chuan	8	0	100%	-
Independent Director	Oun Lek Wee	8	0	100%	-
Independent Director	Liao Wei Chuan	7	0	87.5%	-

Other matters that require reporting:

A. When the below matters have occurred, the date, series, motion content, opinions from Independent Directors, and the Company's handling on such opinions shall be noted in the minutes of the Board of Directors meeting:

(i) The matters listed in Article 14-3 of Securities and Exchange Act.

(ii) in addition to the pre-opening matters, other board matters that have been objected to or retained by independent directors and have a record or written statement：Not Applicable.

The Date of Board of Director's meeting	The Important Resolutions (Securities and Exchange Act- Acticle 14, paragraph 3)		The opinions of independent directors
2020/02/13	1	To revise the amount and the period of granting loan to Techcential Sdn Bhd	No opinion
	2	To acquire 100% equity of EHL Cabinetry Sdn Bhd from Techcential Sdn Bhd	No opinion
	3	To amend the Procedure for Lending for Funds to Other Parties	No opinion
	4	Performance assessments and rewards of Directors and managerial officers for Sep-Dec 2019.	No opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/03/20	1	To adopt the Distribution of 2019 Employee and Director remuneration	No opinion
	2	To adopt 2019 Consolidated Financial Statements and Annual Report	No opinion
	3	To adopt Annual Earnings Distributions for the year 2019	No opinion
	4	To present the 2019 Statements of Internal Control System	No opinion
	5	To adopt the assessment of the Independence and the 2020 annual remuneration of Certified Public Accountant	No opinion
	6	To appoint Chief Executive Officer of EHL Cabinetry Sdn Bhd	No opinion
	7	Increase of issued share capital and the offering of the new shares of	No opinion

		EHL Cabinetry Sdn Bhd, and waiver by the shareholders of their pre-emptive rights over the new shares	
	8	To amend the Company M&A	No opinion
	9	To amend “the Procedure for Lending for Funds to Other Parties”	No opinion
	10	To amend “Rules and Procedures of Shareholders’ Meetings”	No opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/05/14	1	To amend “Computerized Information System Processing Cycle”	No opinion
	2	To adopt 2020 Annual Shareholders’meeting (newly add a discussion item).	No opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/08/12	1	To adopt 2020 First-Half Consolidated Financial Statements.	No opinion
	2	To adopt that the company not to distribute 2020 First-Half Annual Earnings	No opinion
	3	Buy back and cancellation of the first unsecured convertible corporate bond.	No opinion
	4	To amend “Procedures for Financial Derivative Transaction”	No opinion
	5	Performance assessments and rewards of Directors and managerial officers for the year 2020 May - August.	No opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/11/11	1	To Adopt Audit Plan for 2021	No opinion
	2	Performance assessments and rewards of Directors and managerial officers for the the year 2020 September - December	No opinion
	3	To amend policy “Procedures for Financial Derivative Transaction”	No opinion
	4	To amend policy “Measures for the management of insider reporting”	No opinion
	5	To eliminate the company’s RM7.5 million loan quota to Techcential Sdn Bhd (TC)	No opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/03/22	1	To adopt the Distribution of 2020 Employee and Director remuneration.	No opinion
	2	To adopt 2020 Consolidated Financial Statements and Annual Report.	No opinion
	3	To adopt Annual Earnings Distributions for the year 2020.	No opinion
	4	To present the 2020 Statements of Internal Control System.	No opinion
	5	To adopt the assessment of the Independence and the 2021 annual remuneration of Certified Public Accountant.	No opinion
	6	To amend “Rules and Procedures of Shareholders’ Meetings”.	No opinion
	7	To adopt the proposal of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No opinion
	8	To adopt 2021 Annual Shareholders’meeting.	No opinion
	The company's handling of independent directors' opinions：Not applicable.		

	Resolution result: All the present directors and independent directors passed without objection.		
2021/05/10	1	To adopt the amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No opinion
	2	To adopt a securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities.	No opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		

B. In addition to the previous items, the independent director has a dissenting opinion or qualified opinion:

Date	Name of Director	Content	Reason	Results
2020/02/13	Eng Say Kaw Poa Keng Ling	Performance assessments and rewards of Directors and managerial officers for the the year 2020 September - December	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2020/08/12	Eng Say Kaw Eng Kai Pin Poa Keng Ling	Performance assessments and rewards of Directors and managerial officers for the the year 2020 May – August	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2020/11/11	Eng Say Kaw Eng Kai Pin Poa Keng Ling	Performance assessments and rewards of Directors and managerial officers for the the year 2020 September - December	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2021/03/22	Chang Ming Huang Tay Puay Chuan, Oun Lek Wee Liao Wei Chuan	The Distribution of 2020 Employee and Director remuneration.	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.

C. The evaluation of targets for strengthening of the functions of the Board (ex. Establishing the Audit Committee, enhancing information transparency, etc.) during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:

1. The company has three independent directors, and the Audit Committee is established by all the independent directors. The convener is Mr Oun Lek Wee.
2. The Remuneration Committee is established by all the independent directors. The convener is Mr Tay Puay Chuan.
3. In order to assist the board of directors in understanding its operational effectiveness and functioning, strengthening directors' remuneration and performance, and coordinating with the requirements of the competent authority, the company expects to conduct board evaluations start from Year 2020.

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)
Once a year	109/01/01 – 109/12/31	Performance assessments and rewards evaluation of Directors and Functional Committee.	Internal self-evaluation by the board of directors and the self-evaluation by directors	Board of Directors & Functional Committee Performance Evaluation

Note: (1) To fill in the execution cycle of the board evaluation. For example: once a year.
(2) To fill in the period covered by the board of directors' appraisal. For example, the evaluation for the board of directors' performance from January 1 to December 31, 2020.
(3) The evaluation scope includes performance assessments and rewards evaluation of Directors and Functional Committee.
(4) The evaluation methods include performance evaluation through internal self-evaluation by the board of directors and the self-evaluation by directors
(5) The assessment content shall include at least the following items according to the assessment scope:

Evaluation Item	Evaluation scope			
	Board of Directors	Member of the board of directors	Self-evaluation by directors	Functional Committee
A	Participation in company operations.	Compliance with relevant laws and regulations.	Mastery of company goals and tasks	Participation in company operations.
B	Improve the quality of board decisions.	Participation in company operations.	Directors' responsibilities	Functional committee responsibility awareness.
C	Board of directors composition and structure.	-	Participation in company operations.	Improve the decision-making quality of functional committees.
D	Director selection and training.	-	Internal relationship management and communication.	Functional committee composition and member selection.
E	Internal Control	-	Professional and training for directors.	Internal Control
F	-	-	Internal Control	-

3.3.2 The state of operations of the Audit Committee

The Audit Committee has held 7 meetings from this fiscal year 2020 to the printing date of this Annual Report. The attendance of Independent Directors is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Independent Director	Tay Puay Chuan	7	0	100%	-
Independent Director	Oun Lek Wee	7	0	100%	-
Independent Director	Liao Wei Chuan	6	0	85. 7%	-

Other matters that require reporting:

1. When the below matters have occurred, the date, series, motion content, opinions from Independent Directors, and the Company's handling on such opinions shall be noted in the minutes of the Board of Directors meeting:
   a. The matters listed in Article 14-5 of Securities and Exchange.
   b. In addition to the previous items, the resolution didn't pass by Audit Committee but passed by a majority of not less than two-thirds of all Directors: -

The Date of Audit Committee meeting	The Important Resolutions (Securities and Exchange Act- Acticle 14 , paragraph 5)		The opinions of independent directors
2020/02/13	1	To revise the amount and the period of granting loan to Techcential Sdn Bhd	No Opinion
	2	To acquire 100% equity of EHL Cabinetry Sdn Bhd from Techcential Sdn Bhd	No Opinion
	3	To amend the Procedure for Lending for Funds to Other Parties	No Opinion
	4	To amend the Management Method for Preparation Process of Financial Statement	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/03/20	1	To adopt 2019 Consolidated Financial Statements and Annual Report	No Opinion
	2	To adopt Annual Earnings Distributions for the year 2019.	No Opinion
	3	To present the 2019 Statements of Internal Control System	No Opinion
	4	To adopt the assessment of the Independence and the 2020 annual remuneration of Certified Public Accountant	No Opinion
	5	To appoint Chief Executive Officer of EHL Cabinetry Sdn Bhd	No Opinion
	6	Increase of issued share capital and the offering of the new shares of EHL Cabinetry Sdn Bhd, and waiver by the shareholders of their pre-emptive rights over the new shares.	No Opinion
	7	To amend the Company M&A	No Opinion
	8	To amend "the Procedure for Lending for Funds to Other Parties"	No Opinion
	9	To amend "Rules and Procedures of Shareholders' Meetings	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without		

	objection.		
2020/05/14	1	To adopt 2020 Q1 Consolidated Financial Statements and Annual Report	No Opinion
	2	To amend “Computerized Information System Processing Cycle”	No Opinion
	The company's handling of independent directors' opinions： Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/08/12	1	To adopt 2020 First-Half Consolidated Financial Statements.	No Opinion
	2	To adopt that the company not to distribute 2020 First-Half Annual Earnings.	No Opinion
	3	Buy back and cancellation of the first unsecured convertible corporate bond	No Opinion
	4	To amend “Procedures for Financial Derivative Transaction”	No Opinion
	The company's handling of independent directors' opinions： Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/11/11	1	To adopt 2020 Q3 Consolidated Financial Statements.	No Opinion
	2	To Adopt Company Business Plan and Budget for 2021	No Opinion
	3	To Adopt Audit Plan for 2021	No Opinion
	4	To amend policy “Procedures for Financial Derivative Transaction”	No Opinion
	The company's handling of independent directors' opinions： Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/03/22	1	To adopt 2020 Consolidated Financial Statements and Annual Report.	No Opinion
	2	To adopt Annual Earnings Distributions for the year 2020.	No Opinion
	3	To present the 2020 Statements of Internal Control System.	No Opinion
	4	To adopt the assessment of the Independence and the 2021 annual remuneration of Certified Public Accountant.	No Opinion
	5	To amend “Rules and Procedures of Shareholders’ Meetings”.	No Opinion
	6	To adopt the proposal of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No Opinion
	The company's handling of independent directors' opinions： Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/05/10	1	To adopt 2021 Q1 Consolidated Financial Statements	No Opinion
	2	To adopt the amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No Opinion
	The company's handling of independent directors' opinions： Not applicable.		
	Resolution result: All the present directors and independent directors passed without		

	objection.

2. The Company shall state the implementation of Audit Committees recusing themselves from motions in their personal interests, including the name of directors, motion content, recusing reason and voting participation: -
3. Communication between the Audit Committee, internal audit director, and CPA: (should include major issues, methods and results for communicating the company's financial and business conditions)：
    a. The internal auditor reports the results of auditing and the implementation of the follow-up report periodically via E-mail as well as informs the Audit Committee immediately in case of special situation.
    b. The Company’s Audit Committee will convey a pre-briefing with CFO and Internal Auditor to understanding the company operation status and see the necessity will invite the CPA to attend the meeting and to have them report their audit result.

3.3.3 The status of the Company's implementation of corporate governance, any deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”, and the reasons for any deviations

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Description	
1. Has the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	V		The Company has established a "Code of Practice for Corporate Governance" and adheres to the importance of corporate governance such as safeguarding shareholders' rights, strengthening the functions of the Board, setting up the independent directors, respecting the interests of stakeholders enhancing information transparency. The company has also has established the "Rules of the Shareholders' Meeting", the "Director's Election Rules", the "Internal Control System", the "Integrity Code of Practice", the "Integrity Operation Procedures and Conduct Guidelines" and " Ethical Code of Conduct, etc., to strengthen information transparency and strengthen the functions of the Boards to promote the operation of corporate governance.	No significant difference.
2. Ownership structure and the rights and interests of shareholders				
i. Has the Company established and implemented its internal procedures for handling shareholder proposals, inquiries, disputes and litigation?	V		(i) The Company has a spokesperson and acting spokesperson by the Code of Practice for Corporate Governance on the Listed List, which handles shareholder suggestions, doubts, disputes and litigation matters.	No significant difference
ii. Has the Company retained at all times a register of major shareholders who have controlling power and of the persons with ultimate control over those major shareholders?	V		(ii) The stock agency regularly manages and updates a list of the ultimate controllers of the major shareholders.	No significant difference
iii. Has the Company established and carried out risk assessments and firewalls between it and its affiliated enterprises?	V		(iii) The Company has planned the “Group Business, Specific Company and Related Persons Transaction Procedures” and “Relationship Transaction Management Measures” and implemented them accordingly.	No significant difference
iv. Has the Company established internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		(iv) The Company has established a "Procedure to Prevent Internal Trading Management Procedures" to prohibit insiders from using market unpublished information to buy and sell securities.	No significant difference

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
3. Structure of the Board and its duties				
i. Has the board of directors formulated and implemented an appropriate policy on diversity of its board of directors?	V		(i) The Company has a "Director's Election Method". The members of the Board of Directors have the knowledge, skills and literacy necessary to perform their duties and the overall capabilities. The board members are diversified in background and appropriate in terms of their operations, operational style and development needs.	No significant difference
ii. Has the Company set up functional committees in addition to the compensation committee and audit committee based on the related laws and regulations?	V		(ii) The company has set up a Remuneration Committee and an Audit Committee at present.	No significant difference
iii. Has the Company formulated rules and procedures for board of directors performance assessments and conducted regularly scheduled performance assessments?	V		(iii)The Company has established "Measures for the Performance Evaluation of Directors and Managers" and will conduct performance evaluations of directors and managers start from Year 2020 by the performance appraisal method. The results of the board evaluations showed that the board of directors was operating well.	No significant difference
iv. Has the Company evaluated the independence and suitability of the CPA engaged by the Company regularly?	V		(iv) The company evaluates the independence of KPMG accountants every year. The company refers to Article 47 of the Accountants Act and the Republic of China Accountant Professional Ethics Code Bulletin No. 10 "Integrity, Fairness, Objectivity and Independence" to determine the independence and suitability of the Evaluation Form and contents, and obtained the "Independence Statement" issued by the accountants; the audit committee discussed and approved another proposal and the board of directors in relation to the appointment of accountants.	No significant difference
4. Has the Company established a dedicated unit for incharge of the related matters of the Company's Corporate Governance (including, but not to be limited to, providing the data to Directors, assisting directors and supervisors to comply with laws and regulations, preparing Board meeting minutes and annual general meeting of members meeting minutes)?	V		The company does not allocate or appoint a corporate governance director. The secretary of corporate governance is assisted by the corporate governance-related matters (including providing information required by directors and independent directors, handling matters related to the Board meetings and shareholders meeting, assisting directors and supervisors to comply with laws and regulations, preparing minutes for the Board meeting and shareholders' meetings, etc.). The company will depending on the necessity of setting up a governance director will be evaluated in	No significant difference

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
			the future.	
5. Has the Company established channels of communication with its stakeholders (including, but not to be limited to, shareholders, employees, clients and suppliers, etc.), designated a stakeholders section on its website, and properly responded the stakeholders concern on the importance corporate social responsibility?	V		The company has built up a company website and set up a stakeholder area and an investor area on the company's website and has a dedicated person to manage the establishment of the company's financial business-related information and corporate governance information for the benefit of shareholders and stakeholders.	No significant difference
6. Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?	V		The company has appointed a professional stock agency to handle the affairs of the shareholders' meeting.	No significant difference
7. Information Disclosure				
i. Has the Company set up a website to disclose its financial, operational and corporate governance information?	V		(i) The company has set up a website and will continue to publish the company's related financial business and corporate governance information in the future.	No significant difference
ii. Has the Company adopted other methods to disclose its information (ex. set up English website, designate a person responsible for the collection and disclosure of information, implement the spokesman system, upload road show process to the company website, etc.)?	V		(ii) The company has a dedicated person responsible for the collection and disclosure of company information and implementing the spokesperson system. And set up an English company website in 2020.	No significant difference
iii. Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?			(iii) The company handles according to the time limit set by the OTC company, and announces and declares the annual financial report within three months after the end of the fiscal year, and announces and declares the first, second, and third-quarter financial reports and monthly operation situation.	No significant difference
8. Does the Company have other important information to facilitate the understanding to the Company's practice of corporate governance (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders rights, the progress of directors and supervisors' trainings, implementation of risk management policies and risk measurement standards, implementation of customer policies, liability insurance for directors and supervisors purchased, etc.)?	V		(i) Status of employee rights and employee wellness: The company provides employees with adequate education and training so that employees can fully reflect the channels of opinion and provide employees with reasonable benefits and remuneration according to local laws and regulations.	No significant difference
			(ii) Employment Care: Besides handling the relevant regulations of the local government, the company sometimes organizes gatherings, recreations, and other activities for staff.	No significant difference
			(iii) Investor Relations: The company has a spokesperson and as a channel, for the company to express its opinions or to	No significant difference

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
			respond to investor issues, it can be contacted by telephone or e-mail if necessary.	
			(iv)Supplier relationship: To adheres the spirit of mutual trust and mutual benefit, and conducts audit and management of suppliers on the basis of honesty, the company helps the supplier to grow together and create a win-win situation under the various environmental protection treaties and social responsibilities.	No significant difference
			(v)Interests of stakeholders: The company implements the spokesperson system to improve the relationship between shareholders. Shareholders have the right to give opinios to the company's operating performance, and the company will respect and try to meet the requirements of all stakeholders (shareholders, employees, customers, suppliers).	No significant difference
			(vi)The progress of training of directors: The directors of the company have all participated in the relevant courses of corporate governance; there is no supervisor.	No significant difference
			(vii)Implementation of risk management policies and risk measurement standards: The company has an internal control system and related management measures, and is implemented according to the measures to reduce and prevent any possible risks.	No significant difference
			(vii)Implementation of customer policy: The marketing department is responsible for dealing with customer requests and complaints.	No significant difference
			(ix)Company's purchase of liability insurance for directors and supervisors: The company has purchased liability insurance for directors.	No significant difference
9. Regarding TWSE corporate governance: According to the results of the company's self-assessment of corporate governance in 2020, there are no major differences. The company updates its own assessment of corporate governance matters at any time according to the actual situation. Except for non-applicable index items, most of them conform to the spirit of corporate governance. The company has not yet commissioned other professional organizations for evaluation. In the future, it will cooperate with the needs of the company and the regulations of the competent authority, and will be reviewed and improved regularly every year.				

Please refer to Annual Book (Chinese Version)-Pg.27-Pg.28 for the company Directors' training list in Year 2020.

3.3.4 The state of operations of the Remuneration Committee

On December 5, 2016, the Board decided to establish a Remuneration Committee which has 3 members. The members are Independent Directors Tay Puay Chuan、Oun Lek Wee and Liao Wei Chuan. Tay Puay Chuan had been elected as the convener. It was successfully re-elected on June 27, 2019 and the second committee by the original independent director. The organization rules of Remuneration Committee were approved by the Board on December 5, 2016, and the Committee was implemented according to the procedures to improve corporate governance.

(A) Member of the Remuneration Committee:

Title	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independent Criteria (Note 1)								Concurrently Serving as a Member of the compensation committee at Other Public Companies	Note
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of The Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of The Company	1	2	3	4	5	6	7	8		
Independent Director	Tay Puay Chuan	-	-	V	V	V	V	V	V	V	V	V	0	Nil
Independent Director	Oun Lek Wee	-	-	V	V	V	V	V	V	V	V	V	0	Nil
Independent Director	Liao Wei Chuan	-	-	V	V	V	V	V	V	V	V	V	0	Nil

Note 1：Please tick the appropriate corresponding boxes if the members have been met any of the following criteria during the two years term of office and prior to being elected:

（1）Not an employee of the Company or any of its affiliates;

（2）Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary;

（3）Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings;

（4）Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;

（5）Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;

（6）Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company;

（7）Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;

（8）Not been a person of any conditions defined in Article 30 of the Company Law.

2. The state of operations of the Remuneration Committee:

(1) The Remuneration Committee is comprised of three members.

(2) The term of the Remuneration Committee commences from June 27, 2019 and ends on June 26, 2022. The Remuneration Committee has held 5 meetings from the fiscal year 2020 to the printing date of this Annual Report, and the attendance of Remuneration Committee is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Independent Director	Tay Puay Chuan	5	0	100%	-
Independent Director	Oun Lek Wee	5	0	100%	-
Independent Director	Liao Wei Chuan	4	0	80%	-

Other matters that require reporting:

1. When the Board of Directors don't adopt or revise the suggestions from compensation committee, the date, series, motion content, opinions from the Board of Directors, and the Company's handling on such opinions (e.g., in case the remuneration approved by the Board of Directors is superior to the suggestions from compensation committee, describe the reason and the differences).
2. When a member has a dissenting opinion or qualified opinion and has written representation, the date, series, motion content, opinions from all members, and the Company's handling on such opinions: None

The Date of meeting	The Important Resolutions		The Date of meeting
2020/02/13	1	Performance assessments and rewards of Directors and managerial officers for period Sep-Dec 2019.	No Opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/03/20	1	To adopt the Distribution of 2019 Employee and Director remuneration	No Opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/08/12	1	Performance assessments and rewards of Directors and managerial officers for the year 2020 May - August.	No Opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2020/11/11	1	Performance assessments and rewards of Directors and managerial officers for the year 2020 September – December.	No Opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/03/22	1	To adopt the Distribution of 2020 Employee and Director remuneration.	No Opinion
	The company's handling of independent directors' opinions：Not applicable.		
	Resolution result: All the present directors and independent directors passed		

		without objection.	

3.3.5 The status of the Company's implementation of social responsibilities

Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		The Company has established a "Code of Practice for Corporate Social Responsibility" to serve as a guide for corporate social responsibility. The company promotes corporate social responsibility to employees from time to time in departmental meetings and executive meetings. The company is responsible for the promotion and implementation of corporate social responsibility policies by the administrative department, and reports to the Board on a regular basis. The company has established a reasonable salary remuneration policy, and will combine the performance appraisal system with the corporate social responsibility policy in a timely manner to fulfill social responsibilities.	No significant difference
2. Does the company set up a full-time (part-time) unit that promotes corporate social responsibility, and the board of directors authorizes high-level management to handle it, and reports the handling situation to the board of directors?	V		The company is currently assisted by human resources and administrative units to be responsible for the company's compliance with laws and regulations and social responsibility governance related matters, and authorizes senior management to deal with it, and reports the situation to the board of directors. The necessity of setting up a full-time (part-time) corporate social responsibility unit will be evaluated in the future depending on the needs of the company.	No significant difference
3. Environmental issues				
(i) Does the company establish an appropriate environmental management system according to its industrial characteristics?	V		(i) In the future, the company will gradually establish an environmental management system that conforms to the characteristics of the industry, depending on the situation.	No significant difference
(ii) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?	V		(ii) The company makes good use of the efficiency of various resources to reduce the load on the environment.	No significant difference
(iii) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to cope with climate-related issues?	V		(iii) The company implements energy saving actions, such as turning off lights and controlling the temperature of air conditioners, etc., to reduce energy waste; and advocating the energy saving and carbon reduction concepts of personnel in various departments from time to time to achieve energy conservation and greenhouse gas reduction policies and reduce. The impact of the environment is good at fulfilling corporate environmental responsibility.	No significant difference
(iv) Does the company count greenhouse gas emissions, water	V		(iv) According to local laws and regulations, the company does	No significant difference

Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?			not need to apply for a pollution facility installation permit or a pollution discharge permit, but it still needs to report to the competent authority every two years to report the exhaust system test and evaluation report, and every five years to the competent authority The declaration of chemical gas suspension hazard health test report is currently commissioned by professional organizations H & S Solution & Service Trading Sdn. Bhd. and PAC Testing & Consulting Sdn. Bhd. for processing. In the future, an environmental management system that conforms to the characteristics of the industry will be established one after another depending on the situation.	
4.Preserving Public Welfare				
(i)Has the Company established management policies and procedures in accordance with applicable laws and regulations and International Bill of Human Rights?	V		(i) The company complies with relevant regulations and follows international human rights conventions such as gender equality, the right to work and the prohibition of discrimination. Its human resources policy emphasize to achieve equality and fairness in employment employment conditions, compensation, benefits, exhortation, assessment and promotion opportunities.	No significant difference
(ii)Has the Company established employee grievance mechanisms and responded appropriately to any employee's grievance raised through such mechanism?	V		(ii) The company has an employee suggestion box to assist employees in solving problems and safeguarding their rights. The HR also conducts satisfaction surveys for employees to understand the situation of employees.	No significant difference
(iii)Has the Company provided safe and healthful work environments for the employees, including safety and health training to the employees on a regular basis?	V		(iii) The company regularly reviews and maintains the safety and health of the work environment to improve the safety and health of employees, so as to reduce the harm to the safety and health of employees.	No significant difference
(iv)Has the Company established a platform to facilitate regular communications to inform employees of operation changes that might have material impacts?	V		(iv) The company regularly has management meetings with the HOD, and HOD regularly communicates the direction of the company's business decisions to the employees and promptly gives feedback to employees.	No significant difference
(v)Has the Company established effective training programs for the employees to foster career skills?	V		(v) The company conducts annual education and training to employees, and establishes effective career development capabilities for employees.	No significant difference
(vi)Has the Company established policies and procedures related to research and development, purchase, production, operation and services to protect consumer rights and fairly and	V		(vi) The company has established internal control systems such as R&D cycle, production cycle, sales cycle and procurement cycle, and has a quality control department	No significant difference

Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
timely handle consumer complaints?			to ensure the transparency and safety of product and service information. The audit unit of the company occasionally targets the relevant Internal control for checking.	
(vii)Has the company complied with relevant laws, regulations, and international guidelines when marketing or labeling their products and services?	V		(vii) The Company's marketing and labeling of products and services are subject to relevant regulations and international standards to protect related interests.	No significant difference
(viii)Prior to engaging in commercial dealing, has the Company assessed whether there is any record of a supplier that may have a negative impact on the environment and society?	V		(viii) The company attaches great importance to environmental and social protection, and also selects manufacturers with the same integrity as the company, and regularly evaluates the competence.	No significant difference
(ix)Do the contracts entered with any of the major suppliers include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source?	V		(ix) Although the company has not signed a contract with the major suppliers, it conducts on-the-spot visits to the supplier's location on a regular basis in accordance with the internal control system to check whether it complies with corporate social responsibility. If it finds a violation of the policy, it will terminate the business with the relevant supplier.	No significant difference
5. Does the company make reference to internationally-prepared reporting standards or guidelines for preparing corporate social responsibility reports and other reports that disclose non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?	V		The company's related operations are in compliance with the provisions of the Malaysian laws and regulations. At present, there are no corporate social responsibility reports and other reports that disclose the company's non-financial information. The need to prepare corporate social responsibility reports will be evaluated in the future depending on the company's needs.	No significant difference
6. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established a "Code of Practice for Corporate Social Responsibility", which is gradually handled in accordance with the "Code of Practice for Corporate Social Responsibility of Listed Companies",				
7. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: The company regularly contributes to school groups every year, and responds to local group fund-raising in order to promote the principles of "Chinese culture preservation" and "support Chinese education".				

3.3.6 The status of the Company's implementation of Ethical Corporate Management Best Practice Principles

Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
A. Establishing ethical management policy and programs				
i. Has the Company specified in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies?	V		(i) The company has established a "Code of Integrity Code" and actively implements relevant policies.	No significant difference
ii. Has the Company established and adopted programs to prevent unethical conduct and set out in each program the standard operating procedures, conduct guidelines and a well-defined disciplinary and appeal system for handling violations?	V		(ii) The Company is engaged in commercial activities based on the principles of fairness, honesty and transparency. It has formulated the "Code of Integrity Code" and "Code of Ethical Conduct" to specifically regulate the matters that should be taken into account when performing business.	No significant difference
iii. Has the Company adopted the preventive measures under the situations listed in Article 7, Paragraph 2 "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" or other business activities within its business scope which are possibly at a higher risk of unethical conduct?	V		(iii) The company has established a "Code of Integrity Code" that prohibits companies from bribery and bribery, providing or accepting improper interests and infringement of business secrets and other dishonest behaviors.	No significant difference
B. Carrying out ethical corporate management				
i. Has the Company evaluated trading counterparties' ethical record, and included terms of ethical corporate management policy in the contracts entered with the trading counterparties?	V		(i) The Company has established a "Code of Integrity Code" and explained the company's integrity policy to its clients when performing its business.	No significant difference
ii. Has the Company established a dedicated unit under the board of directors for establishing and supervising the implementation of the ethical corporate management policies and prevention program? Has the dedicated unit reported to the board of directors on a regular basis?	V		(ii)The company appointed the Internal Audit Department to promote company integrity management, and report to the Board on a regular basis,	No significant difference
iii. Does the company formulate a policy to prevent conflicts of interest, provide appropriate presentation channels, and implement them?	V		(iii) The "Integrity Code of Practice" set by the Company has a system of avoidance of interests. Those who have a stake in the resolutions listed on the Board of Directors and their own or their legal representatives should explain the important content of their interests to the board of directors. At the time of the interests of the group, it shall not be included in the discussion and voting, and shall be evaded in discussion and voting, and shall not act as an agent to exercise the voting rights of other directors. Directors should also be self-disciplined and have to support each other.	No significant difference

Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
iv.Has the Company established effective accounting systems and internal control systems for ethical management? Is the Company periodically audited by the internal audit unit or a certified public accountant?	V		(iv) The accounting system of the Company is handled in accordance with the regulations and is checked by an independent accounting firm.	No significant difference
v. Does the Company hold the internal and external trainings on ethical management practices and programs periodically?	V		(v) The company has established a "Code of Integrity Code" and promotes to employees.	No significant difference
C. Operation of whistle-blowing system				
i. Has the Company established a concrete whistle-blowing programs, incentive measures and convenient reporting channels and appointed dedicated personnel or unit to handle reported matters?	V		(i) In the "Code of Integrity Code", the company has clearly established a reporting system and complaints channel, which can be reported or appealed through the company's e-mail address. If a major violation is discovered after investigation or the group is seriously damaged, it should be immediately created. The report is notified to the independent director in writing.	No significant difference
Has the Company established standard operating procedures and related mechanism for whistle-blowing case acceptance?	V		(ii) The discovery of dishonesty can be reported directly to the relevant supervisor or audit supervisor, and the relevant information is treated confidentially.	No significant difference
iii.Has the Company adopted measures to protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	V		(iii) The company takes protective measures against the prosecutor and does not suffer improper handling due to the report.	No significant difference
D. Enhancement of information disclosure				
i. Has the Company disclosed its ethical corporate management best practice principles and the effectiveness of promotion of ethical management policy on the Company websites and the Market Observation Post System (MOPS)?	V		The Company has linked MOPS website and disclosed financial information on the Company Website (https://www.techcential-international.com) as its basis of ethical corporate management.	No significant difference.
E. If the Company has established its ethical corporate management best practice principles according to "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies", please describe the differences of the implementation status: No significant difference。				
F. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management (e.g., the Company invites the companies' commercial transaction counterparties attending the training, reviewing and revising its ethical management guidelines to emphasize on the resolution to implement ethical corporate management): None				

(g) If the Company has adopted corporate governance best-practice principles or related bylaws, it shall disclose how these are to be accessed: https://www.techcential-international.com/company_manage/。

(h) as of the date of publication of the Annual Report, any resignation of the Company's Chairman, CEO, CFO, internal audit supervisor and R&D supervisor resigned: None.

(i) Other significant information that will provide a better understanding of the state of The Company's implementation of corporate governance: None

3.3.7 Internal control system implementation status

(A) Statement of Internal Control System

Techcential International Ltd
Statement of Internal Control System

Date: March 22, 2021

Based on the findings of self-assessment, Techcential International Ltd states the following with regard to its internal control system in 2020:

1. TIL is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to operating effectiveness and efficiency (including profitability, performance and safeguarding of assets), reliability of financial reporting and compliance of applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of TIL contains self-monitoring mechanism and TIL takes corrective actions whenever a deficiency is identified.
3. TIL evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. TIL has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, TIL believes that, as of December 31, 2020, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with the applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of TIL's Annual Report for the year 2020 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 22, 2021 with zero of seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Techcential International Ltd & its subsidiaries

Chairman: Eng Say Kaw

CEO: Eng Kai Pin

3.3.8 Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violation of internal controls, during the most recent fiscal year or during the current year up to the date of printing of the annual report; and a description of the main shortcomings in the Company's internal control system as well as an indication of measures for improvement: Not Applicable.

3.3.9 Major Resolutions of Shareholders' Meeting and Board Meetings.

(A) Major Resolutions of Shareholders' Meeting and Implementation Status:

Date	Major Resolutions		State of Implementation
2020/06/18	1	Discussion Item: To amend and adopt the Company's M&A.	The result of the resolution has been followed
	2	Discussion Item: To amend the Procedure for Lending Funds to Other Parties.	The result of the resolution has been followed
	3	Discussion Item: To amend the Rules and Procedures of Shareholders' Meetings.	The result of the resolution has been followed
	4	Discussion Item: To amend the Procedures for Financial Derivative Transaction	The result of the resolution has been followed

(B) Major Resolutions of Board Meetings:

Date	Major Resolutions	
2020/02/13	1	To revise the amount and the period of granting loan to Techcential Sdn Bhd.
	2	To acquire 100% equity of EHL Cabinetry Sdn Bhd from Techcential Sdn Bhd.
	3	To amend the Procedure for Lending for Funds to Other Parties.
	4	To amend the Management Method for Preparation Process of Financial Statement.
	5	Performance assessments and rewards of Directors and managerial officers for Sep-Dec 2019.
2020/03/20	1	To adopt the Distribution of 2019 Employee and Director remuneration.
	2	To adopt 2019 Consolidated Financial Statements and Annual Report.
	3	To adopt Annual Earnings Distributions for the year 2019.
	4	To present the 2019 Statements of Internal Control System.
	5	To adopt the assessment of the Independence and the 2020 annual remuneration of Certified Public Accountant.
	6	To appoint Chief Executive Officer of EHL Cabinetry Sdn Bhd.
	7	Increase of issued share capital and the offering of the new shares of EHL Cabinetry Sdn Bhd, and waiver by the shareholders of their pre-emptive rights over the new shares.
	8	To open Current Accounts with Citi Bank Malaysia.
	9	To amend the Company M&A.
	10	To amend "Corporate Social Responsibility Best Practice Principles", "the Corporate governance - code of practice" and "Procedures for Ethical Management and Guidelines for Conduct".
	11	To amend "the Procedure for Lending for Funds to Other Parties".
	12	To amend "Rules and Procedures of Board Meetings".
	13	To amend "Rules and Procedures of Shareholders' Meetings".
	14	To adopt 2020 Annual Shareholders' meeting.
2020/05/14	1	To amend "Computerized Information System Processing Cycle".
	2	To adopt 2020 Annual Shareholders' meeting (newly add a discussion item).
2020/08/12	1	To adopt 2020 First-Half Consolidated Financial Statements.
	2	To adopt that the company not to distribute 2020 First-Half Annual Earnings.

	3	Buy back and cancellation of the first unsecured convertible corporate bond.
	4	To amend “Procedures for Financial Derivative Transaction”.
	5	To amend “Rules and Procedures of Board Meetings”, “Procedures for Election of Director”, “Rules and Procedures of Shareholders' Meeting”, “Ethical Code of Conduct”, “Management Method for Related Party Transaction”.
	6	To amend “Management of Performance Appraisal of Directors and Managers”, “Rules Governing the Scope of Powers of Independent Directors”, “Audit Committee Charter”, “Remuneration Committee Charter”.
	7	Performance assessments and rewards of Directors and managerial officers for the year 2020 May - August.
2020/11/11	1	To Adopt Company Business Plan and Budget for 2021.
	2	To Adopt Audit Plan for 2021.
	3	Performance assessments and rewards of Directors and managerial officers for the year 2020 September – December.
	4	To amend policy “Procedures for Financial Derivative Transaction”.
	5	To amend policy “Audit Committee Character”.
	6	To amend policy “Remuneration Committee Character”.
	7	To amend policy “Measures for the management of insider reporting”.
	8	To eliminate the company’s RM7.5 million loan quota to Techcential Sdn Bhd (TC).
2021/03/22	1	To adopt the Distribution of 2020 Employee and Director remuneration.
	2	To adopt 2020 Consolidated Financial Statements and Annual Report.
	3	To adopt Annual Earnings Distributions for the year 2020.
	4	To present the 2020 Statements of Internal Control System.
	5	To adopt the assessment of the Independence and the 2021 annual remuneration of Certified Public Accountant.
	6	To amend “Rules and Procedures of Shareholders’ Meetings”.
	7	To adopt the proposal of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.
	8	To adopt 2021 Annual Shareholders’ meeting.
2021/05/10	1	To adopt the amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.
	2	To adopt a securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities.

3.3.10 The major content of any dissenting opinion of any director or supervisor regarding any material resolution passed by the board of directors, where there is a record or written statement of such opinion, for the most recent fiscal year and up to the printing date of this annual report: None

3.3.11 A summary of resignations and dismissals, during the most recent fiscal year and up to the date of printing of the annual report, of persons connected with the Company's financial reports: None.

3.4 Information Regarding Independent Auditors

3.4.1 Auditors information and audit fees

Audit Firm	CPA		Service Period	Note
KPMG	Charlotte Chao	Lisa Kuang	109.01.01~109.12.31	-

Unit: NTD Thousands

Range \ Items		Audit Fees	Non-Audit Fees	Total
1	Less than NT$2,000 thousands			
2	NT$2,000 thousands (includes) ~ NT$4,000 thousands (not includes)	V		V
3	NT$4,000 thousands (includes) ~ NT$6,000 thousands (not includes)			
4	NT$6,000 thousands (includes) ~ NT$8,000 thousands (not includes)			
5	NT$8,000 thousands (includes) ~ NT$10,000 thousands (not includes)			
6	NT$10,000 thousands and above			

3.4.2 Information of Audit & Non-Audit Fees

Unit: NTD Thousand

Audit Firm	CPA	Audit Fees	Non Audit Fees					Service Period	Note
			System Design	Register-aton	Human Resources	Others	Subtotal		
KPMG	Charlotte Chao Lisa Kuang	3,300	-	-	-	-	-	109.01.01~ 109.12.31	-

3.4.3 Replaced the audit firm and the audit fees paid to the new audit firm was less than the payment of previous year: None

3.4.4 Audit fees reduced more than 15% year over year: None

3.5 Information on replacement of certified public accountant: None.

3.6 The Company's Chairman, CEO or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm as certified public accountant or an affiliated companies of such accounting firm, the name and position of the person, and the period during which the position was held: None.

3.7 Changes in shareholding of directors, supervisors, officers and major shareholders holding more than 10% shares for the most recent year to the date of the annual report printed.

3.7.1 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More.

Title	Name	Year 2020		Year-To-Date 30 April 2021	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman	Eng Say Kaw	—	—	—	—
Director	Eng Synergy Management Sdn Bhd	—	—	—	—
	Representative: Eng Kai Pin	—	—	—	—
Director	Chang Ming Huang	—	—	—	—
Director	Surging Success Sdn. Bhd.	—	—	—	—
	Representative: Poa Keng Ling	—	—	—	—
Independent Director	Oun Lek Wee	—	—	—	—
Independent Director	Tay Puay Chuan	—	—	—	—
Independent Director	Liao Wei Chuan	—	—	—	—
Manager	Eng Kai Pin	—	—	—	—
Manager	Eng Kai Jie	—	—	—	—
Manager	Tan Kok Bee	—	—	—	—
Manager	Poa Keng Ling	—	—	—	—
Manager	Lim Swee Soon	—	—	—	—

3.7.2 Shares Trading by Directors, Management and Shareholders with 10% Shareholdings or More with Related Parties: None.

3.7.3 Shares Pledging by Directors, Management and Shareholders with 10% Shareholdings or More with Related Parties: None.

3.8 Information on the relationship between the Company's top 10 shareholders and their spouse or relatives within two degrees of consanguinity.

30 April 2021; unit: share；%

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Eng Synergy Management Sdn. Bhd. Representative: Eng Say Kaw	9,844,000	41.67	—	—	—	—	Eng Say Kaw	Same person	—
							Golden Encore Holdings Sdn. Bhd.	Second-class relatives	—
							Youlen Enterprise Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
Eng Say Kaw	2,100,000	8.89	—	—	—	—	Eng Synergy Management Sdn. Bhd.	Same person	—
							Golden Encore Holdings Sdn. Bhd.	Second-class relatives	
							Youlen Enterprise Sdn. Bhd.		
							Only Inspiration Sdn. Bhd.		
Surging Success Sdn. Bhd. Representative: Eng Xin Yi	1,890,000	8.00	—	—	—	—	—	—	—
Only Inspiration Sdn. Bhd. Representative: Eng Say Ben	1,654,000	7.00	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Golden Encore Holdings Sdn. Bhd.		—
							Youlen Enterprise Sdn. Bhd.		—
Bank SinoPac as Custodian for Conceptscope Resources Sdn. Bhd. Investment Account	1,552,000	6.57	—	—	—	—	—	—	—
Youlen Enterprise Sdn. Bhd. Representative: Lau Miow Xiang	1,156,000	4.89	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Golden Encore Holdings Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
Golden Encore Holdings Sdn. Bhd. Representative: Eng Ai Ten	1,123,000	4.75	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Youlen Enterprise Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
HZ Chen	360,000	1.52	—	—	—	—	—	—	—

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
GB Chen	202,000	0.86	—	—	—	—	—	—	—
XY Chen	173,000	0.73	—	—	—	—	—	—	

3.9 Total shareholding of long-term investments held by the Company and directors, supervisors, officers and affiliates

30 April 2021; Unit: Shares; %

Investment (Note)	Ownership by Parade		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Techcential Sdn. Bhd.	10,000,000	100.00	-	-	10,000,000	100.00
TC Home Sdn. Bhd.	2,000,000	100.00	-	-	2,000,000	100.00
EHL Cabinetry Sdn. Bhd.	7,000,000	70.00	3,000,000	30.00	10,000,000	100.00
TC Home Corporation	100	100.00	-	-	100	100.00
ESK Biomass Sdn. Bhd.	8,000,012	100.00	-	-	8,000,012	100.00
ESK Wood Products Sdn. Bhd.	3,000,000	100.00	-	-	3,000,000	100.00

Note: The company uses long-term investments in the equity method.

4.0 Capital Overview

4.1 Capital and Shares

4.1.1 Equity source

(A) Types of Shares

30 April 2021; Unit: Shares

Types of Shares	Authorized Share Amount			Remarks
	Outstanding Shares	Unissued Shares	Total	
Common Stock	23,625,000	26,375,000	50,000,000	TPEx

(B) Share capital formation:

30 April 2021; Unit: Thousand Shares; NTD Thousand

Date	Par Value (NTD)	Authorized Shares		Actual Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Using assets other than cash as collateral for the payment of Shares	Others
June 2016	10	50,000	500,000	0.001	10	Establishment	-	-
October 2016	10	50,000	500,000	21,000	210,000	Conversion	-	-
January 2018	10	50,000	500,000	23,625	236,250	Cash	-	-

(C) General information about the reporting system: None.

4.1.2 Composition of Shareholders

30 April 2021; Unit: Person; Shares; %

Shareholder Composition	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions and Foreign Persons	Treasury Shares
Number of Shareholders	-	4	6	620	10	640
Shares Held	-	1,635,000	78,050	4,119,950	17,792,000	23,625,000
%	-	6.921%	0.330%	17.439%	75.310%	100%

Remarks: Share held by PRC: 0%.

4.1.3 Distribution Profile of Share Ownership

(A) Common Shares 30 April 2021; Unit: Person; Shares; %

Shareholder Ownership	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	62	4,000	0.02
1,000 to 5,000	458	815,000	3.45
5,001 to 10,000	51	406,000	1.72
10,001 to 15,000	12	155,000	0.66
15,001 to 20,000	12	223,000	0.94
20,001 to 30,000	11	288,000	1.22
30,001 to 50,000	8	330,000	1.40
50,001 to 100,000	11	721,000	3.05
100,001 to 200,000	6	802,000	3.39
200,001 to 400,000	2	562,000	2.38
400,001 to 600,000	-	-	-
600,001 to 800,000	-	-	-
800,001 to 1,000,000	-	-	-
1,000,001 and above	7	19,319,000	81.77
Total	640	23,625,000	100.00

(B) Special stock: None.

4.1.4 Major Shareholders:

30 April 2021; Unit: Shares

Name of Shareholders \ Shares	Shares Held	Percentage of Shareholding
Eng Synergy Management Sdn. Bhd.	9,844,000	41.67
Eng Say Kaw	2,100,000	8.89
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	1,552,000	6.57
Youlen Enterprise Sdn. Bhd.	1,156,000	4.89
Golden Encore Holdings Sdn. Bhd.	1,123,000	4.75
HZ Chen	360,000	1.52
GB Chen	202,000	0.86
XY Chen	173,000	0.73

4.1.5 The per share market price, net worth, profit, dividend and relevant information for the past two fiscal years.

Item			Year 2019	Year 2020	2021 Q1 (Note 8)
Market Price Per Share(Note1)	Highest		42.25	38.70	30.40
	Lowest		14.75	21.45	26.10
	Average		28.76	29.04	28.21
Net Value Per Share (Note2)	Before Distribution		15.98	15.61	15.28
	After Distribution		13.78	13.61	13.28
Basic Earnings Per Share	Weighted-Average Number of Shares		23,625	23,625	23,625
	Earnings Per Share(note3)		3.90	2.60	0.08
Dividend Per Share	Cash Dividends		70,875	47,250	Not Applicable
	Free Gratis Dividends	-	-	-	Not Applicable
		-	-	-	Not Applicable
	Accumulated Undistributed Dividends (Note4)		-	-	Not Applicable
Rate of Return Analysis	Price Earnings Ratio（Note5）		7.37	11.17	Not Applicable
	Price Dividend Ratio（Note6）		9.59	14.52	Not Applicable
	Cash Dividend Yield（Note7）		0.10	0.07	Not Applicable

Note 1: Shown the highest and lowest ordinary share market price for the year and average market price based on annual transacted price and volume.

Note 2: Please based on the number of shares issued at the end of the financial year and to be inserted after the approval for distribution in the next Annual General Meeting.

Note 3: If any bonus issue and need prior year change, to show the earning per share before and after the bonus issue.

Note 4: Shall disclose separately the accumulated undistributed dividends, if require by Taipei Exchange to accumulate the undistributed dividends until the year with sufficient retained earnings.

Note 5：Price/Earnings Ratio = Average Market Price per share / Earnings per share.

Note 6：Price/Dividend Ratio = Average Market Price per share / Cash Dividend per share.

Note 7：Dividend /Price Ratio = Cash Dividend per share / Average Market Price per share.

Note 8: 2020 the shareholders' meeting has not resolved Earning distribution, so the relevant ratio is not listed.

4.1.6 Company dividend policy and implementation status

(A) Company dividend policy

The Company is supplying customized products in a specific market and is in the growth stage. The Board shall prepare the divided proposal by considering the profit of the year, overall development, financial plans, capital need, projection of the industry and the Company's prospects, and so on and submit the proposal for the Members' approval. In the period of the shares are traded on the ESM or listed on the TPEx or TSE, if there are profits, in making the profits distribution recommendation, the Board shall set aside out of the profits of the Company 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 of the ROC under the Applicable Public Company Rules.

If there should be any remaining profits, subject to resolving by the Directors, after combining all or part of the accumulated undistributed profits in the previous years. And in the reversed special surplus reserve, the combined amount shall allocate as dividends to the members in proportion to their shareholdings. According to the company law of the Cayman Islands and the 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 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. Way of cash dividends may make the distribution or by stock dividends or a combination thereof, provided that, the cash dividends shall not be less than 10%) of the total amount of dividends payable.

According to M&A Article 14.9, the Company may distribute earnings or offset losses after the first half of the financial year.

(B) The situation of the proposed (issued) dividend distribution of recent &current year:

The distribution of dividend in the most recent year (2019):

Cash dividend for the 2019 H1: The board of directors resolved to distribute NT$0.8 per share on August 9, 2019, and the full payment was completed on October 8, 2019.

Cash dividend for the 2019 H2: The shareholders' meeting has passed a resolution of NT$2.2 per share on June 27, 2020, and the distribution has been completed on August 12, 2020.

The company's 2019 earnings distribution table is as below:

Items	Total NTD
Beginning retained earnings	20,835,137
Add: net profit after tax	92,038,216
Statutory reserve (10%)	-
Distributable net profit	112,873,353
Distributable items: Interim Dividend	18,900,000
Distributable items: Dividend	51,975,000
Ending retained earnings	41,998,353

The distribution of dividend in the 2020:

Cash dividend for the 2020 H1: The board of directors has passed a resolution on August 12, 2020 not to distribute dividends.

Cash dividend for the 2020 H2: The shareholders' meeting proposes to distribute a cash dividend of NT$2 per share.

The company's 2020 earnings distribution table is as below:

Items	Total NTD
Beginning retained earnings	41,998,353
Add: net profit after tax	61,386,716
Statutory reserve (10%)	-
Surplus reserve	(5,616,874)
Distributable net profit	97,768,195
Distributable items: Interim Dividend	-
Distributable items: Dividend	47,250,000
Ending retained earnings	50,518,195

4.1.7 The impact of stock dividend distributions contemplated for the current fiscal year on company operating performance and earnings per share: Not Applicable.

4.1.8 Compensation of employees, directors, and supervisors: (the Company has no supervisor).

(A) The percentages or ranges for employee, director, and supervisor compensation, as outlined in the articles of incorporation:

If there are earnings for the year, the company shall set aside no less than 3% of the profit as employee compensation and only 5% of the profit as compensation for the Directors. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit for offsetting the accumulated losses. The employee compensation referred to in this Article 14.4 shall be distributed as stock or cash and may be distributed to the Board to resolve employees of the Company's Subsidiaries, from time to time.

(B) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The company shall set aside no less than 3% of the profit as employee compensation and only 5% of the profit as compensation for the directors if earnings for the year. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit for offsetting the accumulated losses. If the actual distribution amount differs from the estimated price, it will treat according to it will recognize the accounting changes and the impact of the change as the profit and loss of the next year.

(C) Information on any approval by the board of directors of distribution of compensation:

(a) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between the amount and the estimated figure for the fiscal year it recognized these expenses, the discrepancy, its cause, and the status of treatment be disclose:

On March 22, 2021, the Board of Directors passed the 2020 Employee and Directors' remuneration, which were NT$5,442,423 and NT$203,596 respectively, and were all paid in cash. There is no difference between the employee compensation and the director's compensation amount in line with the 2020 estimated cost.

(b) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

(D) The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with a sign of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

On March 20, 2020, the company's board of directors passed the 2019 employee compensation and director compensation proposals, which were NT$2,899,922 and NT$179,526, respectively, and all were paid in cash. The amount of staff remuneration and directors' remuneration is consistent with the estimated expenses for 2019, and there is no difference.

4.1.9 Status of company buyback of corporate stocks: Not Applicable.

4.2 Status of issue and private placement of "Corporate Bonds" (including overseas corporate bonds):

Corporate Bond	The first unsecured convertible corporate bond in the Republic of China.
Issued Date	December 3, 2019
Denomination	NT$100,000
Place of issue and transaction	Republic of China
Issuing price	101% of the denomination value.
Total Amount	NT$202 million
Interest rate	The coupon interest rates are 0%
Period	3 years. validity: December 3, 2022.
Guarantee agency	Not applicable.
Trustee	Bank SinoPac
Underwriting agency	SinoPac Securities
Certified attorney	Far East Law Offices, Charles Chou
Certified Accountant	KPMG CPA: Charlotte Chao, Lisa Kuang
Repayment method	In case of conversion into the Company's common shares in accordance with the Regulations for Issuance or in a case where the Company exercises the right of re-purchase in accordance with the Regulations for Issuance or where the Company redeems before expiry in accordance with the Regulations for Issuance or where the Company buys back for revocation, the Company shall pay back in cash in a lump-sum based on the face amount of the bonds upon expiry of the

		bonds.
Outstanding principal		NT$200,000,000
Redemption or advance payment		Please refer to the company's first unsecured corporate bond issuance and conversion method in the Republic of China.
Restrictions		Not applicable.
Credit rating agency name, rating date, corporate debt rating and other results		Not applicable.
With other rights	The amount of ordinary shares, overseas depository receipts or other marketable securities converted (exchange or subscription) as of the date of publication of the annual report.	No record of conversion as of the publication date of the annual report.
	Issuance and conversion (exchange or subscription) method	Please refer to the company's first unsecured corporate bond issuance and conversion method in the Republic of China.
Issuance and conversion, exchange or stock subscription methods, possible dilution of equity conditions and impact on existing shareholders' equity		Until the creditors request execution of the rights of conversion, the subject convertible corporate bonds do not function to dilute the equity of the Company. A creditor may, at his or her discretion, choose to proceed with conversion at a timepoint at his or her most advantageous point and has the deferred effect in dilution of the equity. In terms of the impact on existing shareholders ’equity, although the subject convertible corporate bonds will increase the Company's liabilities before conversion, where the subject convertible corporate bonds are converted into common shares, in addition to the effect of reducing liabilities, the subject convertible corporate bonds will, as well, increase the shareholders’ equity and thus increase the net worth per share. In the long-term, profit (loss), the shareholders’ equity would become better safeguarded.
Name of the entrusted custodian institution to exchange the subject		Not applicable.

Status of convertible bonds:

Unit: NT$

Bond type		The first unsecured convertible corporate bond in the Republic of China.	
Item \ Year		2020	Year-To-Date April 30, 2021
The market prices of the convertible corporate bonds	Highest	101.95	101.15
	Lowest	85.00	95.55
	Average	96.16	98.35
Conversion Price		37.6	37.6
Date of issuance and conversion prices upon issuance		2019/12/3 40.8	
Ways of fulfilling conversion obligation		Issuance of new shares	

4.3 Status of issue and private placement of "Preferred Shares": Not Applicable.

4.4 Status of participation in the issue and private placement of "overseas depositary receipts": Not Applicable.

4.5 Status of issue and private placement of employee stock warrants: Not Applicable.

4.6 Status of issue and private placement of employee restricted stock awards: Not Applicable.

4.7 Status of mergers and acquisitions: Not Applicable.

4.8 Status of implementation of fund utilization plan:

The first unsecured convertible corporate bond in the Republic of China.

4.8.1 Contents of the plan:

(A) Date and file number of approval by the Financial Supervisory Commission, Executive Yuan: 14 November 2019, approved by The Financial Supervision and Administration Commission approved under letter No. 1080335239

(B) The total fund amount needed for the plan：NT$202,000,000

(C) Fund source：The first unsecured convertible corporate bond in the Republic of China, 2,000 copies, each with a denomination of NT$100 thousand. During the three-year period, the coupon rate is 0%, issued at 101% of the denomination, and the total amount issued is NT$202,000.

(D) Items under the plan and scheduled progress

Unit: NTD Thousand

Item	Estimated Completion	Total	Scheduled progress
			2019 Q4
Loan repayment	2019 Q4	125,000	125,000
Reinvestment	2019 Q4	45,000	45,000
Replenishing operating fund	2019 Q4	32,000	32,000
Total		202,000	202,000

4.8.2 Execution:

The funds raised by the Company in the present offering was used in full to enrich working capital in the first quarter of 2020, exactly consistent with the planned purpose of use.

Unit: NTD Thousand

Item	Execution		Expected use of the funds	Status
Loan Repayment	Used amount	Estimated	125,000	Completed in 2019 Q4
		Actual	125,000	
	Completion	Estimated	100%	
		Actual	100%	
Reinvestment Subsidiry	Used amount	Estimated	45,000	Completed in 2020 Q1
		Actual	45,000	
	Completion	Estimated	100%	
		Actual	100%	
Replenishing Operationg Fund	Used amount	Estimated	32,000	Completed in 2019 Q4
		Actual	32,000	
	Completion	Estimated	100%	
		Actual	100%	

5.0 Operational Overview

5.1 Business Activities

5.1.1 Business Scope

The company is a holding company, and the principal activities of the subsidiary with substantial operational functions are the design, manufacture, and sale of American wooden bedroom furniture and the development of its brand. In addition, the company also invested in the procurement, processing, and sales of raw materials - board and rubberwood, and the manufacturing business of kitchen cabinets.

(A) Summary of product revenue and percentage of sales

Unit: NTD in Thousands; %

Products	Year 2019		Year 2020	
	Amount	%	Amount	%
Wooden Furniture	1,170,983	84.45	1,119,566	88.87
Others	215,644	15.55	140,284	11.13
Total	1,386,627	100.00	1,259,850	100.00

(B) Current Main Product Lines

The company mainly designs, manufactures, and sells 5-piece bedroom furniture, including bed frames, nightstand, dresser, chest, and mirror. It also invests in the procurement, processing, and sales of raw materials - board and rubberwood. EHL invested in the manufacturing business of kitchen cabinets in the fourth quarter of 2019 and is expected to start production, and shipment in the second quarter of 2021. The company's R&D team has developed the PU product model and has become the major growth driver in 2021. The company has also invested in panel furniture (Panel Furniture/Knock-Down Furniture) that is convenient for consumers to assemble by themselves and has developed several product series samples for customers' reference.

(C) Prospective New Products Development

(a) Development of diversified products: The company has over 18 years of experience in bedroom furniture manufacturing and has accumulated many resources and customers. Therefore, it intends to invest in the research and development of diversified products.

5.1.2 Industry Overview

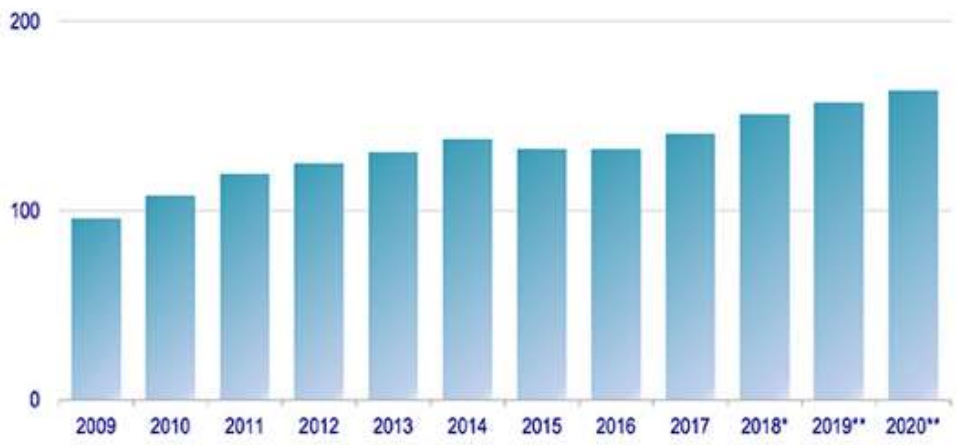
(A) Current Markets

(a) Global Market

According to the "World Furniture Outlook 2019" report released by the International Industrial Research Center of Milan (CSIL) (Figure 1), the global furniture output growth rate during the financial crisis has increased over the past decade. This is because of the global urban population, residents' income, and investment in the construction industry. The report's survey of the 100 most important furniture-producing countries in the world shows that after the storm of the economic recession in 2009, global furniture trade rebound in 2010 and returned to the pre-recession level rising from US$106 billion to US$117 billion in 2011. Subsequently, the global furniture trade volume continued to grow and reached US$150 billion in 2018, accounting for approximately 1% of the global manufacturing trade. For this reason, CSIL is expected to continue to grow in 2019 and 2020, but the trade protectionist policies of various countries will still affect this forecast.

Figure 1. 2009-2019 Global Furniture Trade Volume

Unit: US$ billion

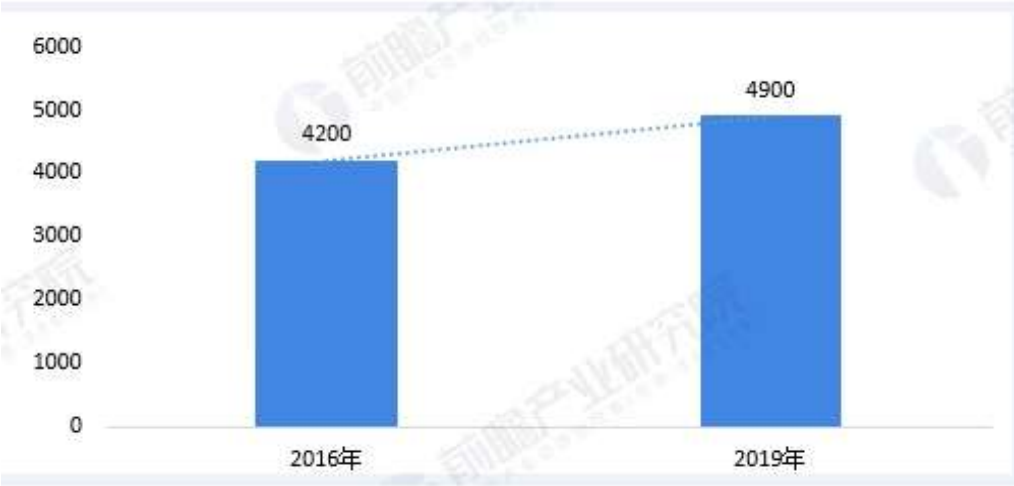


Source: CSIL "World Furniture Outlook for 2019"

As an important part of the world economy, the furniture industry has developed rapidly. According to CSIL data, the total output value of the global furniture industry was approximately US$460 billion in 2016 and reached US$490 billion in 2019, of which the Asia-Pacific region is the furniture manufacturing center. The global furniture industry consumption in 2019 US$477 billion decreased by 1.4% year-on-year. Besides, the furniture consumer market in India releases rapidly, and its market potential is huge. With the development and stability of emerging furniture production areas, new players may appear in the global furniture industry in the future.

Figure2. 2016-2019 total output value of the global furniture industry.

(Units: USD million)



Sources: 前瞻产业研究院（2020/5）

According to a report by Furniture Today pointed out that, due to the Sino-US trade war, Vietnam has overtaken China as the largest exporter of finished goods to the U.S. market in 2020. According to Furniture Today research, Vietnam shipped just over $7.4 billion in furniture to the U.S. in calendar year 2020, up 31% from the $5.7 billion it shipped in 2019. By comparison, China shipped $7.33 billion to the U.S in the same 12-month period. That number was down 25% from the $9.7 billion China shipped in 2019. Malaysia ranked third with a 47% increase in furniture exports from 2019 (US$1.4 billion, accounting for 6%), followed by Mexico (US$1.2 billion, accounting for 5%) and Canada (US$1.1 billion, accounting for 5%).

Figure3. Major Furniture exporting countries in 2020.

Sources: Furniture Today

The furniture importing country is the USA, follow by Germany, France, the UK, and Japan. CSIL preliminary data for 2020 show substantial decreases in furniture imports for all the major countries. In the last ten years, the international trade of furniture has consistently amounted to about 1% of the international trade of manufactures. After the contraction in 2020, growth will resume in 2021 and the pre-crisis level is expected to be attained in 2022.

Figure 4. Major Furniture importing countries. Import, 2014~2020.

Current US$ billion

Sources: CSIL "World Furniture Outlook 2021"

Technavio has been monitoring the furniture market, and it is poised to grow by US$113.61 during 2020-2024 progressing at a CAGR of 4% during the

forecast period. Our reports on the furniture market provide a holistic analysis, market size and forecast, trends, growth drivers, and challenges, as well as vendor analysis covering around 25 vendors.

(b) North-America Market

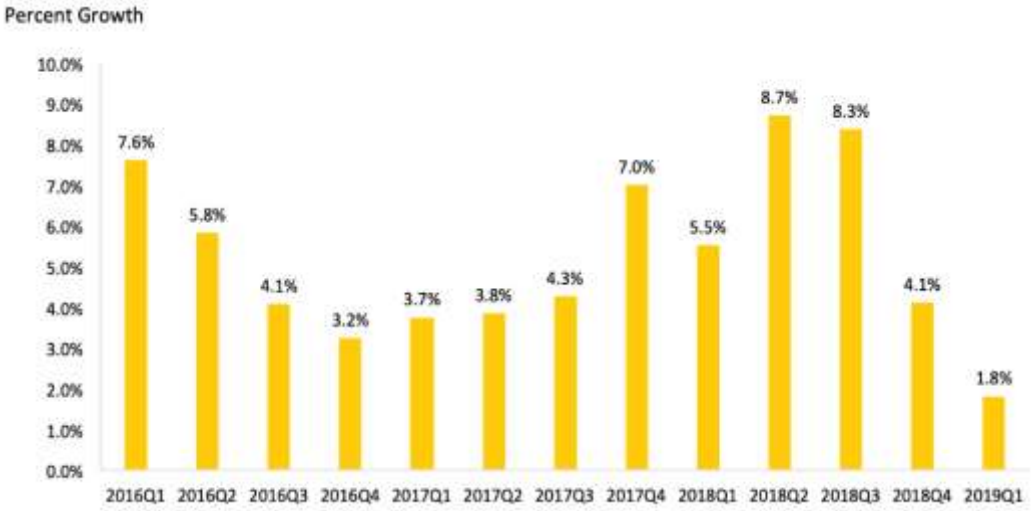
The sales area is the United States. In 2018, the company's sales in the United States accounted for 84.23% of sales revenue. According to statistics from the Census Bureau, the month's sale of US furniture and home furnishings (Figure 5) has shown a long-term steady growth trend. Besides, the 2016-2019 quarterly performance growth rate published by the Home Furnishings Business in May 2019, the first quarter of 2019 was insufficient growth, and performing the remaining quarters grew by over 3% (Figure 6).

Figure 5: 2013-2016 US furniture and homeware seller monthly sales.

Unit: US$ million

Source：US Census Bureau；YCHARTS Financial Service Database. (2020/9)

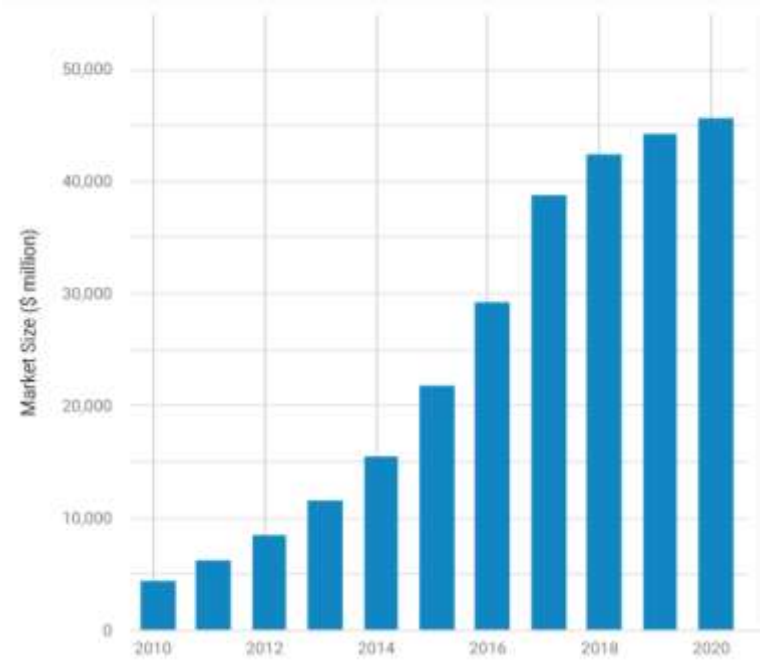
Figure 6：2016-2019 US furniture and homeware quarterly performance growth rate



Source：Industry Sales by Quarter: 2016Q1 to 2019Q1: Furniture & Bedding: Home Furnishings Business.（2019/9）

The US household products market is an enormous, complex sales system, and a diversified market. It derives different sales channels from various customer groups, including international brand stores, supermarkets, comprehensive room supply stores, old furniture stores, chain stores, and online sales. Among them, online sales have become the future market for furniture distributors. The rise of e-commerce has changed the entire consumer industry. According to the US Census Bureau statistics, consumer spending on e-commerce platforms in the second quarter of 2020 was US$211.5 billion, a quarterly increase of 31.8%. This showed that the COVID-19 pandemic has sped up online shopping. According to data from the United States Department of Commerce, between the first and second quarters of 2020, US e-commerce sales increased by over 30%, showing that the pandemic has promoted more online shopping activities. US e-commerce now accounts for 16.1% of retail sales, up from 11.8% in the first quarter. The Technavio research “Online Household Furniture Market in the US 2010-2020”, which is a third-party market research organization in the United States, shows that the US online furniture sales market has sped up the growth from 2010 to 2020.

Figure 7：Online Household Furniture Sales in the US —2010-2020



Source：Online Household Furniture Sales in the US — Market Size 2010-2020.（2020/29）

Apart from the development of online channels, physical furniture is also a significant trend in the US furniture market. The US furniture industry is dominated by furniture retail and followed by furniture importers. In January 2021, the retail sales of the furniture industry in the United States continued the strong trend at the end of the previous year, and the month's sales achieved double-digit growth year-on-year and month-on-month. According to the preliminary estimates of the US Department of Commerce, the total sales of the US furniture retail industry was 11.35 billion US dollars in January, an increase of 12% from the 10.14 billion US dollars in December 2020, and the increase rate was as much as January 2020 11.7%. Similarly, in the three months from November 2020 to January 2021, the sales of the furniture retail industry in the United States increased by 36% year-on-year, compared with the previous year's August-October, an increase of 1.7%. The year-on-year increase in retail sales in the furniture industry reflects the continued demand for products in this category and people's interest in related housing renovation projects.

The large quantities that purchase by the furniture importers, then resell them to department stores, large shopping malls, or other retailers. According to the statistics of US magazine “Furniture Today”, the top five furniture importing countries in 2018 and 2019, the United States imports of furniture

from China accounted for US$9.713 billion in 2019, followed by Vietnam accounted for US$5.663 billion. According to figure 8, Malaysia's statistics in 2019 were US$942 million, an increase compared to 2018. The major reason for the growth in the ratio of US furniture imports comes from the low labor cost and production overhead of imported furniture, which makes the price competitive advantages. In response to this trend, domestic furniture manufactures in the United States save costs through relocation of factories or merges and acquisitions, and provide low-priced products: or differentiate products, switch to high-quality, high-priced products, and use high-end customers as their customers.

Figure 8：The top five furniture importing

Source: US Customs; United States Census Bureau; US International Trade Commission. (2020/6）

(c) Asean Market

According to the World's Richest Countries and CSIL research institutes, China is the world's largest furniture exporter. China's total export furniture has shown an increasing trend, and its exports to the United States have increased year by year. Although China is the largest furniture exporter in Asia, with the local government's protection against forest and costs rising issues, buyers from various countries have looked for another purchase pipeline that providing the same quality but lower price.

According to a report by The Star Online on May 4, 2021, Malaysia has established itself as one of the most trade-friendly countries in the world, exporting a competitive range of products and services to over 200 countries

and territories worldwide. The Malaysia External Trade Development Corp (Matrade) said the country is today an integral part of the global supply chain. In 2019, they recognized Malaysia as the world's 25th trading nation and 26th largest exporter and importer in 2019 by the World Trade Organisation (WTO), it said in a statement.

According to the Malaysian International Furniture Fair (MIFF), Malaysia ranks among the top 10 furniture exporters in the world, with 80% of the furniture produced for export, and the United States, Japan, and Australia are the largest export destination. In recent years, the furniture that exports from Malaysia to the United Arab Emirates (UAE), Saudi Arabia, Philippines, and Russia has grown significantly. They have to focus on the market in Algeria, Athena, Puerto Rico, and Libya. Malaysia is rich in natural resources and famous for wooden furniture. The relevant authorities have set an annual growth target of 6.5% for the wooden furniture industry. According to the information released in 2019 of the China Council for The Promotion of International Trade Representative Office in Singapore, the Minister of Primary Industries Kok Suh Sim said that as of August 2019, the total export value of wooden furniture in Malaysia was MYR 5.6 billion, an increase of 13.5% from the MYR 4.9 billion in the same period in 2018. According to data from the Matrade, Malaysia's furniture exports totaled RM4.92 billion in the first half of 2019, an increase of 8.7% a year-on-year.

(B) The upstream and downstream parts of the industry

Upstream Suppliers of raw materials	Midstream Furniture manufacturer	Downstream Distributor (wholesale or retail)
Wood, board, paint, carton and hardware, etc.	Design, cutting, stamping, assembly, sanding, painting, drying, veneering, edge sealing, packaging	Major furniture brands or mass merchandisers, ie: Ashley, Coaster, Lifestyle, etc.

Furniture manufacturing industry chain including raw material mining and processing, design, cutting, stamping, assembly, sanding, painting, drying, veneering, edge sealing, packaging, and sales.

The upstream industry handles raw materials. The raw materials such as wood and board (such as MDF, chipboard) and other auxiliary materials (such as

paint, carton, and hardware). Looking for the current international furniture market, Malaysia has many furniture suppliers that can provide production materials and components because of its rich natural resources. Mid-stream manufactures are mainly used in furniture design, cutting, stamping, assembly, sanding, painting, drying, veneering, edge sealing, packaging. The furniture design may also be designed by downstream brand distributors and commissioned by the manufacturer. The downstream is mainly furniture wholesalers or retail. Nowadays, large-scale international furniture distributors have integrated wholesale and retail under their brands, such as Ashley (The top furniture retail sales volume in the United States in 2019), Coaster, and Lifestyle.

(C) Development trends and competition for the company's products

Malaysia has abundant natural resources, sufficient timber production, and low labor costs compared to Western countries. According to the statistics of the Malaysian Furniture Promotion Council, the export value of wooden furniture is about 80% in 2016. The company's sales area is the United States, the US furniture industry is mature and highly competitive, and there are many brands and distributors. According to the US furniture magazine Furniture Today's sales survey of the US furniture retail industry in 2019, the total sales of the top 100 furniture manufacturers is around 85% of the total sales in the United States, including the Top 1 - Ashley Furniture market share of over 10%. The Company's American-style wooden bedroom furniture, which is sold to retailers, importers, and small and medium-sized furniture brands in the United States. Customers recognize the production quality so that TC's revenue grows steadily. Since the company has been producing wooden bedroom furniture for export to the United States for many years, it has accumulated enough experience.

5.1.3 Technology and R&D profile

(A) Technical level, research and development of the business

They entrusted the company to produce wooden bedroom furniture. The company's R&D department has 23 personnel at the end of April 2021. The R&D department is engaged in furniture design, improvement, proofing, assembly testing, production process, and product quality improvement responsibilities. The company will continue to train R&D personnel and continue to invest resources to research and improve production process technology and equipment as future growth momentum.

(B) R&D personnel and their academic experience

Unit: Person

Year		2018	2019	2020	Year-To-Date April 30, 2021
Education	Master & Above	-	-	-	-
	Degree	9	9	9	9
	High School & Below	7	13	13	16
Total		18	22	22	23

(C) Parade's R&D spending from the recent year up to the print date of annual report

Unit: NTD Thousand; %

Item \ Year	2018	2019	2020
R&D Expenses	5,655	8,371	8,477
Consolidated net operating income	1,082,868	1,386,627	1,259,850
%	0.52	0.60	0.67

(D) The technologies or products that successfully developed in the last three years.

Year	R&D Results	Function and effectiveness
2017	Painting process-Use UV machine	The oil is changed from AC Sealer to UV Sealer, and the spraying mode is changed from spraying to wheel pressure, which can be completed in a centralized manner to save labor costs and improve processing efficiency.
2018	Painting process-Suspended pendent	Cooperate with the process improvement to increase the number of suspended products to improve the efficiency of painting production.
2019	PU Paper products	Increasing the strength of material development and style design of PU Paper products which more favored by young consumers.

5.1.4 Long- and Short-Term Business Development Plans

(A) Short-term business development plans

(a) Actively develop raw materials direct procurement business

- It can reduce the raw material procurement costs by directly purchase raw materials such as sheets and rubberwood from raw material suppliers. We expect it to expand the external sales of related raw materials to contribute group's net profit.

(b) Actively develop the US market and new customers

- The company will continue to contact the new client. Hope to expand product awareness via the product reputation introduction and taking part in the Malaysian and China furniture fairs.

(c) Introducing automated production equipment

- The continuous growth of the company's operating scale with the average labor salary in Malaysia increases year by year. In the future, automated production equipment will introduce to increase production capacity and reduce labor costs.

(d) Reinvested in the kitchen cabinet manufacturing business

- In recent years, the manufacturing orders in the Chinese Mainland have gradually moved to other countries. Because of the tensions in China-U.S. Trade relations and the United States' plan to impose anti-dumping duties on wooden kitchen furniture in China. The company actively invests in the wooden kitchen cabinet market for responding to new business opportunities.

(B) Long-term business development plans

(a) Development of diversified products

- The company has over 17 years of experience in bedroom furniture manufacture and has accumulated many clients. Therefore, intends to invest in the research and development of diversified products to benefit the revenue of the company as well as reduce the risk of a single product.

(b) Purchase industrial land to expand the company's operating scale:

- In 2020, an important subsidiary Techcential Sdn. Bhd, because of the good ordering of American customers and the extremely popular PU product series developed by US customers, the fourth quarter performance has repeatedly achieved high capacity utilization rates and exceeded 90%. In reviewing the current usage of the company's factory buildings, the company's own factory buildings and leased factories occupy an area ratio of approximately 2:1, and the storage space is also in a tight state. Considering the company's long-term development plan, the demand for PU products is strong, and the company plans to expand its operating regulations and production lines in the past three years. Besides hoping to increase the production line area, increase the storage space,

and plan to cooperate with outsourcing manufacturers. It is better to coordinate the outsourcing manufacturers' factories in the neighboring area. This not only reduces transportation costs and facilitates smooth movement but also improves the efficiency of production.

5.2 Overview of Market, Production and Sales

5.2.1 Market Analysis

(A) Revenue by Geographic Region

Unit: NTD in Thousands; %

Regions	Year 2018		Year 2019		Year 2020	
	Revenue	%	Revenue	%	Revenue	%
Domestic Sales	100,175	9.25	220,746	15.92	140,284	11.13
Overseas Sales	982,693	90.75	1,165,881	84.08	1,119,566	88.87
Total	1,082,868	100.00	1,386,627	100.00	1,259,850	100.00

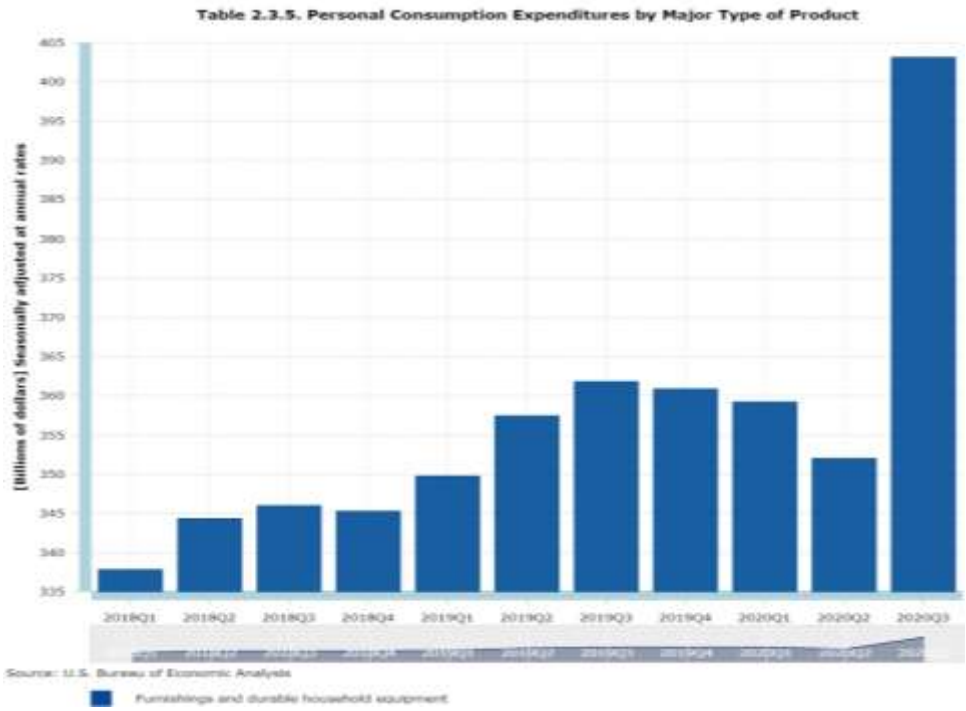
(B) Market Share of Main Products and Services

The company is mainly engaged in the design, manufacture, and sale of American wooden bedroom furniture. The company is currently the top five exporters of wooden bedroom furniture in Malaysia. According to the statistics of Furniture Today, the total import of American wooden bedroom furniture from Malaysia is about 1.4 billion U.S. dollars, and the total sales of Malaysian wooden bedroom furniture to the U.S. market are about 190 million U.S. dollars in 2020. The company's sales estimate a market share of approximately 2% in 2020. In the future, the company will continue to increase overall sales and market share by actively developing products and expanding channels.

(C) End Market Dynamics and Growth Potential

The sales area is in North America. The sales targets include retailers, importers, and small and medium-sized furniture retailers of the top 100 furniture brands in the United States. The company has cooperated with customers for many years and has cultivated long-term cooperation and maintain an interactive relationship. The procurement areas of materials are mainly in Malaysia.

Figure 9: The amount of spending on furniture and household equipment.



Sources：Bureau of Economic Analysis (U.S. Department of Commerce).

The United States is the world's largest consumer of furniture. With the recovery of the economy, the US furniture market is promising, benefiting from the increase in new housing construction, personal disposable income, and the expectation that the demand for furniture will continue to thrive in the next few years. According to statistics from the Bureau of Economic Analysis (US Department of Commerce) on personal consumption expenditures in the United States, from the first quarter of 2018 until the third quarter of 2019, the amount of spending on furniture and household equipment in the United States has shown a growth trend (Figure 9). The United States has a large housing area and a high level of per capita income. The immigration of people to the United States has brought an extensive amount of new housing construction each year. Americans have the habit of relocating and changing furniture regularly, making the demand for furniture remains high. In 2020, the COVID-19 is not overdue people will spend more time at home will drive up the demand for home furnishings.

(D) Competitive Niche

(a) Professional management team

- The company's management team has involved in furniture manufacturing for many years and has considerable experience in American furniture production. It is high sensitivity to master the product manufacturing processes and market strategies and positioning. It can cooperate with upstream and downstream parts of the industry and satisfy the customer's request.

(b) Direct purchase of raw materials

- Malaysia is a country rich in natural resources and has many furniture suppliers that can provide production materials and parts. This is the reason that our company focuses on local procurement. Besides, to shortening the procurement lead time and reducing the risk of materials shortages to ensure punctual at delivery time. It also changes in raw material prices that can grasp immediately.

(c) R&D design and product customization

- The company has a design and R&D team with many years of experience in cooperating with American furniture manufacturers. When customers put forward new product requirements, they can quickly design and proof. Which shortens their time, assists customers in launching new products as soon as possible, and seizes the market opportunity.

(d) Flexible mass production

- Apart from the self-purchasing to control the quality of the incoming materials and the stability of the supply, the company also uses outsourcing processing methods to entrust third-party manufactures for processing. The company has been involving in the furniture industry for many years and has cultivated many excellent cooperating manufactures. Regardless of the order quantities, normal or urgent orders, the company can maintain stable and punctual delivery and provide customers with more flexible order options.

(E) Favorable and Unfavorable Factors to long-term development and the Solutions

(a) Advantageous factors

(i) Growing demand in the Americas market

-With the recovery of the economy, the US furniture market is promising, benefiting from the increase in new housing construction, personal disposable income, and the expectation that the demand for furniture will continue to thrive in the next few years. The company is the manufactures American-style

bedroom furniture, and the United States is the principal sales area. In the future, the income of Americans will continue to thrive.

(ii) Geographical advantages

-Malaysia is the world's top 3 natural rubberwood producers. Rubberwood is the raw material for the company's wooden furniture. The company has geographical advantages. The raw materials can be directly sourced and purchased locally to reduce the risk of material shortage.

(iii) Long-term relationship with major customers

-The company has a long-term relationship with major customers. The company is cultivating American furniture and has many years of cooperation experience with American furniture manufacturers. The company relies on its design ability, quality stability, and profound production technology to obtain favor by American furniture importers and retailers.

(b) Disadvantageous factors and countermeasures

(i) Price fluctuation of raw materials

Measures：By increase the purchase volume of the board, some of the board are used for self-produced furniture, and some are sold as commodities to smaller local factories, which can increase the bargaining power of purchasing plates, reducing the cost of incoming goods, and improving the speed of obtaining raw materials and stability. Besides, the Company monitors the raw material market, adjusts the inventory safety stock on time with the market trend, in response to the risk of fluctuations in raw material prices.

(ii) Global shipping crisis

Measures: The impact of the Covid-19 pandemic is not trivial. The pandemic prevention measures have severely disrupted the global shipping fleet and workforce, resulting in "container shortage" in many countries. The freight costs and the price of goods are rising, and also the economic recovery is also slower. TC's major products are sold to the United States. Although the shipping policy is mainly FOB, the uneven global shipping supply and demand still affect the shipping situation. TC will pay attention to changes in the international shipping situation, and strengthen contacts with

customers and shipping companies, and develop more strategies to secure more container supply and ship schedules to deliver on time.

5.2.2 Key Product Applications and Manufacturing Processes

(A) Key Product applications

The company mainly designs, manufactures and sells 5-piece bedroom furniture, including bed frames, bedside tables, dressing tables, cabinets and mirror.

(B) Production Processes

The main production process of the company's bedroom furniture products is divided into six major processes, as shown in the following figure: White body processing -> Assembly -> Grinding -> Painting -> Packaging -> Store.

5.2.3 Major Raw Material Supply Situation

Major Raw Material	Major Supplier	Supply Situation
Board	Robin Resources、Allgreen Timber、Bripanel、Five Hills、Genting Kekal	Good
Wood	Strategi Mutiara、Digital Furniture、Bandwood、Pine & Hill、Steadfast	Good
Paint	Nikkolac、Lycora 、KH Coating	Good
Packaging	Pine Packaging、Sothern Legend、Ultrafoam	Good

5.2.4 Major suppliers and customers

(A) Major supplier information of the suppliers that have accounted more than 10% of the total annual purchase in any given year over the past 2 years.

The company's purchases of vendors are scattered, and there is no situation where purchases from the same vendor accounted for more than 10% of the total purchases in the last two years and the most recent period.

(B) Major customer information of the customers that have accounted more than 10% of the total annual sales in any given year over the past 2 years.

Unit: NTD in Thousands; %

Year 2019				Year 2020			
Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with the Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with the Company
Ashley (AFI)	442,650	31.92	None	Ashley (AFI)	447,631	35.53	None
Ashley (AFT)	170,581	12.30	None	Ashley (AFT)	250,387	19.87	None
Others	773,396	55.78		Elements	138,427	10.99	None
				Others	423,405	33.61	
Net Sales	1,386,627	100.00		Net Sales	1,259,850	100.00	

Ashley is the largest furniture brand retailer in the United States, with approximately 700 branches in the United States, and American consumers widely loved its products. Ashley transferred the primary orders of US stores in 2019Q4 to Ashley Furniture Trading ("AFT") for procurement, and Ashley Furniture Industry ("AFI") purchases orders from stores outside the United States to integrate the business. As the Covid-19 pandemic slowed down, bans were lifted across the United States. Customers pursued orders in July. However, TC adjusted the order allocation of original customers to diversify risks to allocate capacity to other potential customers Crown Mark and Elements.

5.2.5 Production Volume and Value in the past 2 years

Unit: Thousand Container; Volume in NTD Thousands

	Year 2019			Year 2020		
Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Wooden Furniture	977	931	1,164,000	1,255	967	1,161,000

Explanation on the changes:

The company added a new plant TC6 and a new packaging production line in TC5 in the fourth quarter of 2020. Therefore, production capacity and output increased compared to 2019. However, the exchange rate of the NTD to MYR increased in 2020, so the output value decreased compared with last year.

5.2.6 Sales Volume and Value in the past 2 years

Unit: Thousand Container; Volume in NTD Thousands

Main Products	Year 2019				Year 2020			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Wooden Furniture	3	5,102	894	1,165,881	22	31,304	933	1,119,566
Others	Note 1	215,644	Note 1	-	Note 1	108,980	Note 1	-

Note 1: Other sales include hardware, recycled corners, cartons, etc. Due to different measurement units, no quantitative statistics are made.

Explanation on the changes:

The increase in overseas sales of wooden furniture in 2020 compared to last year because of the continued growth of the company's furniture manufacturing business. However, the exchange rate of the MYR against the NTD depreciated compared to the same period last year, resulting in a decrease in output value. In addition, the significant increase in domestic sales compared with the same period last year because of the addition of two customers for the "Mixed Container Program" this period.

The other commodities are mainly raw materials, hardware, recycled scraps, cartons, etc. As ESKW is adjusting its operating strategy, overall sales and revenue have declined compared with the previous period.

5.3 Employees

Unit: Person/%

Year		2019	2020	Year-To-Date 30 April 2021
Number of Employees	Management staff	18	16	16
	Normal staff	84	85	88
	Production Line	542	539	543
	Total	644	640	647
Average age		31.84	32.37	32.73
Average Years of Service		3.66	4.30	4.50
Education (%)	Doctoral	-	-	-
	Master	0.16	0.16	0.15
	University & College	7.45	9.37	9.58
	High School	10.25	10.78	10.98
	Below High School	82.14	79.69	79.29

5.4 Information on Environmental Protection Expenditures

1. Describing the loss suffered by the company because of environmental pollution. Incidents that occurred in the most recent two years and up to the annual report publishing date, the total penalty/fine amount, as well as disclosing its future preventive policies and expenses to be incurred:

-The Company did not receive any fines from the Competent Authority for pollution and environmental violations.

2. The company's investment in the equipment for the prevention and control of environmental pollution and its use and benefits

- No such incident.

3. In the last two years and as of the publication date of the public prospectus, the company's process of improving environmental pollution, if there is a pollution dispute, should also explain its handling process:

-No such incident.

4. In the last two years and up to the publication date of the public prospectus, the company has suffered losses (including compensation) due to environmental pollution, the total amount of dispositions, and disclosed its future countermeasures (including improvement measures) and possible expenditures (including failure to take countermeasures. The estimated amount of loss, disposition, and compensation, if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.)

-No such incident.

5. The impact of the current pollution situation and its improvement on the company's earnings, competitive position, and capital expenditures and the expected major environmental capital expenditures in the next two years:

-No such incident.

5.5 Labor-management relations

5.5.1 Setting forth all employee welfare, continuing education, training, retirement systems, and the status of their implementation, as well as the agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

(A) Employee welfare:

Employee benefits include year-end bonuses, employee uniforms, wedding and funeral allowances, medical expenses subsidies, year-end evening parties, full-time bonuses, etc., and staffing activities and sports competitions are held to encourage employee morale, and social insurance funds are provided under the law.

(B) Education and training:

In the corporate culture of integrity, we are constantly striving towards sustainable management and maintaining market competitiveness. With the education and training plan, each colleague can continuously improve work performance, develop self-potency, achieve the win-win goal of enterprise development and self-growth, and provide various professional on-the-job education by functions and development. The company also allocates a certain amount (1% of employee salary) to the HRDF fund (now renamed HRD Corp) in line with government policies.

HRD Corp advances the aspirations of Malaysian talent development by collecting levies from employers and funding training and development programs for the Malaysian workforce. HRD Corp's mission development includes driving employment and industrial training career guidance and consult and providing income-generating opportunities for Malaysians with various skills, backgrounds, and abilities.

According to the 2001 PSMB Act, by the leadership of the Ministry of Human Resources (MOHR), HRD Corp aims to help companies and individuals improve productivity, competitiveness, and income with the skills to develop productivity. The workforce ensures Malaysia’s economic transformation.

(C) Retirement systems and their implementation status

The Employees Provident Fund is a retirement savings plan that manages by the government. It is a mandatory contribution in India, Hong Kong, Singapore, Malaysia, Mexico, and other countries, similar to the social security system in the United States.

The Employees Provident Fund Act 1991 (Act No.452) established the Employees Provident Fund (EPF/KWSP) in Malaysia. It is a member through

mandatory contributes from employers and employees (part of the employee's salary and contributions made by the employer on behalf of the employee) to provide retirement benefits. The Employees Provident Fund provides employers with a convenient framework for them to fulfill their legal and moral obligations to employees by continuously paying monthly mandatory contributions to their employees' retirement fund accounts.

It divides the Employees Provident Fund into two accounts, namely the first and the second account. 70% of the provident funds will deposit in the first account; the other 30% of the provident funds will deposit in the second account every month. Members can withdraw deposits in the first accounts only after retiring at 55, and apply in advance to withdraw the deposits in the second account for specific, such as buying houses, medical treatment. In response to the COVID-19 pandemic, the Malaysian government had been implementing the "i-Sinar" program to help people who are unemployed, and whose pandemic affects income. "i-Sinar" program allows eligible employees to withdraw funds from the first account to assist with the financial problem.

The monthly contribution rates of the employee provident fund are:

(i) Employees: 11% of the monthly salary (employees over 60: 5.5% of the monthly salary), automatically deducted from the employee's salary.

(ii) Employer: 13% for a monthly salary of RM 5,000 and below; 12% for a monthly salary of more than RM 5,000.

All are handled under the relevant laws and regulations.

In response to the COVID-19 related policies had been adjusting in 2020. It will adjust the contribution rate from 11% to 7% from April 2020 until December 2020; the employer portion will remain unchanged. Currently, all are handled by relevant laws and regulations. Starting from January 2021, it will reduce the minimum contribution rate of employee provident funds from 11% to 9% for 12 months. As for the employer's contribution rate, it remains at 13%.

(D) Agreements between labor and management and labor protection:

All the regulations are under local labor laws and regulations, and they pay attention to the two-way communication between employees and have a suggestion box. So far, there is no major labor dispute and coordination is necessary. We will continue to strengthen communication and coordination between employers and employees and do our best to make welfare measures to promote more harmonious labor relations, to eliminate the possibility of labor disputes.

5.5.2 Describing the loss suffered by the Company due to labor disputes occurring in the most recent two years and up to the annual report' publishing date, and disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures. If a reasonable estimate cannot be made, an explanation of why it cannot be made shall be provided: No disputes between the employer and employee have occurred.

5.6 Important Contracts

5.6.1 Techcential Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Loan Contract	Citibank	2013.07.04（Corrected by an addendum with date 2013.11.21, 2014.11.21, 2015.11.09, 2016.03.18, 2017.01.16 & 2019.07.04）	Bank Loan	1. Debt service coverage ratio [net operating profit + depreciation and amortization expenses + interest expense/ (long-term loan due within one year + interest expense)] is not less than 1.3 times. 2. Leverage ratio (total debt/tangible net worth) does not exceed 4.0 times.
Loan Contract	Hong Leong Bank	2013.03.26（Corrected by an addendum with date 2013.06.10、2015.06.23、2016.02.02、2016.02.17、2016.10.07、2017.03.28、2017.06.19、2017.08.28及2017.10.09、2019.07.02、2019.10.30）	Bank Loan	1. The debt-to-equity ratio does not exceed 1.5 times. 2. Maintain the operation of the HLB bank account.
Loan Contract	Chailease Finance Co., Ltd	2019.06.26-2022.06.25	Bank Loan	NA
Loan Contract	Public Bank	2016.03.18-2021.03.17	Hire Purchase	無
Loan Contract	Hong Leong Bank	2018.04.30-2022.04.29	Hire Purchase	NA
Loan Contract	AmBank	2018.04.30-2021.04.29	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2019.06.06-2022.06.05	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.06.06-2023.06.05	Hire Purchase	NA

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Loan Contract	Hong Leong Bank	2019.10.06-2021.10.05	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.11.06-2024.11.05	Hire Purchase	NA
Loan Contract	Public Bank	2019.12.19-2024.12.18	Hire Purchase	NA
Loan Contract	Orix Credit (Malaysia) Sdn Bhd	2020.08.25-2023.08.24	Hire Purchase	NA
Lease contract	Imei Furniture	2019.06.01-2022.05.31	Factory lease	NA

Note 1: The company has complied with the financial ratios and requirements of the above commitments, as of December 31, 2020.

5.6.2 ESK Biomass Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Lease contract	Xia Huat Importers & Exporters Sdn Bhd	2018.10.01-2024.9.30	Factory lease	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.02.28-2024.02.27	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.02.28-2022.02.27	Hire Purchase	NA
Loan Contract	AmBank	2019.08.11-2022.08.10	Hire Purchase	NA

5.6.3 ESK Wood Products Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Lease contract	Xia Huat Importers & Exporters Sdn Bhd	2018.10.01-2024.09.30	Factory lease	NA

5.6.4 EHL Cabinetry Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Lease contract	Muar Industries Sdn Bhd	04.03.2020-03.03.2025	Factory lease	NA
Loan Contract	Ambank	30.03.2020-29.03.2025	Hire Purchase	NA
Loan Contract	Ambank	18.09.2020-17.09.2025	Hire Purchase	NA
Loan Contract	Ambank	30.12.2020-29.12.2025	Hire Purchase	NA

6.0 Financial Overview

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheets

(A) Condensed Balance Sheets – IFRSs

Unit: NTD Thousand

Item \ Year		Five-Year Financial Summary (Note 1)				
		2016 (Simulated)	2017	2018	2019	2020
Current Assets		279,311	299,650	471,074	552,737	670,779
Property, plant and equipment （Note2）		95,631	100,409	121,014	144,649	145,666
Right-of-use assets		-	-	-	51,693	106,764
Intangible assets		-	244	285	323	157
Other assets（Note2）		11,740	12,388	27,191	77,776	41,549
Total assets		386,682	412,691	619,564	827,178	964,915
Current liabilities	Before Distribution	148,145	128,454	255,305	175,457	495,350
	After Distribution	148,145	152,079	278,930	227,432	(Note6)
Non-current liabilities		23,285	29,059	39,874	260,159	86,501
Total liabilities	Before Distribution	171,430	157,513	295,179	435,616	581,851
	After Distribution	171,430	181,138	318,804	487,591	(Note 6)
Equity		215,252	255,178	323,329	377,480	368,874
Share Capital		210,000	212,527	236,250	236,250	236,250
Capital surplus		-	3,941	23,735	32,651	34,772
Retained earnings	Before Distribution	57,572	31,116	44,544	94,057	103,469
	After Distribution	57,572	7,491	20,919	42,082	(Note 6)
Other equity interest		(52,320)	7,594	18,800	14,522	(5,617)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	1,056	14,082	14,190
Total Equity	Before Distribution	215,252	255,178	324,385	391,562	383,064
	After Distribution	215,252	231,553	300,760	339,587	(Note 6)

Sources: Simulated consolidated financial report of the 2016 audited by the accountant and the 2017~2020 consolidated financial report audited by accountant.

Note 1: Any year that has not been verifying by an accountant should be indicated.

Note 2: It should list those who have applied for asset revaluation in the current year on the date of processing and the value of the revaluation.

Note 3: As of the publication of the annual report, companies that are listed or whose stocks have been trading in the business premises of securities firm has the latest financial information verified by an accountant or checked by an accountant, and they should disclose at the same time.

Note 4: The above post-distribution figures should be filled out according to resolving the shareholder's meeting

in the following year.

Note 5: If the financial information is notified by the competent authority that it should be corrected or re-edited, it should be a list with the corrected or re-edited figure, and it should show the circumstances and reasons.

Note 6: As of the publication date of the annual report, the company's profit distribution proposal for the 2020 H2 has not been resolving by the shareholder's meeting, so the distribution amount has not been listing.

(B) Condensed Balance Sheet – ROC's Financial Accounting Standards: Not Applicable

6.1.2 Condensed Income Statements

(A) Condensed Income Statements – IFRS

Unit: NTD Thousand

Year / Item	Five-Year Financial Summary (Note 1)				
	2016 (Simulated)	2017	2018	2019	2020
Operating revenues	715,660	875,674	1,082,868	1,386,627	1,259,850
Gross profit	142,992	152,238	185,448	310,564	244,400
Operating income	59,061	44,735	53,385	131,816	99,099
Non-operating income and expenses	(4,299)	(3,846)	(1,044)	(3,608)	(12,420)
Profit before income tax	54,762	40,889	52,341	128,208	86,679
Net profit of the continuing operations	37,968	30,278	37,189	91,355	54,738
Loss of the discontinuing operation	-	-	-	-	-
Net profit for the year	37,968	30,278	37,189	91,355	54,738
Other comprehensive Income (Loss) for the Year, Net of Income tax	(11,471)	7,016	11,213	(4,698)	(34,235)
Total Comprehensive Income for the Year	26,497	37,294	48,402	86,657	20,503
Net profit attributed to the owners of parent company	37,968	37,294	37,060	92,038	61,387
Net profit attributed to non-controlling interests	-	-	129	(683)	(6,649)
Total comprehensive income attributed to owners of the parent company	26,497	37,294	48,266	87,760	41,248
Total comprehensive income attributed to non-controlling interests	-	-	136	(1,103)	(20,745)
Earnings per share (EPS)	1.81	1.44	1.57	3.90	2.60

Sources: Simulated consolidated financial report of the 2016 audited by the accountant and the 2017~2020 consolidated financial report audited by accountant.

∗If the company prepares individual financial reports, it should prepare a condensed balance sheet and comprehensive income statement for the individual for the most recent five years.

∗If the financial data using International Financial Reporting Standards is less than 5 years old, the following table should be prepared separately (2) Financial data using my country's Financial Accounting Standards.

Note 1: Any year that has not been verified by an accountant should be indicated.

Note 2: As of the publication of the annual report, companies that are listed or whose stocks it has traded in the business premises of securities firm have the latest financial information verified by an accountant or reviewed by the accountant, and should be disclosed.

Note 3: The loss of the suspended business unit is presented as the net amount after deducting income tax.

Note 4: If the competent authority has notified the financial information that it should be correct or re-edited, it should be a list with the corrected or re-edited figure, and it should show the circumstance and reason.

(B) Condensed consolidated income statement– ROC's Financial Accounting Standards: Not Applicable

6.1.3 Auditors' opinions for the most recent years

Year	CPA Firm	Name of CPA	Audit / Review Opinions
2016	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2017	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2018	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2019	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2020	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis

(A) Financial Analysis – IFRS

Unit: NTD Thousand

Item（Note 3） \ Year（Note 1）		Five-Year Financial Summary				
		2016 (Simulated)	2017	2018	2019	2020
Financial structure	Debt to assets ratio (%)	44.33	38.17	47.64	52.66	60.30
	Long-term fund to property, plant and equipment ratio (%)	249.43	283.08	301.01	331.93	186.02
Liquidity Analysis	Current ratio (%)	188.54	233.27	184.51	315.03	135.42
	Quick ratio (%)	95.32	143.68	123.77	215.50	72.71
	Interest coverage ratio (times)	16.80	10.92	10.25	15.45	8.82
Operating performance Analysis	Accounts receivable turnover (times)	10.23	10.23	8.64	8.12	8.47
	Average cash collection days	36	36	42	45	43
	Inventory turnover (times)	5.02	5.88	7.12	7.27	4.62
	Accounts payable turnover (times)	13.17	16.77	18.16	16.80	12.64
	Inventory turnover Days	73	62	51	50	79
	Property, plant and equipment turnover (times)	7.89	8.93	9.78	8.74	5.61
	Total assets turnover (times)	1.99	2.19	2.10	1.92	1.41
Profitability Analysis	Return on total assets (%)	11.22	8.34	7.98	13.50	6.89
	Return on Equity (%)	17.79	12.87	12.83	25.52	14.13
	Pre-tax income to paid-in capital ratio (%) (note 7)	26.08	19.47	22.15	54.27	36.69
	Net Profit margin (%)	5.31	3.46	3.43	6.59	4.34
	Basic Earnings per share (NT$)	1.81	1.44	1.57	3.90	2.60
Cash flow	Cash flow ratio (%)	註 2	20.24	註 2	77.43	6.67
	Cash flow adequacy ratio (%)	註 1	註 1	註 1	66.79	19.65
	Cash flow reinvestment ratio (%)	註 2	7.12	註 2	23.22	註 2
Leverage	Operating leverage	1.23	1.21	1.21	1.19	1.33
	Financial leverage	1.06	1.10	1.12	1.07	1.13

Please explain the reasons for the changes in various financial ratios in the last two years. (We will exempt the analysis of the increase or decrease does not reach 20%)

1. The ratio of long-term funds to property, plant, and equipment: Mainly, EHL is in the stage of setting up factories. In this period, the company leased plants and add more machinery and equipment, so the total assets of the group increased. In addition, the convertible corporate bonds are about to mature within one year, non-current liabilities have decreased compared with the previous period, resulting in a decrease in the ratio of long-term funds to property, plant, and equipment.
2. Current ratio: The primary reason is that TC has newly added short-term borrowings in the current period for operating needs. The convertible corporate bonds are about to mature within one year, so current liabilities have increased.
3. Quick ratio: It is mainly because of the cash obtained from issuing corporate bonds in the current period, and the current assets have increased significantly. In addition, the repayment of short-term borrowings has reduced current liabilities, resulting in a substantial increase in the quick ratio.
4. Interest protection multiple: Mainly because of the decrease in the group's overall profit because of the pandemic.
5. Inventory turnover rate and average sales days: Mainly (1) Affected by the pandemic, TC's suspension of operations at the end of 2020 resulted in delayed shipments of customer orders; (2) The pandemic caused many airlines to be forced to suspend operations, resulting in US containers The port is congested and shipping schedules are difficult to book so that it cannot ship some finished products as scheduled; (3) The price of raw materials continues to rise, so the company has increased its stocking volume; (4) EHL is in the trial production stage, and it will increase its stocking in this period. In summary, the increase in the group's inventory over the same period last year has led to a decrease in inventory turnover and an increase in average sales days.
6. Accounts payable turnover rate (second): Mainly because of the decrease in the overall operating costs of the group. The increase in purchases because of the increase of purchases in the current period of TC to meet the orders of 2020Q4, the accounts payable did not reach the payment deadline and increased compared with the previous period.
7. Property, plant, and equipment turnover rate (secondary): Mainly because of the decrease in operating income during the current period and the decrease in EBIT; and EHL is in the stage of factory establishment, and the increase in property, plant and equipment compared with the previous period.
8. Total asset turnover rate (secondary): Mainly (1) The pandemic has led to a decrease in the group's overall revenue. (2) The total assets of the group increased: due to (a) the increase in property, plant and equipment during the establishment of EHL factories in this period compared with last year. (b) Inventories have increased significantly compared with the previous period (details in point 5, inventory turnover rate and changes in average sales days).
9. Return on assets (%): Mainly due to the decrease in operating income due to the administrative order during the current period, while the fixed operating costs still exist, resulting in a decrease in operating gross profit and a decrease in EBIT.
10. Return on equity (%): Mainly due to the relative decrease in net profit after tax in the current period.
11. Pre-tax net profit to paid-in capital ratio (%): Mainly due to the decrease in group profits.
12. Net profit ratio (%): Mainly due to the decrease in group profit.
13. Earnings per share (yuan): Mainly due to the decrease in group profits.
14. Cash flow ratio (%): Mainly due to the decrease in the overall operating profit of the current period, the net cash inflow from operating activities has decreased compared with the same

period last year, and the new short-term loans and convertible bonds will be available within one year in response to operating needs Period, it is due to the increase in current liabilities.

15. Cash reinvestment ratio (%): Mainly due to the decrease in net cash inflow from operating activities as compared with the same period last year due to the decrease in overall operating profit during the current period.

Sources: Simulated consolidated financial report of the 2016 audited by the accountant and the 2018~2020 consolidated financial report audited by accountant.

Note 1：Any year that an accountant has not verified should be indicated.

Note 2：Since the net cash flow from operating activities for the year is a net outflow, it will not be expressed.

Note 3： Equations：

1.Capital Structure

(1) Debt ratio=Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plants, and equipment.

2.Solvency

(1) Current ratio = Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year.

3.Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from the business operation)

(2) Days sales in accounts receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Account payable turnover (including accounts payable and notes payable derived from the business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from the business operation)

(5) Average days in sales = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Net fixed assets

(7) Total assets turnover = Net sales / Total assets

4. Profitability

(1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets

(2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity

(3) Return to issued capital stock = Net income before tax / Issued capital stock

(4) Profit ratio = Net income (loss) / Net sales

(5) Basic earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued（Note 4）

5. Cash flow

(1) Cash flow ratio = Bet cash flow from operating activity / Current liability

(2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years

(3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital) (Note 5)

6. Leverage

(1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (Note 6)。

(2) Degree of financial leverage = Operating income / (Operating income – interest expense)

Note 4: The formula for calculating the earnings per share of the Shanghai Development Bank shall pay special attention to the following matters when measuring:

1. Based on the weighted average number of ordinary shares, rather than the number of issued shares at the end of the year.

2. For those who have cash capital increase or treasury stock trading, it should calculate the weighted average number of shares in consideration of the circulation period.

3. Where there is a capital increase in surplus or a capital increase from capital reserves when calculating the earnings per share of previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the period of issuing the capital increase.

4. If the special shares are non-convertible cumulative special shares, the dividend for the current year (regardless of whether it is paying out) shall deduct from the net profit after tax, or net loss after tax shall be increasing. If the special stock is noncumulative, with net profit after tax, it shall deduct the dividend of the special stock from the net profit after tax. If it is a loss, no change is necessary.

Note 5: The following items should be paid special attention to when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflow from capital investment each year.
3. It only included the increase in inventory when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, we will calculate it as zero.
4. Cash dividends include cash dividends for ordinary shares and special shares.
5. Gross real property, plant, and equipment refers to the total amount of real property, plant, and equipment before deduction of accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses as fixed and variable according to their nature. If estimates or subjective judgments are involved, they should pay attention to their reasonableness and maintain consistency.

Note 7: The company's stocks have no denomination or the denomination per share is not NT$10. The calculation of the paid-in capital ratio in the previous issue is a change to the equity ratio because of the owner of the parent company on the balance sheet.

(B) Financial analysis – ROC's Financial Accounting Standards: Not Applicable

6.3 Most Recent Year's Audit Committee's Report

特昇國際股份有限公司
Techcential International Ltd

AUDIT COMMITTEE' S REVIEW REPORT

Date: 22 March 2021

To: Shareholder' s Annual General Meeting for Year 2021, Techcential International Ltd

Board of Directors has prepared the Company' s 2020 Business Report, Consolidated Financial Statement, and proposal for Earnings Distribution. The CPA firm of KPMG was retained to audit the Company' s Consolidated Financial Statements. KPMG has completed audit procedures and issued Audit Opinion. Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by Audit Committee members of the Company.

According to Article 14-4 of Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.

The Audit Committee, Chairman:

Mr Oun Lek Wee

6.4 Most Recent Year's Consolidated Financial Statements: Please refer to Exhibits 1.

6.5 Most Recent Year's the parent company only financial statements: Not Applicable.

6.6 Up to the most recent two-year and the date of publication, if there are any financial difficulties among the Company and its affiliates, impacts on the Company's financial conditions shall be indicated: None.

7.0 Review of Financial Status, Operating Results and Risk Management.

7.1 Financial Status

Unit: NTD Thousand; %

Year / Item	2019	2020	Variance	
	Amount	Amount	Amount	%
Current assets	552,737	670,779	118,042	21.36
Property, Plant and Equipment	144,649	145,666	1,017	0.70
Right of use assets	51,693	106,764	55,071	106.53
Intangible assets	323	157	(166)	(51.39)
Other assets	77,776	41,549	(36,227)	(46.58)
Total assets	827,178	964,915	137,737	16.65
Current liabilities	175,457	495,350	319,893	182.32
Non-current liabilities	260,159	86,501	(173,658)	(66.75)
Total liabilities	435,616	581,851	146,235	33.57
Share capital	236,250	236,250	-	-
Capital surplus	32,615	34,772	2,121	6.50
Retained earnings	94,057	103,469	9,412	10.02
Other equity	14,522	(5,617)	(20,139)	(138.68)
Non-control equity	14,082	14,190	108	0.77
Total equity	391,562	383,064	(8,498)	(2.17)

Analysis and explanation for those who have changed over 20% in the last two fiscal years, and the amount of change has reached NT$10 million:

1. Increase in current assets: Mainly (1) The pandemic caused the temporary suspension of TC at the end of December and the suspension of production lines, so the inventory increased compared with the same period last year. (2) EHL is in the trial production stage, so it will increase the material prepared in this period. (3) The price of raw materials has continued to rise recently, so TC has increased its stocking volume during the current period. In summary, the substantial increase in inventories led to an increase in current assets compared to the same period last year.

2. Increase in right-of-use assets: Mainly because of the establishment of factory buildings, EHL leased the factory buildings in the current period, and purchase machinery and equipment from banks through financial leases.

3. Decrease in other assets: mainly due to transferring part of the prepaid equipment payment to equipment by EHL in this period.

4. Increase in current liabilities: Mainly (1) In the current period, new short-term borrowings were added for operating needs. (2) In 2021Q1, orders increased, and TC increased purchases, so accounts payable increased. (3) Convertible corporate bonds will mature on December 3, 2022, so it transferred them to current liabilities in the current period.

5. Decrease in non-current liabilities: Mainly convertible corporate bonds will mature on December 3, 2022, so transfer them to current liabilities in the current period.

6. Increase in total liabilities: Mainly (1) In the current period, new short-term loans were added for operating needs. (2) In 2021Q1, orders increased, and TC increased purchases, so accounts payable

increased.

7. Decrease in other rights and interests: Mainly due to the decline in the exchange rate of MYR to NTD in 2020 Q4 (7.389-->6.9933), the conversion difference in the financial statements of foreign operating institutions turned into a negative number.

7.2 Operating Results

7.2.1 Operating Results Analysis

Unit: NTD Thousand; %

Item	2019	2020	Difference	
	Amount	Amount	Amount	%
Operating revenues	1,386,627	1,259,850	(126,777)	(9.14)
Operating costs	1,076,063	1,015,450	(60,613)	(5.63)
Gross profit	310,564	244,400	(66,164)	(21.30)
Operating expenses	178,748	145,301	(33,447)	(18.71)
Operating income	131,816	99,099	(32,717)	(24.82)
Non-operating income and expenses	(3,608)	(12,420)	(8,812)	(244.24)
Profit before income tax	128,208	86,679	(41,529)	(32.39)
Income tax expense	36,853	31,941	(4,912)	(13.33)
Net profit for the year	91,355	54,738	(36,617)	(40.08)
Other comprehensive income(loss) for the year, net of income tax	(4,698)	(34,325)	(29,537)	628.71
Total comprehensive income for the year	86,657	20,503	(66,154)	(76.34)

Cause and impact of the significant differences (over 20% and NT$10 million) in the last two years:

1. Decrease in operating gross profit: Mainly because of the impact of the pandemic, the suspension of work to comply with the government's action control order has reduced operating income, and under the situation that fixed operating costs still exist, it has led to a decrease in operating gross profit.
2. Decrease in operating income: mainly due to the decrease in operating gross profit because of the impact of the pandemic.
3. Decrease in net profit before tax: Mainly due to the impact of the pandemic and the decrease in operating gross profit.
4. Decrease in net profit after tax: Mainly due to the impact of the pandemic and the decrease in operating gross profit.
5. Increase in Other comprehensive income (loss) for the year, net of income tax: Mainly due to the downward trend in the exchange rate of MYR to NTD from January to December 2020 (7.348-->6.9933). Therefore, the conversion difference in the financial statements of foreign operating institutions during the current period is compared with that of last year. Decrease over the same period.
6. The total comprehensive income for the year decreased: mainly because of the impact of the pandemic, the decrease in operating net profit, and the decline in the exchange rate of MYR to the NTD.

7.2.2 Sales forecast and assumptions:

The annual shipping target is based on the customer's estimated demand, capacity planning and past operating performance. Estimated sales volume is expected to grow as customer demand increases. For relevant market research and industry status

and development, please refer to the operation overview.

7.2.3 Potential impact on the company’s financial and sales performance in the future:

The Company will keep abreast of market demand changes, expand market share, develop new customers and new products, enhance company's profitability, and maintain a sound financial position.

7.3 Cash Flows

7.3.1Analysis of the Change in Cash Flow in 2020:

Unit: NTD Thousand

Item	2019	2020	Difference	
			Amount	
Net Cash generate from Operating Activities	135,859	33,049	(102,810)	(75.67)
Net cash used in Investing activities	(90,522)	4,210	94,697	104.65
Net cash used in Financing activities	42,551	37,427	(5,124)	(12.04)

Variance analysis:

1. Decrease in net cash generated from operating activities: In 2020, because of the impact of the pandemic, net profit decreased by about 10%, which affected the cash flow from operations. Although the recovery of funds is good, because of the global raw materials and containers rushing to the container. So, Techcential needs to increase more inventory levels to prepare for the year 2021 of production. The cash flow from operating activities decreased by approximately 100 million compared with that of 2019.
2. Increase in net cash used in investing activities: EHL at the end of the fiscal year 2019 incurred many capital expenditures to purchase equipment needed for the new plant, and in the fiscal year 2020, it has successively purchased all the equipment, and the company did not have a major investment plan because of the pandemic, so investment activities were used funds have been drastically reducing by approximately 90 million.
3. Decrease in net cash used in financing activities: The decrease in funds generated from financing activities. The cash inflow in 2019 was mainly from issuing corporate bonds by Techcential to repay short-term loans and the purchase of equipment, while Techcential only used short-term loans to purchase materials in 2020. The overall cash inflow from financing activities decreased by approximately 5 million.

7.3.2 Describe how the Company plans to address any illiquidity problems: The Company has no liquidity problems in the recent fiscal year.

7.3.3 Cash flows analysis for next year:

Current working capital is adequate. We expect the cash flows position to be stronger and liquid next year.

7.4 Material capital expenditures and it impact on finance and business operation in recent year: The Company has no material capital expenditures in recent year.

7.5 Investment policy, main reason for profit or loss, improvement plan and new investment in coming year

7.5.1 Investment policy:

Company policy is to invest in activities related to our core business only. We had established SOP such as "Investment cycle", "Subsidiary supervision operation method", "Group company, specific company, and related party transaction operation procedures", and "Acquisition or disposal of asset processing procedures." to govern our investment.

7.5.2 Major reasons for profit/losses resulting and plans for improvement:

Unit: NTD Thousand

Investee Enterprises	Direct (Indirect) shareholding ratio	Approved investment gains and losses in the most recent year	Reason for profit or loss	Improvement plan
TC	100.00%	86,696	Good operating condition	NA
TCH	100.00%	(506)	Mainly to cooperate with the group's business reorganization, there is no profit to cover operating expenses temporarily	Shipped by business partner
EHL	70.00%	(18,536)	Currently in the stage of setting up factories, there is no profit yet to cover operating expenses	Production started in 2021
TCH(US)	100.00%	(5)	Mainly to cooperate with the business reorganization of the group, there is no profit to cover operating expenses temporarily	NA
ESK B	100.00%	(4,160)	Has not yet reached the break-even point	Increase capacity utilization and actively develop new customers in 2021.
ESK WP	100.00%	83	Good operating condition	NA

7.5.3 Investment plans for the coming year:

The COVID-19 pandemic will affect the operation and development of most companies in the world in 2020. Therefore, the company will focus on operating and developing existing businesses in 2021. The company will closely monitor the evolution of the COVID-19 pandemic and prudently operate the business while cooperating with the various pandemic prevention measures of the local government. And try to maximize the company's production capacity and strengthen the cost control of raw materials and processes to achieve its goals in the coming year.

7.6 Risk analysis and evaluation from the most recent year till the printing date of annual report.

7.6.1 Risk Management

(a) The impact of interest rates, exchange rate changes, and inflation on the company's profit and loss and counter measures.

(i) Interest rate changes

Unit: NTD Thousand

Item \ Year	Year 2019		Year 2020	
	Amount	Net sales share (%)	Amount	Net sales share (%)
Interest income	754	0.05	901	0.07
Interest expense	8,874	0.64	11,078	0.88

The interest income and interest expenses of the company in the last two years accounted for a very low proportion of the net operating income for the year. Therefore, the changes in market interest rates do not have a significant impact on the financial business operation of the company.

The company's capital planning is based on the principle of conservatism and stability. It based the allocation of working capital on safety first. It mainly fixed the idle funds deposits and demand deposits. The proportion of interest income is not high. The company maintains good relations with financial institutions and establishing a standby banking facility. The financial department will pay attention to the economic development situation regularly and take corresponding measures when necessary.

(ii) Exchange rate changes

Unit: NTD Thousand

Item \ Year	2019	2020
Gains (losses) on foreign currency exchange	(3,486)	(11,015)
Gains (losses) on financial assets at fair value through profit or loss	(460)	5,570
Total	(3,946)	(5,445)
Proportion of operating income (%)	(0.28)	(0.43)

The foreign exchange gain/ (loss) for the last two years was (NTD3,486) and (NTD11,015 thousand) respectively, which accounted for (0.28%) and (0.43%) of revenues. As the U.S. dollar is showing a downward trend at the end of 2020, more exchange losses will occur on the account.

Our products are exported, and our revenues are quoted in USD. Hence, exchange gain and loss in foreign currency depend on the fluctuation of USD against MYR. In addition, the company also pays attention to the fluctuation of the exchange rate market on weekdays. If there is a need for hedging, Derivative

financial products can be used on time for hedging operations, so exchange rate changes will not cause major risks to the company's operations.

(iii) Inflation

The company has not yet had a significant impact on profit and loss due to the inflation crisis. The company will continue to maintain close and good relations with suppliers and pay attention to fluctuation at market prices any time, adjust procurement strategies and cost structures on time, and reduce the impact of inflation changes on the company's profit and loss in the future.

(b) Policy on dealing with high-risk and high-leverage investment, loans to another party, corporate guarantee and hedging in derivative, the reason for gain or loss, and countermeasure:

The Company is not engaged in high-risk and high-leverage investments. The Company has laid down "Operational Procedures for Loaning of Company Funds", "Operational Procedures for Endorsements and Guarantees", "Procedures for Financial Derivative Transaction".

(c) Future R&D projects and estimated costs:

To cope with the growth of the future American wooden furniture market, the company has taken advantage of the professional manufacturer of wooden bedroom furniture to launch its brand. Besides, continuously improving production efficiency, it is necessary to strengthen the ability to develop and manufacture products. To meet the different needs of customers, besides the estimated investment of NTD 10 million in 2021, the company will continue to invest in research and development expenses, which will continue to enhance the competitiveness of the company. The future development direction of the company is:

(1) Enhance product design capabilities and product manufacturing technology standards by actively training R&D talents
(2) Gradually reduce labor costs of introducing automated production equipment through R&D and improved processes
(3) Will actively develop environmentally friendly materials that can replace native wood to increase product competitiveness.
(4) Intention to invest in diversified products to help the company's revenue and reduce the risk of a single product.

(d) Both home and abroad, changes in major political policies and laws with effect on the company's business and financials, and response measures:

The company has registered in the Cayman Islands, the operating country is Malaysia. The British Cayman Islands is mainly engaged in finance, and Malaysia is one of the major economic systems in Southeast Asia. The political and economic environment is still stable. The products are essential items for people's livelihood and who are not licensed or restricted industries. Therefore, the company has caused no significant impact on the financial business because of changes in important policies and laws in the Cayman Islands or Malaysia. Implementing the various business is handled by important domestic and international policies and laws. In the most recent year, we will pay attention to the important domestic and international policy development trends and legal changes to respond to changes in the market environment and take countermeasures.

(e) Technology and industry changes affecting the Company's business and financials, and response measures:

The company is paying attention to the technological changes and grasping the latest market information to assess its impact on the operations. In the most recent year and the end of the annual report, the technological changes and industrial changes have not significant influences on the financial.

(f) Changes in the corporate image with influence on corporate crisis control and response measures:

The company adheres to the concept of honesty, trustworthiness, and sustainable management. Since its establishment, it has been focusing on the business of the industry. The company has a corporate image and adheres to relevant laws and regulations. The company has not changed its corporate image and has no image crisis in the most recent year.

(g) Expected benefits from merging and possible risks and response measures:

From the most recent year till the printing date of the annual report, there have not been plans for merging, thus the risks are not applicable.

(h) Predicted benefits from warehouse expansion and risks and response measures:

The expansion of the company's plant has been evaluating by a complete, prudent and dedicated unit, which has fully considered the benefits of investment recovery and risks.

(i) Risks from concentrated purchasing and selling of goods, and response measures:

(i) Concentrated purchase of goods:

The company's largest purchase suppliers in 2019 and 2020 accounted for 3.11% and 6.03% of the total purchases. The suppliers cooperate with the company are all in a long and good relationship for many years, so the quality and delivery time are relatively stable. Besides, over two suppliers supply the company's purchases. If a supplier cannot provide a stable supply or the delivery cannot be matched, the company will additionally seek alternative suppliers or other suitable alternative materials. It can reduce the concentration of incoming goods and the risk of material loss.

(ii) Concentrated selling:

The largest sales customers in 2019 and 2020 accounted for 44.22% and 36.84% (AFI & AFT) of the operating revenue. Because the company focused on the high-quality production of American-style bedroom furniture, and customers recognized the manufacturing capacity advantage, so the business volume of the largest customers increased year by year. However, the company actively explored the upstream market during the year. The proportion of revenue from rubberwood manufacturing and trading business increase and the new customers increase accordingly. The proportion of the largest customers decreased to 36.84%. The company will actively expand new customers and new markets to reduce the risk of sales concentration.

(j) Directors, supervisors, or major shareholders with shares exceeding 10% of total shares outstanding, the effects, risks, and response measures on the Company from substantial transfer or renewal of share equipment:

From the most recent year till the printing date of the annual report, no such incident has occurred.

(k) Controlling rights changes in the Company and its effects, risks, and response

measures:

The most recent year till the printing date of the annual report, there were no controlling rights changes in the Company.

(l) Other significant risks and response measures:

(i) The risk of the overall economy, political and economic environment, foreign exchange, and laws.

The company has registered in the Cayman Islands and operation in Malaysia. Therefore, the changes in the general economic and political environment and foreign exchange fluctuations in the place of registration and operation will affect the company's operating conditions.

(ii) The risk of protecting shareholder rights

There are many differences between the laws and regulations of the Cayman Islands and the Republic of China. Although the company has not contradictory in the laws and regulations of the Cayman Islands and according to the "checklist for protecting shareholders' rights for the foreign issuer" stipulated by the Taipei Exchange (TPEx) to amend the company's articles. However, there are still many differences in regulations between the company and both two places. In the company, investors should understand and consult with experts whether investing in a Cayman Islands company can obtain effective shareholder rights protection.

(iii) The risks related to statements in this annual report.

A. Facts and statistics

Certain information and statistical data in the annual report are from different external statistical publications. Such information may be inaccurate, incomplete, or not the latest information. The company does not make any statement on the authenticity or accuracy of such external information statements, and investors should not rely excessively on such information to make investment judgments.

B. The risks and uncertainties of looking forward statements in this annual report.

The annual report contains certain looking forward statements and information about the company and its affiliates. We base these statements and information on the belief, assumption, and current information. In this annual report, "expect", "believe", "can", "expect", "future", "intended", "may", "must", "plan", "estimate", "seek", "should", "will", "may", "expected" and similar statements are looking forward statements when applied to the company or management. Such statements reflect the view of the company's management on future events, operations, liquidity, and funding sources, which may not be realizing or may change. These statements are subject to certain risks, uncertainties, and assumptions, including other risk factors described in this annual report. Investors should carefully consider and rely on any looking forward statements involving known and unknown risks and uncertainties. The risks and uncertainties faced by the company may affect the accuracy of looking forward statements, including but not limited to:

(a) Description of the reference and operation overview of this annual report.

(b) In this annual report, certain statements regarding the price, volume, operation, profit trends, overall market trends, risk management, and exchange rates. The company will not update the looking forward statements of this annual report or change them in response to future events or information. Because of the risks, uncertainties, and assumptions, the looking forward statements and circumstances in this annual report may not occur in the manner expected by the company or even will not occur. Therefore, investors should not rely on any looking forward statements.

(iv)The management team faced the challenge of becoming a listed company for the first time.

The management of the company has extensive experience in the industry's operation. However, the laws and regulations of the Republic of China need to be adapted and understand. The focus of the management will maintain investor relations and being familiar with the Republic of China. According to the relevant regulations of the securities laws and regulations, to avoid distraction from the operation. Besides, the company has successively recruited qualified talents and organized an excellent team of staff to serve as a strong backing for the management level to face the challenges.

(v) The company is a holding company that relies on performing its subsidiaries and the ability to distribute dividends, and it is subject to restrictions on the distribution of dividends and the capital transfer.

The company is a holding company that has been establishing with no commercial operations in the Cayman Islands. The company has no other assets and liabilities apart from the equity held by the subsidiary. The company's subsidiary in Malaysia is the major source of operating profit for the group. The distribution of cash dividends or the retention of surplus reserves will affect the distribution of cash dividends. However, the distribution of cash dividends of subsidiaries will be restricted by the local country's dividends, exchange rate changes will affect revenue repatriation laws, cash transfers, and the control of the foreign exchange, and cannot fully control by the company.

Besides, the subsidiaries are independent legal entities. When the subsidiary goes bankrupt, loses its solvency, reorganizes, liquidates, or realizes its assets, the assets acquired by the company or the order of distribution will be inferior to the creditors of the subsidiary, including the subsidiary’s trading partners.

Relevant regulations will handle the distribution of dividends or other benefits of the company. We advise investors to understand and consult experts about the tax impact of their investment in holding companies.

7.6.2 Litigation and non-litigation matters

(a) The most recent two years till the printing date of the annual report, conclusive judgment or major litigations, non-litigations, administrative disputes, whose outcome might influence shareholder rights or the price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and status on the current proceedings: Not Applicable.

(b) The company's directors, supervisors, general managers, substantive principals, major shareholders and subordinate companies with a shareholding ratio of more than 10%. Involve in any litigation, non-litigation or administrative litigation that has been determined or is currently in the system in the last two years and up to the date of the annual report and the result may have a significant impact on the company's shareholders' equity or securities prices: Not Applicable.

(c) The company's directors, supervisors, managers, and major shareholders with a shareholding ratio of more than 10% have stipulated in Article 157 of the Securities Exchange Law and the current situation of the company in the last two years and as of the end of the annual report: Not Applicable.

7.6.3 Directors, supervisors, managers, and shareholder with shares exceeding 10% of all outstanding shares of the Company, from the most recent two years till the printing date of the annual report with conclusive judgment or proceedings litigations, non-litigations, or administrative disputes with outcomes that might have major influence on shareholder rights or price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and the status on current proceedings: None.

7.6.4 The issue compliance of the second important subsidiary standards of Article 2 of the Rules for the Auditing of Financial Statements of the Visa in the most recent fiscal year or the application for the upper accounting year, or the recommended securities firm considers that the issuer’s financial report is significant. For those who influence, they should add a description of their risk items:

The company is an exempted company registered in the Cayman Islands. The subsidiaries TC comply with "important subsidiaries" standards as above, and thus the local economy, political and economic environment changes, foreign exchange control, taxation, and related laws and regulations, and whether to recognize the risks of the civil judgment of the courts in ROC, please refer to the description of the item (5) below.

7.6.5 If a foreign issuer applies for stock registration in the counter or the first board. It shall add the general economic, political, and economic environment changes, relevant laws and regulations, foreign exchange control, and taxation of the country where the foreign issuer is registered and the main operation place. Whether to recognize the risk matters such as the circumstances in which the courts in ROC determine the validity of the judgment and explain the measures taken:

(a) Country of registration: Cayman Islands

(1) The changes in the overall economic and political environment

The Cayman Islands is a British overseas possession in the West Indies, in the Caribbean south of Miami, Florida. Georgetown is an administrative, commercial

center in Grand Cayman. The Cayman Islands is also one of the world's major financial centers.

There are five types of registration companies in the Cayman Islands. The ordinary company, an ordinary non-resident company, exempted company, limited duration company, and foreign company. Among these exempt companies are main to use by companies and individuals in various countries for financial planning.

The Cayman Islands company has actively strengthened the goodwill of its overseas financial operation in recent years. In 1986, the British government and the United States signed a Mutual Legal Assistance Treaty to prevent international criminal organizations from using Cayman. The islands conduct illegal transactions, such as drug trafficking or money laundering. While preventing crime, it also commits to ensuring the confidentiality of legitimate business activities. Therefore, the Cayman Islands have been very stable politically and economically for a long time.

In summary, the company is a holding company register in the Cayman Islands. There is no substantial operating activity generated, and it is an exempted company. Besides, the Cayman Islands has been in a state of political stability for a long time and is the fifth-largest financial center in the world. The changes in the overall economic and political environment have not significantly affected the company's overall operations.

(2) Foreign exchange control, taxation and related laws and regulations

The Cayman Islands currently does not levy taxes on personal or company profits, income, gains, or appreciations, and there are no inherited taxes or heritage taxes. Except for stamp duty applicable to contracts signed in the Cayman Islands or made in the Cayman Islands, there are no other taxes levied that may be significant to the company by the Cayman Islands government. The Cayman Islands company is no need to pay the stamp duty if the company has a landowner in the Cayman Islands. The Cayman Islands has no foreign exchange control or currency control regulations.

The company law of the Cayman Islands requires that a Cayman company must plan a Memorandum of Association to specify the company name, registered address, and capital composition, but it does not force the company to plan a constitution. Companies in the Cayman Islands will refer to the First Schedule Table A of the company law to plan the company articles of incorporation to regulate the internal operations. Therefore, the company should abide by the articles, Cayman Islands company law, and other relevant regulations. However, the laws and regulations of the

Cayman Islands different from those of the Republic of China. The company has revised the articles of incorporation within the limits of the laws and regulations of the Cayman Islands by the relevant laws and regulations of the Republic of China and the competent authorities. However, protecting shareholders' rights still different from that of companies established under the laws of Taiwan.

(3) The validity of the civil judgment

A. Risk of litigation claims

Since the company will establish and register in the Cayman Islands, although the articles specify shareholder rights protection has to subject to the court of the first instance in Taipei District Court of Taiwan. The company also design an agent for litigation and non-litigation by the Securities Exchange Act. But the investors issuing company or the person in charge in the Republic's court. The court may still judge the existence of jurisdiction. The court may require the investor to explain the foreign country involved in the case. But it guarantees few cases to get substantive judgments in the courts of the Republic of China.

B. Risk of recognition and enforcement of judgment

The company has obtained the legal opinion of the Cayman Islands:

Although the Cayman Islands are not stipulate that judgments made by the courts of the Republic of China can enforce in the Cayman Islands, foreign courts (including the Republic of China) have jurisdiction based on the judgments made. The court and judgments will base on the principle of ordering the debtor to pay the amount determined by the judgments. The Cayman Islands courts will recognize and enforce the foreign (including the Republic of China) judgments of the court with jurisdiction, but the judgments must be final, and the payment of non-tariff or other such obligations, fines or penalties and the acquisition or execution of the judgments will not contravene the public policy of the Cayman Islands. The Cayman Islands courts can extend the categories of remedies that can enforce in the Cayman Islands for foreign court judgment beyond monetary judgments under certain circumstances and extend to enforcement orders, declaration orders, and injunction orders.

It schedules the company articles to propose before the company law of the Cayman Islands permits. The company articles do not hinder shareholders from violating the convening procedure or resolution method of the shareholders' meeting within 30 days after the resolution. Besides, to sue in a court of jurisdiction, when seeking appropriate relief for disputes arising from the foregoing matters stipulated in

the articles of company and the Taipei District Court of Taiwan could be the court of first instance jurisdiction. Because is an exempted company in the Cayman Islands, if a lawsuit is a field in a Cayman Islands Court, the court will determine whether it has the jurisdiction to hear related disputes. If it has jurisdiction, the content of the relief will determine at its sole discretion.

The company law of the Cayman Islands does not allow minority shareholders to start derivative proceedings against directors in the Cayman Islands courts. Besides, the company's articles are agreements between shareholders and the company. Therefore, even if the minority shareholders may initiate derivative lawsuits against directors in the articles of incorporation, such provisions are still cannot restrict directors under Cayman Islands law. However, under the common law of the Cayman Islands, all shareholders (including minority shareholders), regardless of their shareholding ratio or shareholding period, have the right to derivative litigation (including litigation against directors). Once a shareholder has sued, the Cayman Islands court will have the sole discretion to decide whether the shareholder can proceed with the lawsuit. It is said that even though the company's articles of incorporation stipulate that minority shareholders (or shareholders with the required shareholding ratio or period of shareholding) can sue the directors on behalf of the company, whether the lawsuit can continue will ultimately depend on the decision of the Cayman Islands court. According to the relevant judgments by the Grand Court of the Cayman Islands, when the Cayman Islands courts determine whether to approve the continuation of derivative litigation, the applicable criterion is whether the Cayman Islands court believes and accepts the plaintiff's request on behalf of the company to be substantive. Those who can control the company will commit the wrongdoing claimed by it, and such controllers can prevent the company from suing it. The Cayman Islands court will decide on the facts of the individual case (although the court may refer to the company's articles, this is not a decisive factor).

(4) The risk of the application of the law due to the differences between the laws of the Cayman Islands and the laws of the Republic of China.

The company has been established under the Cayman Islands laws and to be listed company in the Republic of China. It has revised its articles of incorporation by the relevant laws and regulations of the Republic of China to protect the interests of shareholders. There are many differences between the laws of the Cayman Islands and Taiwan.

The differences between the laws of the Cayman Islands and the Republic of China laws and the securities trading system may still cause conflict in the application of laws or interpretation doubts. The resolution of conflicts in the application of laws or interpretation doubts remains to be determined by the court. Therefore, investors are reminded that to request the Cayman Islands courts to enforce the judgments of our country or to bring litigation in the Cayman Islands courts or to enforce their related rights. The Cayman Islands courts will not recognize our country's laws and transaction practices (including but not limited to the method of share transfer and the record of shareholders), so there may be a risk of exercising rights against foreign companies.

(5) The shareholders' rights in the Cayman Islands may be more restricted than the laws of other countries

The corporate affairs shall comply with the articles of incorporation, the Cayman Islands company law (and its amendments).

(b) The main operation country： Malaysia

(i)The changes in the overall economic and political environment

Since 2004, the economy of Malaysia has maintained steady growth. In 2015, the Malaysian government announced the "Eleventh Malaysian Plan, 2016-2020", with the theme of "people-oriented growth". It intends to increase productivity, innovate fields, expand the middle-class population, develop skills training and development, green technology, and investing in competitive cities. The six main strategies are to increase the income nationally, improve people's living standards, and cultivate advanced national thinking. The gradual recovery of the global economy in 2017 stimulated the substance GDP growth rate of 5.9%, the highest in recent years. In 2018, economic fundamentals remained strong. Besides, political uncertainties have emerged in the national election in May of the same year. Because of the decline in agriculture, and the decline of public sector investment by 5.2%, the substance GDP growth rate was 4.7% compared with 5.9% in 2017.

The substance GDP growth rates for 2019 and 2020 are 4.5% and 4.4%. The commodity trade surplus, although the labor account and income account are in deficit, the current account maintains a surplus. Tun Dr. Mahathir's government has continued to renegotiate the infrastructure contracts that sign by the previous government to obtain better financial conditions. And continue to renegotiate with rival countries to continue spending in fiscal public construction. From 2018 to 2020, the fiscal deficit accounted

for 3.7%, 3.5%, and 3.4% of GDP; its foreign debt as a proportion of GDP shows a decreasing trend, at 62.3%, 54.7%, and 52.3%, respectively; the foreign exchange deposit capacity to pay for imports is increasing. Overall, Malaysia's economic fundamentals are strong, highly diversified economy and export integration, low and stable inflation rate, the balance of payments current account surplus, and other conditions that will promote economic growth.

(ii) Foreign exchange control, taxation, and related laws and regulations

a. Foreign exchange control

Although Malaysia has foreign exchange control regulations, they are only an appropriate framework to facilitate foreign exchange risk management. But not active foreign exchange restriction, to reduce the operating costs of local Malaysians and foreign investors. Its foreign exchange management structure roughly divides enterprises into resident and non-resident enterprises. Resident enterprises refer to those registered or approved by any agency in Malaysia. As far as the resident company applicable to the Malaysian subsidiary, its use of foreign currency to pay any amount for imported goods and services is not subject to any restrictions; its export income must collect in foreign currency, according to the foreign exchange control regulations attached to the notice stated that the foreign currency income of domestic resident export enterprises can only deposit 25% of the foreign currency income, and the remaining 75% needs to be converted into MYR from the Bank of Malaysia, In terms of foreign investment, a resident enterprise that has obtained a quota from Bank of Malaysia can convert the maximum amount of MYR 50 million (based on the entire company group) to convert into foreign currency assets. The company's subsidiaries in Malaysia can freely borrow MYR and foreign currency from domestic banks, and the use of funds related to currency conversion is not subject to major restrictions by foreign exchange control laws. Therefore, Malaysian foreign exchange control measures will not significantly influence the company's operations.

b. Taxation

The corporate income tax has been reducing to 27% and 25% in 2007 and 2009 since Malaysian Prime Minister Tun Abdullah announced a rolling reduction plan in 2006. Malaysia has implemented the Single TierTax System for the taxation of dividend income to replace the original deduction since January 2008. The transition period is from 2008 to 2013. The income tax paid by the company can be fully or partially deduct

from the shareholder income tax. The corporate income tax can be fully or partially deduction from the shareholder income tax, under the Single TierTax System, the corporate income tax paid by the Malaysian company will become the final tax burden under the original calculation deduction system. Malaysia has implemented the Sales & Service Tax (SST) since September 1, 2018, to replace the existing Goods and Service Tax (GST), which will affect all domestic and imported shipments.

SST has two elements: The service tax collected and levied for taxable services provided by all taxable persons in Malaysia in conducting and promoting business; the other is for imported and locally produced goods. The single-stage sales tax is levied when goods are an import or when the manufacturer sells or disposes of goods. It levies the new sales tax on taxable goods imported into or manufactured in Malaysia. The recommended tax rates are 5% and 10%, and petroleum is subject to specific tax rates. It must tax the commodity that not include in the list of exempt sales tax.

c. Social Insurance and Provident Fund

Malaysia has a population of about 30 million, and it has the smallest population except for Singapore among the ASEAN countries. Malaysia allows the manufacturing and export-oriented industries to introduce foreign labor but must pay a head tax (annual about 1,250 MYR). But there is a trend of strict restrictions year by year to solve the labor shortage. Currently, Malaysia mainly permits foreign workers from Indonesia, Thailand, Cambodia, Nepal, Myanmar, Laos, Vietnam, Philippines, India, Turkmenistan, Uzbekistan, Kazakhstan, and other countries, and established a single application in August 2005. It reported officially introduce foreign workers has increased from 700,000 in 2000 to the current 2.35 million. Indonesia accounts for most foreign labor because of its geographical proximity and language communication among them.

(i) Employees Provident Fund Act 1991

According to the Employees Provident Fund Act 1991 (Act No.452), all employers and employees are required to pay the Employees Provident Fund (EPF) by this law. The employer provides the contribution rate based on the employee's monthly salary. If the employee's salary is less than RM 5,000, the contribution ratio is 13%. If the employee's salary is higher than RM5,000, the allocation ratio is 12%. For over 60 years old, and employees who not Malaysian are exempt. In response to the COVID-19 related policies had been

adjusting in 2020. It will adjust the employee contribution rate from 11% to 7% from April 2020 until December 2020; the employer portion will remain unchanged. Starting from January 2021, the minimum contribution rate of the employee provident fund will be reduced from 11% to 9% for 12 months. As for the employer's contribution rate, it remains at 13%. As for the employer's contribution rate, it remains at 13%.

（ii）Employee Social Insurance Law

The Social Insurance Organization (SOCSO) implements the Work Injury Insurance Plan and Disability Pension Plan by the Employee Social Insurance Law in 1969. Starting from 1st January 2013, employees under 60 years old have paid social insurance. The employer pays the amount of social insurance at 1.75% based on the employee's monthly salary and 0.5% by the employee. For employees over 60 years old or those who reached 55 years old when they first registered with SOCSO, the work injury insurance plan paid by the employer at 1.25% of the employee's monthly salary, and cash will provide for the employee's disability or death caused by a work injury and medical protection. The Work Injury Insurance Plan - The employer pays 1.25% of the employee's monthly salary and provides cash and medical protection for the employee's disability or death because of a work injury (only applicable to employees over 60 years old or employees who have reached the age of 55 when they first register with SOCSO). Disability Pension Plan - pay at 1% of the employee's monthly salary, equally shared by the employer and the employee, and protect employees under the age of 55 who are lost for work or death because of any reason.

(iii) Whether the country of registration and the country of the major operation recognizes the risk of the validity of civil judgments determined by the courts.

The company has obtained the Malaysian legal opinion: It may apply any pecuniary payment judgment obtained from the court of the Republic of China in Malaysia as the basis for a summary judgment proceeding unless the parties raise the following defense:

A. The judgments are not a fixed amount;

B. The relevant courts of the Republic of China do not have jurisdiction;

C. The proceedings in the Republic of China did not give notice (to the parties);

D. The judgments violate the public policy of Malaysia, or fraud or violation of the principles of natural justice obtained the judgment;

E. The choice of the law of the Republic of China as the governing law of a document is to circumvent others laws, or the choice of the law of the Republic of China as the governing law that not based on the principle of good faith or violates public policy;

F. The judgments are a tax or fine or similar judgment based on foreign tax law or criminal law;

G. Fraud obtained;

H. The right granted by the court's judgment is a non-granting creditor;

I. The judgments were dismissed on appeal; or

J. The judgment is not final.

7.7 Other Significant Matters:

7.7.1 Security Risk of Information Technology

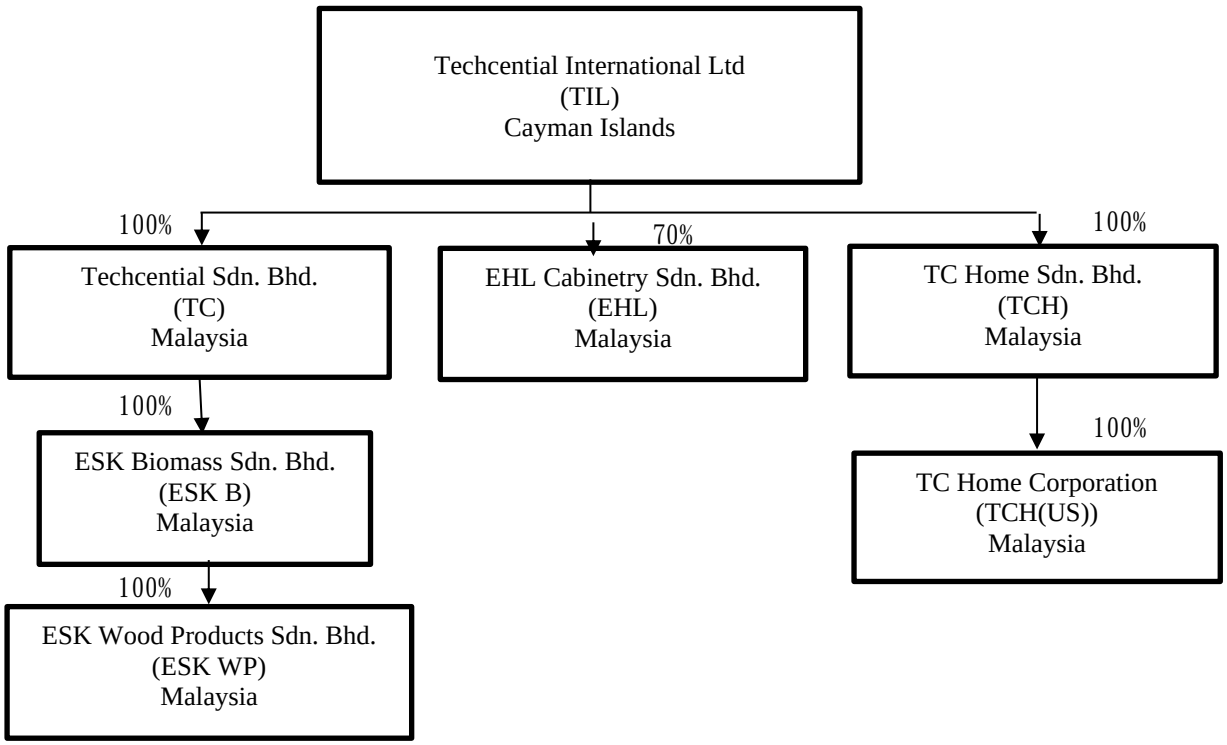
The company's security risk of IT assessment is low. As of the date of publication of the annual report, the company has not found any major cyberattacks or incidents that have or may have a significant adverse impact on the company's business and operations, and have not been involved in any legal cases or regulatory investigations related to this.

8.0 Special Disclosures

8.1 Summary of Affiliated Companies

8.1.1 Organization

(A) Affiliated Companies Chart 30 April 2021



8.1.2 Basic Information of the Company's Affiliated Companies

30 April 2021

Name of subsidiary	Set up Date	Address	Paid-up capital (Thousand)	Nature of Business
TC	2001.6.11	PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.	MYR 10,000	Manufacturing of American wooden furniture
TCH	2013.1.22	PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.	MYR 2,000	Trading
TCH(US)	2015.8.20	c/o Isaacson Isaacson Sheriden Fountain & Leftwich, LLP, 804 Green Valley Road, Suite 200, Greensboro, Guilford County, North Carolina 27408.	USD 100 only	Management consultant
EHL	2016.5.20	PTD 4063, Kawasan Perindustrian P.T Jamil, PT. Jawa, 84150 Muar, Johor, Malaysia.	MYR 10,000	Purchase of raw materials
ESK B	2018.9.01	Lot 1673, Batu 3, Jalan Labis, 83700 Yong Peng, Johor.	MYR 8,000	Manufacturing of Kitchen Cabinet
ESK WP	2018.9.01	PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.	MYR 3,000	Manufacturing & Trading of Rubber Wood

8.1.3 Presumed to be the same shareholder information for those with control and affiliation: Not Applicable.

8.1.4 The overall business operations of the related company.

Company Name	Investment Year	The function of reinvestment business	Group Positioning and Business Policy
TC	2016	The Research& Development and manufacturing for American wooden furniture.	Group positioning: Professional manufacturing, the main operating base. Business policy : Accept the orders from large American wholesalers and retailers to manufacture American-style wooden bedroom furniture.
TCH	2016	The sales of American-style wooden bedroom furniture.	Group positioning: The sales of the own brand- TC Home wooden furniture. Business Policy: Mainly develop in the sales of private brand wooden furniture in North America.
TCH(US)	2016	The consultant of management	Group positioning: The receive payment of the customers in the U.S. and related expenses. Business policy: Currently, it is temporarily paying for the collection and related expenses. In the future, it is planned to develop into the sales and after-sales services in North America.
EHL	2016	The manufacture of kitchen cabinet business.	Group positioning: The manufacturing of kitchen cabinet business. Business Policy: Enter the American kitchen cabinet market in response to the opportunity of the United States' implementation of anti-dumping duties on Chinese cabinets.
ESK B	2018	The manufacturing of the rubber wood.	Group positioning: The procurement, processing and sales of raw material (rubber wood). Business policy: At the initial stage of operation, the leftover rubber wood scraps within the group are temporarily processed and manufactured into wood pellets, which are expected to be sold abroad.

Company Name	Investment Year	The function of reinvestment business	Group Positioning and Business Policy
ESK WP	2018	The manufacturing of the rubber wood	Group positioning: The procurement, processing and sales of raw material (rubber wood). Business policy: The main business is the procurement, processing and sales of rubberwood, and sales of the products to small and medium-sized furniture manufacturers in Malaysia.

8.1.5 Directors, Supervisors and General Manager of Affiliated Companies

30 April 2021

Name of Affiliated Companies	Title	Name of Representative	Shareholdings	
			Shares	%
Techcential Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
	Director	Yee Foo Chong	-	-
	CEO	Eng Kai Jian	-	-
TC Home Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
	Director	Eng Say Kaw	-	-
	CEO	Eng Kai Pin	-	-
TC Home Corporation	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
EHL Cabinetry Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Say Kaw	-	-
	Director	Lim Swee Soon	3,000,000	30%
	CEO	Lim Swee Soon	-	-
ESK Biomass Sdn. Bhd.	Director	Eng Kai Jie	-	-
	Director	Eng Xin Kai	-	-
ESK Wood Products Sdn. Bhd.	Director	Eng Kai Jie	-	-
	Director	Eng Xin Kai	-	-

8.1.6 Affiliated Companies Operating Status

31 December 2020; Unit: NTD Thousand

Name of Subsidiary	Paid-in Capital (Thousand)	Total Assets	Total Liabilities	Net Worth	Revenues	Operating Income	Net Profit	EPS
Techcential Sdn. Bhd.	MYR 10,000	821,189	300,748	520,441	1,149,754	129,710	86,275	NA
TC Home Sdn. Bhd.	MYR 2,000	12,439	14,154	(1,715)	159	(465)	(506)	NA
TC Home Corporation	USD 100	928	198	730	-	(11)	(5)	NA
EHL Cabinetry Sdn. Bhd.	MYR 10,000	150,235	102,934	47,301	-	(19,910)	(22,671)	NA
ESK Biomass Sdn. Bhd.	MYR 8,000	84,989	36,856	48,133	16,067	(6,786)	(6,022)	NA
ESK Wood Products Sdn. Bhd.	MYR 6,000	58,933	13,793	45,140	107,426	2,275	134	NA

8.2 Most recent fiscal year and up to the date of annual report printed, issuance of private placement of securities: None.

8.3 Most recent fiscal year and up to the date of annual report printed, acquisition or disposal of the Company's shares by its affiliates: None.

8.4 Other Necessary Supplements:

(a)The Statement or promised items from the Company's registration (application) for offering and issuance of securities, and the current state of the fulfillment:

The statement or promised items	The current state of the fulfillment
Commitment to amend the "Management Procedures for Asset Acquisition and Disposition" as below: "When the Company loses its actual control over Techcential Sdn Bhd, either by giving up increase capital in future direct or indirectly, or disposition of TC Shares direct or indirectly, it must be approved by the special resolution of the Board of the Company, and all independent directors shall attend and express their views. The content of the resolution and the amendment of the measure shall be disclosed publicly in reporting website designated by the securities authorities and report to securities authorities for future reference.".	This case was proposed and approved by the 10th Board of Directors on March 21, 2018, and the relevant provisions were submitted to the 2018 Annual General Meeting for discussion and amendment.

8.5 Explanation for material difference from the provisions for the protection of shareholders' rights:

Important matters for shareholder's protection	Differences for articles of incorporation and Reasons	The Influence for Shareholder's Equity
1. The shareholders' meeting shall be held in the Republic's territory of China. The Board of Director meeting or two days after the shareholders get the convene permission from the competent authority and permission from TPEx if the shareholders' meeting is held out of the Republic of China. 2. Shareholders continue to hold the issued shares for over one year and over 3% of the total. The proposal and reasons should record, request the Board of Directors to convene an extraordinary shareholders' meeting. The Board of Directors shall not notice to hold and convene after permission from a competent authority within 15 days after the request.	1. Regarding the Company Act of Cayman Islands, there is no special provision for shareholders to convene their meetings. Article 19.6 of the articles of incorporation does not regulate shareholders to report and get permission from the competent authority before convening extraordinary shareholders' meetings. 2. Besides that, if the shareholder meeting is held out of the Republic of China, as shareholders convene an extraordinary shareholders' meeting, not need permission from the local competent authority of the Cayman Islands is required. So that, Article 19.6 of the articles of incorporation only stipulates that it should declare the certificate in advance TPEx and Taiwan Stock Exchange (according to its Circumstances apply) approval.	No significant impact to equity.
1. The articles of incorporation should list the electronic way as the channel for voting right. When shareholders' meetings are convening, the shareholder may exercise their voting rights in writing or electronically. If the company convene a shareholder meeting out of the Republic of China, We should mention the shareholder exercises voting rights in writing or electronic way. 2. The company exercises voting rights in writing or electronic way. We shall state its exercise method in the shareholder's meeting notice. Shareholders who exercise voting rights in writing or electronic are deemed to be present in person. But on the approach of the shareholders' meeting. The amendment to extraordinary motions and the original motions shall be deemed as an abstention.	The Company Act of Cayman Islands does not mention that it can seem the written or electronic attend the shareholders' meeting and the Cayman Islands Lawyers have found none relevant related case. Article 25.4 of the articles of incorporation stipulate that shareholders shall vote in writing by the previous regulations or when exercising their voting rights in the shareholders' meeting electronically. Deemed to have delegated the chairperson as his proxy, according to its written or electronic document instructions voting right. Based on the status of the deputy, the chairperson matters not mentioned or stated in the personal or electronic documents and/or the amendment to the original proposal proposed at the shareholders' meeting/ neither may exercise the voting rights of the shareholder. To clarify doubtfully, the shareholder exercised voting rights in these ways, should be regarded as an extraordinary motion proposed by the	No significant impact to equity.

	shareholders' meeting and/or amendments to the original motion, which have waived voting rights exercise". And stipulation Article 26.3 of the articles of incorporation for shareholders. Therefore, the voting right of the deputy shall not exceed. There is a 3% limit on the total voting rights of the issued shares.	
The following proposals involving major shareholder rights should be represented by shareholders who have issued over two-thirds of the total shares and a majority of the voting rights of the shareholder present shall agree with the meeting upon. If the total number of shares of present shareholders is less than the aforementioned quota. With a shareholder representing more than half of the total issued shares. With over two-thirds of the voting rights of the shareholders agree to do it: 1. The company concludes, change or termination business, commissioned business or contract frequent joint business with others, transfer all or major part of the business or financial property, transfer all the business or property of others, and the significant influence to the company. 2. Alteration of a trading charter. 3. If changes to the articles of incorporation damage the shareholders of special shares for those with rights, a resolution of the special shareholders' meeting is required. 4. Distribution of all or one of dividends and bonuses by issuing new shares. 5. Resolution of disbanding, merger, or division. 6. Those who issued new shares that restrict employee rights.	1.Regarding the resolution methods of the shareholder's meeting, except for our law to ordinary resolutions and heavy resolutions. Article 1.1 of the Article of incorporation also contains the Company Act of Cayman Islands "special resolutions", that is when the shareholders' meeting, the shareholders who have the right to vote in person attend or vote by proxy or by legal person shareholders or attendance form of legally allowed representatives of non-natural person shareholders after calculating the number of voting rights each shareholder has, at least two-thirds of the voting rights of present shareholders agree to pass a resolution. 2. According to the Company Act of Cayman Islands, the following matters should be as a special resolution： (1) Alteration of a trading charter According to the Company Act of Cayman Islands, the amendments special resolutions stipulated by the company law. In Article 12.1 of the articles of incorporation, changing the articles of incorporation is not based on the shareholders' equity. It charged the requirements to the priority under the law of our country. According to Article 13 of the articles of incorporation, if any amendments or changes to the articles of incorporation will harm any kind priority of shares and the relevant amendments or changes shall be subject to the special resolution is passed and should be approved by the shareholders of such damaged shares. And should be approved by a special resolution at a separate shareholder meeting. (2) Disband: According to the Company Act of Cayman Islands, If the company cannot debt is settled when it is due and the resolution is voluntary liquidation and	No significant impact to equity.

	dissolution. In case of dissolution, resolving the shareholders' meeting shall be taken However, if the company was voluntarily liquidated and dissolved because of reasons other than the above. We shall base dissolution on the special provisions of the Company Act of Cayman Islands. Article 12.4 (a) of the articles of incorporation, the payment is because the company cannot pay off its debts and resolution of voluntary liquidation and dissolution not by the checklist for shareholder rights protection. It is a serious resolution under the law of our country. （3）Merge： This is because the Company Act of Cayman Islands has the voting method of the defined merger mandatory. Article 12.3(b) of the articles of incorporation "Union" (except as defined in the Company Act of Cayman Islands purchase and/or merger only requires a special resolution) should be a severe resolution passed. 3. The differences in the table lie in the importance of matters that are heavily resolved in the articles of incorporation regulated by major resolution and special resolution between the inspection of the above matters and protecting shareholders' rights and interest. These differences are because the Company Act of the Cayman Islands was born, and the articles of incorporation have the major resolutions of the important matters are listed in the public. The major resolutions and special resolutions in the company charter item, the articles of incorporation have the response is limited.	
1. The supervisor selected by the shareholders' and at least the supervisor must have a residence in the country. 2. The term of the supervisor shall not exceed three years. But have to re-election. 3. When all supervisors are dismissed, the board of directors shall convene an interim meeting of shareholders within sixty years. 4. The supervisor shall supervise the execution of the company's business and may investigate the company's business and financial status and check the books and documents and request the board of directors or managers to submit reports.	The issuing company has an audit committee, but no supervisory regulations in the articles of incorporation.	No significant impact to equity.

5. The supervisor made up the shareholder meeting for the board of directors. The various forms should check and opinions should report in the shareholders' meeting. 6. The supervisor may handle the inspection affairs on behalf of the committee by accountants and lawyers. 7. The supervisor may attend the board of directors to present opinions. Board of directors meeting or director's execution of business violets laws, regulations, or share. The supervisor shall notify the directors immediately of the conduct of the decision of the Eastern Conference. The meeting or directors cease their actions. 8. Each supervisor may exercise its supervisory power independently. 9. Supervisors shall not concurrently serve as company directors, managers, or other staff.		
1. The shareholder who holds the issued shares for over one year with over 3% of the total can request in writing. The supervisor sued the director for the company and could the Taipei District Court as the court of first instance jurisdiction. 2. Within 30 days after the shareholder's request, the supervisor will not sue. But the shareholders can sue for the company and the Taipei District Court of Taiwan was the court of jurisdiction for litigation.	Because the company act of the Cayman Islands is not equivalent to the supervisor and the company has an audit committee, so the articles of incorporation there are no relevant regulations on supervisors. Only refer to the Republic of China Article 214 of the articles of incorporation concerning minority shareholders' request. It stipulated the requirements for suing in Article 48.3 of the articles of incorporation. To the extent permitted by the laws of the Cayman Islands, continue for one year and holding over 3% of the total issued shares may (a) request the board of directors to allow the review of independent directors of the Planning Committee Litigation, and the Taipei District Court in Taiwan was the first instance Competent court; or (b) request the audit committee in writing. The independent director sued the director, and may the Taipei District Court of Taiwan is the court of first instance jurisdiction. After receiving a shareholder's request by (a) or (b) above within 30 days, if (i) the board of directors is not authorized or Independent directors of the audit committee allowed by the board of directors do not mention Litigation; or (ii) the requested audit committee when independent directors do not sue, the laws of the Cayman Islands allow shareholders can sue the directors for the company litigation and be managed by the Taipei District Court	No significant impact to equity.

	in Taiwan as the first instance jurisdiction of courts. However, the Cayman Islands lawyers are the Island decree reminds: The Cayman Islands company law does not allow minority shareholders Island Court's specific rules for the derivative litigation proceedings started by the board of directors. The articles of incorporation are not a contract between shareholders and directors, but the agreement between shareholders with the company. Even if it is allowed in the articles of incorporation about minority shareholders file derivative lawsuits against directors. Cayman Group Attorney Island believes that the content will not restrain the directors. However, under the law, all shareholders (including minority shareholders) regardless of their shareholding ratio or holding period, may have started derivative litigation (including litigation against directors.) Once the shareholders have sued, the Cayman Islands court will have full power to decide whether shareholders can proceed with litigation. Of prophecy, the Article stipulates that require minority shareholders (or those who have the required shareholding ratio or shareholders during the holding period) may represent the company's litigation, but whether the lawsuit can be continued, the most still depend on the decision of the Cayman Islands court. According to open related judgments made by the grand court of the Man Island. The court of the Cayman Islands is considering whether to approve the continued derivative litigation. The applicable criterion is whether the Cayman Islands court believes and accepting the request made by the plaintiff on behalf of the company is substantive, the company controls the wrongdoing it advocates, and those controllers can prevent the company from sue it. The Cayman Islands court will real judgment (although the court may refer to the articles of incorporation, this is not the decisive factor.)	

	Regarding the law of the Cayman Islands, the board of directors should be (instead of individual directors) decide on behalf of the company. Therefore, Directors shall be authorized by a resolution of the board of directors. The directors represent the company and sued other directors. The Cayman Islands company law does not give shareholders the board of directors shall decide on specific matters in clear text. But, the Cayman Islands Company Law does not prohibit companies from stipulate. Regulations related to the procedures of board meetings (including directors' rules for convening meetings.)	
1. The company director should perform their business faithfully and do their best to the duty of care of an excellent manager, if any breach of anyone who suffers in damage shall be liable for damages. If the behavior is when it is done by oneself or others, the shareholder's meeting can resolve, treat the income of the act as the company's income. 2. The company's directors perform the business, such as when a violation of the law causes damage to others, respond to others responsible for joint compensation with the company. 3. The managers and supervisors within the same liability as the directors of the company.	Anyone who violates and causes damage to the company shall be as far as the law allows to a large extent, it shall be liable for the damage. If the directors violate the above regulations, for yourself or others, when any benefit is obtained. In the past, the company should take all appropriate actions and steps to the maximum extent permitted by law, from the directors to make these interests belong to the company. The directors of the company if it violates laws or orders when performing business operations cause the company to have any compensation or damage to anyone's responsibility, the director shall agree with the company on such compensation or damage responsible for joint damages, and for any reason, the director shall not liable for joint compensation with the company. The director shall be responsible for any damage suffered by the company because of its breach of responsibility the loss will be compensating. The manager should be liable for the same damages as the directors. However, the Cayman Islands lawyers are the islands decree reminds: The manager or the supervisor will not be liable to the company or shareholder's responsibility for the same thing by the law of the Cayman Islands. However, if the manager or supervisor may represent the actions of senior executives, they will be responsible for the duty to do the same thing. To avoid doubt, the Cayman	No significant impact to equity.

	Islands company in the service contract with the manager or supervisor. Standardize its responsibilities and obligations to the company and shareholder's service. Similarly, since the articles of incorporation are an agreement between shareholders and the company. The manager or supervisor is not a party to the charter. So, all respond to the manager's or supervisor's claim of a violation. It should regulate the right to compensation for damages in the service contract. As the laws of the Cayman Islands, the articles of incorporation are an agreement between the shareholders and the issuing company, the directors (for whom they act as directors of the issuing company) are not parties to the articles of incorporation. Therefore, the Cayman Islands lawyers believe that the articles of incorporation do not restrict the directors. If the company wants to make the relevant clauses effective for the directors. The Cayman Islands lawyer believes it should regulate the relevant rights in the contract with the individual directors, such as service contracts.	

8.6 Up to the most recent fiscal year and the publication date, occurrence of Securities and Exchange Law, Article 36, paragraph 3, subparagraph 2, that any significant impact on shareholders' equity or securities price matters: None

Stock Code:6616

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: **The Grand Pavilion Commercial, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.**

Telephone: **(04)2260-5899**

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.

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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.

KPMG, a Taiwan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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 valuated.

- 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	
	Assets	**Amount**	**%**	**Amount**	**%**
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 237,873	25	188,084	23
1110	Current financial assets at fair value through profit or loss (notes 6(b) and 7)	2,775	-	269	-
1136	Current financial assets at amortized cost (notes 6(b), (i) and 8)	-	-	9,013	1
1170	Accounts receivable, net (notes 6(c), (q) and 7)	116,181	12	170,247	21
1200	Other receivables (notes 6(d) and 7)	1,841	-	3,078	-
1310	Inventories (note 6(e))	275,113	29	147,897	18
1410	Prepayments	35,493	4	26,731	3
1470	Other current assets	1,503	-	7,418	1
	Total current assets	670,779	70	552,737	67
15xx	**Non-current assets:**				
1536	Non-current financial assets at amortized cost (notes 6(b), (k) and 8)	3,901	-	4,022	1
1600	Property, plant and equipment (notes 6(f), (g), (i), (k), 7 and 8)	145,666	15	144,649	17
1755	Right-of-use assets (notes 6(f), (g) and (j))	106,764	11	51,693	6
1780	Intangible assets (notes 6(f) and (h))	157	-	323	-
1840	Deferred tax assets (note 6(n))	8,138	1	5,052	1
1915	Prepayments for equipment (note 6(f))	12,679	1	52,170	6
1920	Refundable deposits (notes 6(k) and 8)	16,831	2	16,532	2
	Total non-current assets	294,136	30	274,441	33
1xxx	**Total assets**	**$ 964,915**	**100**	**827,178**	**100**

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(b), (f), (i), 7 and 8)	$ 109,326	11	7,309	1
2120	Current financial liabilities at fair value through profit or loss (notes 6(b) and (l))	640	-	-	-
2170	Accounts payable	93,148	10	65,239	8
2180	Accounts payable to related parties (note 7)	190	-	2,073	-
2200	Other payables (notes 6(r) and 7)	51,635	5	55,762	7
2230	Current tax liabilities	9,109	1	11,624	1
2280	Current lease liabilities (notes 6(j) and 7)	22,603	2	13,828	2
2322	Long-term loans, current portion (notes 6(b), (f), (k), 7 and 8)	14,296	2	18,632	2
2321	Convertible bonds payable, current portion (notes 6(b) and (l))	192,409	20	-	-
2399	Other current liabilities	1,994	-	990	-
	Total current liabilities	495,350	51	175,457	21
25xx	**Non-Current liabilities:**				
2500	Non-current financial liabilities at fair value through profit or loss (notes 6(b) and (l))	-	-	640	-
2531	Convertible bonds payable (notes 6(b) and (l))	-	-	187,590	23
2540	Long-term loans (notes 6(b), (f), (k), 7 and 8)	14,546	2	29,146	3
2570	Deferred tax liabilities (note 6(n))	1,539	-	3,154	-
2580	Non-current lease liabilities (notes 6(j) and 7)	65,330	7	34,025	4
2670	Other non-current liabilities	5,086	-	5,604	1
	Total non-current liabilities	86,501	9	260,159	31
2xxx	**Total liabilities**	581,851	60	435,616	52
31xx	**Equity attributable to owners of parent (notes 6(l) and (o)):**				
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
	Total retained earnings	103,469	11	94,057	11
3410	Exchange differences on translation of foreign financial statements	(5,617)	-	14,522	2
	Total equity attributable to owners of parent	368,874	39	377,480	46
36xx	**Non-controlling interests**	14,190	1	14,082	2
3xxx	**Total equity**	383,064	40	391,562	48
2-3xxx	**Total liabilities and equity**	**$ 964,915**	**100**	**827,178**	**100**

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 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	**Operating revenue (notes 6(q) and 7)**	$ 1,259,850	100	1,386,627	100
5000	**Operating costs (notes 6(e), (f), (g), (h), (j), (m), 7 and 12)**	1,015,450	81	1,076,063	78
5900	**Gross profit from operations**	244,400	19	310,564	22
6000	**Operating expenses (notes 6(c), (f), (g), (h), (j), (m), (r), 7 and 12):**				
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	-
	Total operating expenses	145,301	11	178,748	13
6900	**Operating income**	99,099	8	131,816	9
7000	**Non-operating income and expenses (notes 3(a), 6(b), (f), (j), (l), (s) and 7):**				
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)
	Total non-operating income and expenses	(12,420)	(1)	(3,608)	-
7900	**Profit before tax**	86,679	7	128,208	9
7950	**Less: Income tax expenses (note 6(n))**	31,941	3	36,853	3
8200	**Net profit**	54,738	4	91,355	6
8300	**Other comprehensive income:**				
8360	**Item that may be reclassified subsequently to profit or loss**				
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	**Other comprehensive income, net**	(34,235)	(2)	(4,698)	-
8500	**Total comprehensive income**	**$ 20,503**	**2**	**86,657**	**6**
	Net profit, attributable to:				
8610	Owners of parent	$ 61,387	5	92,038	6
8620	Non-controlling interests	(6,649)	(1)	(683)	-
		$ 54,738	**4**	**91,355**	**6**
	Total comprehensive income attributable to:				
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**
	Basic earnings per share (expressed in New Taiwan dollars) (note 6(p))				
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								
			Retained earnings						
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2019	$ 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
Balance at December 31, 2020	**$ 236,250**	**34,772**	**84**	**103,385**	**103,469**	**(5,617)**	**368,874**	**14,190**	**383,064**

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
Cash flows from (used in) operating activities:		
Profit before income tax	$ 86,679	128,208
Adjustments:		
Adjustments to reconcile profit:		
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)	-
Total adjustments to reconcile profit	40,634	38,217
Changes in operating assets and liabilities:		
Changes in operating assets:		
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
Total changes in operating assets	(78,395)	(1,539)
Changes in operating liabilities:		
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
Total changes in operating liabilities	28,441	15,039
Total changes in operating assets and liabilities	(49,954)	13,500
Total adjustments	(9,320)	51,717
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)
Net cash flows from operating activities	33,049	135,859
Cash flows from (used in) investing activities:		
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)
Net cash flows from (used in) investing activities	4,210	(90,522)
Cash flows from (used in) financing activities:		
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
Net cash flows from financing activities	37,427	42,551
Effect of exchange rate changes on cash and cash equivalents	(24,897)	(2,948)
Net increase in cash and cash equivalents	49,789	84,940
Cash and cash equivalents at beginning of period	188,084	103,144
Cash and cash equivalents at end of period	**$ 237,873**	**188,084**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TECHCENTIAL 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)

TECHCENTIAL 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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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: ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.	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.

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TECHCENTIAL 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)

TECHCENTIAL 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 December 31, 2020	Shareholding December 31, 2019	Note
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)

TECHCENTIAL 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)

TECHCENTIAL 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)

TECHCENTIAL 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)

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 issue;
- 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.

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 entirely 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)

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.

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(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)

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(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)

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.

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)

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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)

(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 reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

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)

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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

	December 31, 2020	December 31, 2019
Cash	$ 608	482
Demand and checking deposits	237,265	187,602
Cash and cash equivalents	**$ 237,873**	**188,084**

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:

	December 31, 2020			
	Amount (in thousands)	Currency	Maturity dates	Fair value of assets (liabilities)
Forward exchange sold	USD 3,000	USD to MYR	2021.1.5~2021.3.16	**2,775**

	December 31, 2019			
	Amount (in thousands)	Currency	Maturity dates	Fair value of assets (liabilities)
Forward exchange sold	USD 500	USD to MYR	2020.1.7~2020.1.14	**269**

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

(Continued)

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

	December 31, 2020	December 31, 2019
Restricted time deposits	**$ 3,901**	**13,035**
Current	$ -	9,013
Non-current	3,901	4,022
Total	**$ 3,901**	**13,035**

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

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

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

	December 31, 2020	December 31, 2019
Accounts receivable	$ 121,455	175,994
Less: loss allowance	(5,274)	(5,747)
	$ 116,181	**170,247**

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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:

	December 31, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 86,721	0.15	129
Past due 1~30 days	9,195	0.98	91
Over 91 days	3,196	100.00	3,196
	$ 99,112		**3,416**

	December 31, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
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	2	100.00	2
	$ 125,088		**288**

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:

	December 31, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Over 91 days	**$ 2,226**	100.00	**2,226**

(Continued)

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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:

	December 31, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
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
	$ 22,343		**1,858**

	December 31, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
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
	$ 48,680		**3,233**

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

	2020	2019
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	**$ 5,274**	**5,747**

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

(Continued)

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(d) Other receivables

	December 31, 2020	December 31, 2019
Other receivables (included related party)	$ 1,841	3,078
Less: Loss allowance	-	-
	$ 1,841	**3,078**

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

(e) Inventories

	December 31, 2020		
	Cost	Allowance for loss	Net receivables value
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	62,779	1,203	61,576
	$ 281,607	**6,494**	**275,113**

	December 31, 2019		
	Cost	Allowance for loss	Net receivables value
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	45,904	4,089	41,815
	$ 158,228	**10,331**	**147,897**

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

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

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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:

	2020	2019
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
	$ 13,094	**11,760**

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	**$ 17,444**	**92,923**	**72,419**	**26,460**	**10,494**	**-**	**14,772**	**14,319**	**248,831**
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	**$ 18,231**	**96,740**	**66,958**	**33,700**	**8,787**	**-**	**10,338**	**12,233**	**246,987**
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	**$ -**	**40,261**	**28,935**	**17,218**	**7,936**	**-**	**8,815**	**-**	**103,165**
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	**$ -**	**40,144**	**26,677**	**19,877**	**7,635**	**-**	**8,005**	**-**	**102,338**

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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:

	Land	Buildings	Machinery and equipment	Transportation Equipment	Other equipment	Total
Cost:						
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)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	Land	Buildings	Machinery and equipment	Transportation Equipment	Other equipment	Total
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	**$ 16**	**6,020**	**1,294**	**5,710**	**1,089**	**14,129**
Carrying amount:						
Balance at December 31, 2020	**$ 78**	**32,399**	**69,794**	**4,493**	**-**	**106,764**
Balance at December 31, 2019	**$ 131**	**33,160**	**11,409**	**6,993**	**-**	**51,693**

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:

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

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(i) Short-term loans

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

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

(j) Lease liabilities

	December 31, 2020	December 31, 2019
Current	**$ 22,603**	**13,828**
Non-current	**$ 65,330**	**34,025**

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

The amounts recognized in profit or loss were as follows:

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

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

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

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TECHCENTIAL 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:

	December 31, 2020			
	Currency	**Interest rate (%)**	**Maturity date**	**Amount**
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	10,516
Subtotal				28,842
Less: current portion				14,296
Total				**$ 14,546**
Unused credit line				**$ -**

	December 31, 2019			
	Currency	**Interest rate (%)**	**Maturity date**	**Amount**
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	11,728
Subtotal				47,778
Less: current portion				18,632
Total				**$ 29,146**
Unused credit line				**$ -**

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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

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

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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)		9,160
	$	**202,000**

(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.

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TECHCENTIAL 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:

	December 31, 2020	December 31, 2019
Balance as of Januray 1	$ 640	-
Issuance	-	500
Valuation loss	-	140
Balance as of December 31	**$ 640**	**640**

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

	2020	2019
Balance as of Januray 1	$ 8,916	-
Addition in this period	-	9,160
Less: underwriting expenses	-	(244)
Balance as of December 31	**$ 8,916**	**8,916**

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TECHCENTIAL 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:

		2020	2019
Operating costs	$	1,735	1,901
Operating expenses		6,709	5,973
	$	**8,444**	**7,874**

(n) Income taxes

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

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

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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Reconciliation of income tax expense (benefit) and profit before tax for 2020 and 2019 is as follows:

		2020	2019
Profit before income tax	$	86,679	128,208
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	$	31,941	36,853

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

		December 31, 2020	December 31, 2019
Tax losses	$	5,265	6,568

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:

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

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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
Balance at January 1, 2020	$ 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)
Balance at December 31, 2020	$ -	1,819	2,297	2,718	1,076	228	8,138
Balance at January 1, 2019	$ 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)
Balance at December 31, 2019	$ 1,379	2,480	752	-	-	441	5,052

Deferred tax liabilities:

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

(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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:

	December 31, 2020	December 31, 2019
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
	$ 34,772	**32,651**

(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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 shareholsers were as follows:

	2019	First half of 2019	2018
Cash dividends distributed to ordinary shareholders	$ 51,975	18,900	23,625

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: :

	2020	
	Amount per share	Amount
Dividends distributed to ordinary shareholders		
Cash	$ 2.00	47,250

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

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	$ 61,387	92,038
Weighted average number of common shares	23,625	23,625
Basic EPS (New Taiwan dollars)	$ 2.60	3.90
Diluted earnings per share:		
Profit of the Company for the year	$ 61,387	92,038
Influence of dilutive expense	4,819	516
Profit of the Company for the year for calculating diluted EPS	$ 66,206	92,554
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	5,319	393
Weighted-average number of common shares outstanding －diluted	29,154	24,108
Diluted EPS (New Taiwan dollars)	$ 2.27	3.84

(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	8,628	-	-	8,628
	$ 1,150,712	159	108,979	1,259,850
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	1,026	-	3,400	4,426
Net sales	$ 1,150,712	159	108,979	1,259,850

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2019			
	Department A	Department B	Department B	Total
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
	$ 1,117,310	**55,252**	**214,065**	**1,386,627**
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	**$ 1,117,310**	**55,252**	**214,065**	**1,386,627**

(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	**$ 116,181**	**170,247**	**164,874**

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)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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:

	2020	2019
Interest income	$ 901	754

(ii) Other income

The details of other income were as follows:

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

(Continued)

TECHCENTIAL 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:

		2020	2019
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		(759)	(820)
Total	**$**	**(7,094)**	**(4,561)**

(iv) Finance costs

The details of finance costs were as follows:

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

(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.

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TECHCENTIAL 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:

	Amount	Contractual cash flows	Less than 1 year	2~5 years	Over 5 years
December 31, 2020					
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	-
	$ 564,123	**582,588**	**296,124**	**283,625**	**2,839**
December 31, 2019					
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	-
	$ 386,963	**406,577**	**138,800**	**263,229**	**4,548**

(Continued)

TECHCENTIAL 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
Financial assets						
Monetary items						
USD	$ 7,517	28.09	214,427	7,700	29.92	230,346
Financial liabilities						
Monetary items						
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.

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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				
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
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	**$ 379,402**	**-**	**2,775**	**-**	**2,775**
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	**$ 564,123**	**-**	**640**	**-**	**640**

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019				
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
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	390,976	-	-	-	-
Total	**$ 391,245**	**-**	**269**	**-**	**269**
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	386,323	-	-	-	-
Total	**$ 386,963**	**-**	**640**	**-**	**640**

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)

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)

(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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:

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

(Continued)

TECHCENTIAL 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:

			Non-cash changes					
	January 1, 2020	Cash flows	Acquisition of contracts	Cancellation of contracts	COVID-19-related rent concessions	Amortization of discount	Translation effect	December 31, 2020
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	**$ 290,530**	**66,946**	**76,337**	**(14,747)**	**(1,187)**	**4,819**	**(4,188)**	**418,510**

			Non-cash changes					
	January 1, 2019	Cash flows	Acquisition of contracts	Cancellation of contracts	Issued corporate bonds	Amortization of discount	Translation effect	December 31, 2019
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	**$ 189,802**	**83,989**	**29,320**	**(1,970)**	**(9,416)**	**376**	**(1,571)**	**290,530**

(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(b) Significant transactions with related parties

(i) Sales

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

	2020	2019
Other related parties	$ 894	-

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:

Account	Relationship	December 31, 2020	December 31, 2019
Account receivables	Other related parties	$ -	7

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

	2020	2019
Other related parties	$ 15,284	31,043

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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(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:

Account	Relationship	December 31, 2020	December 31, 2019
Account payables	Other related parties	$ 190	2,073
Other payables	Other related parties	219	89
Total		**$ 409**	**2,162**

(vi) Revenue from sale of scrap

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

	2020	2019
Living Nature Sdn Bhd	$ 215	1,404
Other related parties	68	463
Total	**$ 283**	**1,867**

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:

Account	Relationship	December 31, 2020	December 31, 2019
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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(c) Management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	$ 20,115	18,364
Post-employment benefits	1,989	1,543
	$ 22,104	**19,907**

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:

Pledged assets	Object	December 31, 2020	December 31, 2019
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	50,087	53,943
Total		**$ 78,767**	**93,215**

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

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TECHCENTIAL 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 vlaue 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	2020			2019		
Account	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)

TECHCENTIAL 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.

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(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(d) Major shareholders:

Unit: share

Shareholding Shareholder's Name	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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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(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:

	2020				
	Segment A	**Segment B**	**Segment C**	**Adjustments and eliminations**	**Total**
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	**$ 1,152,570**	**159**	**123,494**	**(15,472)**	**1,260,751**
Interest Expense	**$ 11,168**	**154**	**2,304**	**(2,548)**	**11,078**
Depreciation and Amortization	**$ 23,342**	**11**	**8,892**	**-**	**32,245**
Reportable segment profit or loss	**$ 92,915**	**(565)**	**(5,671)**	**-**	**86,679**

	2019				
	Segment A	**Segment B**	**Segment C**	**Adjustments and eliminations**	**Total**
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	**$ 1,244,570**	**55,262**	**225,080**	**(137,531)**	**1,387,381**
Interest Expense	**$ 7,367**	**191**	**3,561**	**(2,245)**	**8,874**
Depreciation and Amortization	**$ 12,658**	**13**	**12,539**	**-**	**25,210**
Reportable segment profit or loss	**$ 130,979**	**(1,153)**	**(1,618)**	**-**	**128,208**

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(c) Product and service information

Revenue from external customers of the Group was as follows:

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

(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

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

Non-current Assets

Region		**December 31, 2020**	**December 31, 2019**
Malaysia	**$**	**265,266**	**248,835**

Non current assets include property, plant and equipment, right-or-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

		2020	**2019**
Customer A	**$**	**464,167**	**613,231**

Techcential International Ltd

特昇國際股份有限公司

Person-In-Charge：Eng Say Kaw