Stock Code:6616

# TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

**Consolidated Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended December 31, 2021 and 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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(r) for the disclosure related to revenue of the consolidated financial statements.

**Description of key audit matter:**

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

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

Our audit procedures included:

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

**2. Subsequent measurement of inventory**

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

**Description of key audit matter:**

The Group's principle activities are the manufacturing and sales of furniture. As of December 31, 2021, the inventory balance of $334,876 thousands consisted 38% 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.

3. **Evaluation of the impairment of non-financial assets**

Please refer to note 4(l) "Impairment of non financial assets" for accounting policies related to the evaluation on impairment of non financial assets, as well as note 6(f) "Property, plant and equipment" and note 6(g) "Right of use assets" for the disclosure of the consolidated financial statements.

**Description of key audit matter:**

Due to the sign of assets impairment of the Cash Generating Unit ("CGU") of the Group, evaluation on impairment of assets is required. The evidence on impairment of non financial assets and the determination of the recoverable amounts subject to the management's judgements, as well as the inherent uncertainty, are considered high. Therefore, the impairment of non financial assets of the CGU is one of our key audit matters.

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

Our audit procedures included:

- Obtaining the evaluation report of recoverability from the management, and assessing the appropriateness in determining the recoverable amounts and the use of key assumptions; for instance, discount rate used in estimating the recoverable amounts.
- Performing sensitivity analysis on key assumptions to understand the impact of recoverability from the changes on key assumptions.
- Assessing whether the assets of the CGU is impaired to ensure the impairment loss has been recognized appropriately.

**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, 2022

**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, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

| | Assets | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|
| 11xx | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 199,374 | 22 | 237,873 | 25 |
| 1110 | Current financial assets at fair value through profit or loss (notes 6(b) and 7) | 1,439 | - | 2,775 | - |
| 1170 | Accounts receivable, net (notes 6(c) and (r)) | 64,565 | 7 | 116,181 | 12 |
| 1200 | Other receivables (note 6(d)) | 1,498 | - | 908 | - |
| 1220 | Current tax assets | 5,511 | 1 | 933 | - |
| 1310 | Inventories (note 6(e)) | 334,876 | 38 | 275,113 | 29 |
| 1410 | Prepayments | 24,281 | 3 | 35,493 | 4 |
| 1476 | Other current financial assets (note 8) | 7,275 | 1 | - | - |
| 1479 | Other current assets | 1,825 | - | 1,503 | - |
| | **Total current assets** | 640,644 | 72 | 670,779 | 70 |
| 15xx | **Non-current assets:** | | | | |
| 1536 | Non-current financial assets at amortized cost (notes 6(b), (i), (k) and 8) | 3,733 | 1 | 3,901 | - |
| 1600 | Property, plant and equipment (notes 6(f), (i), (k), 7 and 8) | 127,965 | 14 | 145,666 | 15 |
| 1755 | Right-of-use assets (note 6(f), (g) and (j)) | 76,164 | 9 | 106,764 | 11 |
| 1780 | Intangible assets (note 6(h)) | 43 | - | 157 | - |
| 1840 | Deferred tax assets (note 6(n)) | 17,078 | 2 | 8,138 | 1 |
| 1915 | Prepayments for equipment (note 6(f)) | 2,425 | - | 12,679 | 1 |
| 1920 | Refundable deposits (notes 6(k) and 8) | 17,370 | 2 | 16,831 | 2 |
| | **Total non-current assets** | 244,778 | 28 | 294,136 | 30 |
| 1xxx | **Total assets** | **$ 885,422** | **100** | **964,915** | **100** |

| | Liabilities and Equity | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|
| 21xx | **Current liabilities:** | | | | |
| 2100 | Short-term loans (notes 6(b), (f), (i), 7 and 8) | $ 114,514 | 13 | 109,326 | 11 |
| 2120 | Current financial liabilities at fair value through profit or loss (notes 6(b), (l) and 7) | 13 | - | 640 | - |
| 2130 | Current contract liabilities (notes 6(r)) | 12,045 | 1 | 704 | - |
| 2170 | Accounts payable | 73,891 | 8 | 93,148 | 10 |
| 2180 | Accounts payable to related parties (note 7) | 21,596 | 2 | 190 | - |
| 2200 | Other payables (notes 6(s) and 7) | 43,244 | 5 | 51,635 | 5 |
| 2230 | Current tax liabilities | 419 | - | 9,109 | 1 |
| 2280 | Current lease liabilities (notes 6(j) and 7) | 18,698 | 2 | 22,603 | 2 |
| 2321 | Convertible bonds payable, current portion (notes 6(b) and (l)) | 4,736 | 1 | 192,409 | 20 |
| 2322 | Long-term loans, current portion (notes 6(b), (f), (k), 7 and 8)) | 24,386 | 3 | 14,296 | 2 |
| 2399 | Other current liabilities | 615 | - | 1,290 | - |
| | **Total current liabilities** | 314,157 | 35 | 495,350 | 51 |
| 25xx | **Non-Current liabilities:** | | | | |
| 2500 | Non-current financial liabilities at fair value through profit or loss (notes 6(b) and (l)) | 864 | - | - | - |
| 2531 | Convertible bonds payable (notes 6(b) and (l)) | 111,079 | 13 | - | - |
| 2540 | Long-term loans (notes 6(b), (f), (k), 7 and 8) | 39,580 | 4 | 14,546 | 2 |
| 2570 | Deferred tax liabilities (note 6(n)) | 1,147 | - | 1,539 | - |
| 2580 | Non-current lease liabilities (notes 6(j) and 7) | 44,806 | 5 | 65,330 | 7 |
| 2670 | Other non-current liabilities | 4,608 | 1 | 5,086 | - |
| | **Total non-current liabilities** | 202,084 | 23 | 86,501 | 9 |
| 2xxx | **Total liabilities** | 516,241 | 58 | 581,851 | 60 |
| 31xx | **Equity attributable to owners of parent (notes 6(l), (o) and (p)):** | | | | |
| 3110 | Common stock | 286,250 | 32 | 236,250 | 24 |
| 3200 | Capital surplus | 75,279 | 9 | 34,772 | 4 |
| 3300 | Retained earnings: | | | | |
| 3310 | Legal reserve | 84 | - | 84 | - |
| 3320 | Special reserve | 5,617 | 1 | - | - |
| 3350 | Unappropriated retained earnings | 24,691 | 3 | 103,385 | 11 |
| | Total retained earnings | 30,392 | 4 | 103,469 | 11 |
| 3410 | Exchange differences on translation of foreign financial statements | (33,295) | (4) | (5,617) | - |
| | **Total equity attributable to owners of parent** | 358,626 | 41 | 368,874 | 39 |
| 36xx | **Non-controlling interests** | 10,555 | 1 | 14,190 | 1 |
| 3xxx | **Total equity** | 369,181 | 42 | 383,064 | 40 |
| 2-3xxx | **Total liabilities and equity** | **$ 885,422** | **100** | **964,915** | **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, 2021 and 2020

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

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Operating revenue (notes 6(r) and 7)** | $ 894,227 | 100 | 1,259,850 | 100 |
| 5000 | **Operating costs (notes 6(e), (f), (g), (h), (j), (m), 7 and 12)** | 768,910 | 86 | 1,015,450 | 81 |
| 5900 | **Gross profit from operations** | 125,317 | 14 | 244,400 | 19 |
| 6000 | **Operating expenses (notes 6(c), (f), (g), (h), (j), (m), (s), 7 and 12):** | | | | |
| 6100 | Selling expenses | 45,562 | 5 | 62,622 | 5 |
| 6200 | Administrative expenses | 52,408 | 6 | 72,576 | 6 |
| 6300 | Research and development expenses | 6,377 | 1 | 8,477 | - |
| 6450 | Expected credit loss (reversal of expected credit loss) | (347) | - | 1,626 | - |
| | **Total operating expenses** | 104,000 | 12 | 145,301 | 11 |
| 6900 | **Operating income** | 21,317 | 2 | 99,099 | 8 |
| 7000 | **Non-operating income and expenses (notes 6(b), (e), (f), (g), (j), (l) and (t)):** | | | | |
| 7100 | Interest income | 527 | - | 901 | - |
| 7010 | Other income | 8,715 | 1 | 4,851 | - |
| 7020 | Other gains and losses | (54,586) | (6) | (7,094) | - |
| 7050 | Finance costs | (12,030) | (1) | (11,078) | (1) |
| | **Total non-operating income and expenses** | (57,374) | (6) | (12,420) | (1) |
| 7900 | **Profit (loss) before tax** | (36,057) | (4) | 86,679 | 7 |
| 7950 | **Less: Income tax expenses (benefit) (note 6(n))** | (1,194) | - | 31,941 | 3 |
| 8200 | **Net profit (loss)** | (34,863) | (4) | 54,738 | 4 |
| 8300 | **Other comprehensive income (loss):** | | | | |
| 8360 | **Item that may be reclassified subsequently to profit or loss** | | | | |
| 8361 | Foreign currency translation difference for foreign operations | (28,222) | (3) | (34,235) | (2) |
| 8399 | Income tax relating to items that may be reclassified subsequently to profit or loss | - | - | - | - |
| 8300 | **Other comprehensive income (loss), net** | (28,222) | (3) | (34,235) | (2) |
| 8500 | **Total comprehensive income (loss)** | **$ (63,085)** | **(7)** | **20,503** | **2** |
| | **Net profit (loss), attributable to:** | | | | |
| 8610 | Owners of parent | $ (25,827) | (3) | 61,387 | 5 |
| 8620 | Non-controlling interests | (9,036) | (1) | (6,649) | (1) |
| | | **$ (34,863)** | **(4)** | **54,738** | **4** |
| | **Total comprehensive income (loss) attributable to:** | | | | |
| 8710 | Owners of parent | $ (53,505) | (6) | 41,248 | 3 |
| 8720 | Non-controlling interests | (9,580) | (1) | (20,745) | (1) |
| | | **$ (63,085)** | **(7)** | **20,503** | **2** |
| | **Basic earnings (deficits) per share (expressed in New Taiwan dollars) (note 6(q))** | | | | |
| 9750 | Basic earnings (deficits) per share | **$ (1.08)** | | **2.60** | |
| 9850 | Diluted earnings (deficits) per share | **$ (1.08)** | | **2.27** | |

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, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | | | | | |
| | Common stock | Capital surplus | Legal reserve | Special 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, 2020** | $ 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 (loss) for the year | - | - | - | - | - | - | (20,139) | (20,139) | (14,096) | (34,235) |
| Total comprehensive income (loss) 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 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Special reserve | - | - | - | 5,617 | (5,617) | - | - | - | - | - |
| Cash dividends on ordinary share | - | - | - | - | (47,250) | (47,250) | - | (47,250) | - | (47,250) |
| Net loss for the year | - | - | - | - | (25,827) | (25,827) | - | (25,827) | (9,036) | (34,863) |
| Other comprehensive income (loss) for the year | - | - | - | - | - | - | (27,678) | (27,678) | (544) | (28,222) |
| Total comprehensive income (loss) for the year | - | - | - | - | (25,827) | (25,827) | (27,678) | (53,505) | (9,580) | (63,085) |
| Capital increased by cash | 50,000 | 30,765 | - | - | - | - | - | 80,765 | - | 80,765 |
| Equity component from convertible bonds issued | - | 6,892 | - | - | - | - | - | 6,892 | - | 6,892 |
| Share-based payments transactions | - | 2,850 | - | - | - | - | - | 2,850 | - | 2,850 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | 5,945 | 5,945 |
| **Balance at December 31, 2021** | **$ 286,250** | **75,279** | **84** | **5,617** | **24,691** | **30,392** | **(33,295)** | **358,626** | **10,555** | **369,181** |

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, 2021 and 2020**

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

| | 2021 | 2020 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit (loss) before income tax** | $ (36,057) | 86,679 |
| **Adjustments:** | | |
| **Adjustments to reconcile profit:** | | |
| Depreciation expense | 33,728 | 32,093 |
| Amortization expense | 108 | 152 |
| Expected credit loss (reversal of expected credit loss) | (347) | 1,626 |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | 2,151 | (3,117) |
| Interest expense | 12,030 | 11,078 |
| Interest income | (527) | (901) |
| Share-based payments transaction | 2,850 | - |
| Loss (gain) on disposal of property, plant and equipment | (385) | 1,276 |
| Impairment loss on non-financial assets | 13,488 | - |
| Gain on lease modifications | (227) | (386) |
| COVID-19-related rent concessions | (566) | (1,187) |
| Loss on incident | 39,438 | - |
| **Total adjustments to reconcile profit** | 101,741 | 40,634 |
| **Changes in operating assets and liabilities:** | | |
| **Changes in operating assets:** | | |
| Financial assets at fair value through profit or loss | 2,775 | (2,524) |
| Accounts receivable | 51,963 | 52,440 |
| Other receivables | (590) | 1,752 |
| Inventories | (81,940) | (127,216) |
| Prepayments | 11,212 | (8,762) |
| Other current assets | (322) | 5,915 |
| **Total changes in operating assets** | (16,902) | (78,395) |
| **Changes in operating liabilities:** | | |
| Contract liabilities | 11,341 | (334) |
| Accounts payable | (19,257) | 27,909 |
| Accounts payable to related parties | 21,406 | (1,883) |
| Other payables | (2,935) | 1,411 |
| Other current liabilities | (675) | 1,338 |
| **Total changes in operating liabilities** | 9,880 | 28,441 |
| **Total changes in operating assets and liabilities** | (7,022) | (49,954) |
| **Total adjustments** | 94,719 | (9,320) |
| Cash inflow generated from operations | 58,662 | 77,359 |
| Interest received | 527 | 925 |
| Interest paid | (12,167) | (6,087) |
| Income taxes paid | (21,679) | (39,148) |
| **Net cash flows from operating activities** | 25,343 | 33,049 |
| **Cash flows from (used in) investing activities:** | | |
| Proceeds from disposal of financial assets at amortized cost | - | 9,013 |
| Acquisition of property, plant and equipment | (29,181) | (54,095) |
| Proceeds from disposal of property, plant and equipment | 3,791 | 72,610 |
| Increase in refundable deposits | (7,814) | (299) |
| Acquisition of right-of-use assets | - | (12,686) |
| Decrease (increase) in prepayments for equipment | 5,313 | (10,333) |
| **Net cash flows from (used in) investing activities** | (27,891) | 4,210 |
| **Cash flows from (used in) financing activities:** | | |
| Increase in short-term loans | 5,188 | 102,017 |
| Proceeds from issuance of convertible bonds | 118,148 | - |
| Repayments of bonds | (196,176) | - |
| Proceeds from long-term loans | 62,945 | - |
| Repayments of long-term loans | (25,807) | (16,915) |
| Payment of lease liabilities | (17,965) | (18,156) |
| Decrease in other non-current liabilities | (478) | (518) |
| Cash dividends paid | (47,250) | (51,975) |
| Capital increase by cash | 80,765 | - |
| Change in non-controlling interests | 5,945 | 22,974 |
| **Net cash flows from (used in) financing activities** | (14,685) | 37,427 |
| **Effect of exchange rate changes on cash and cash equivalents** | (21,266) | (24,897) |
| **Net increase (decrease) in cash and cash equivalents** | (38,499) | 49,789 |
| **Cash and cash equivalents at beginning of period** | 237,873 | 188,084 |
| **Cash and cash equivalents at end of period** | $ **199,374** | **237,873** |

See accompanying notes to consolidated financial statements.

**(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, 2022.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment－Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020

- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(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 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.<br>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | The key amendments to IAS 1 include:<br>● requiring companies to disclose their material accounting policies rather than their significant accounting policies;<br>● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and<br>● 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 |
| Amendments to IAS 8 “Definition of Accounting Estimates” | The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.<br>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. | January 1, 2023 |

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

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. | January 1, 2023 |

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

The Group does not expect the 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”

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

The significant accounting policies presented in the consolidated financial statements are summarized below. 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.

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

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

| | | | Shareholding | | |
|---|---|---|---|---|---|
| **Name of investor** | **Name of subsidiary** | **Principal activity** | **December 31, 2021** | **December 31, 2020** | **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 | EHL Cabinetry Sdn. Bhd. (EHL) | Kitchen cabinet manufacturing and sales | 70.00 % | 70.00 % | Note 1 |
| TC | ESK Biomass Sdn. Bhd. (ESKB) | Wood pellet manufacturing and sales | 100.00 % | 100.00 % | 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 which was formally a fully owned subsidiary of TC, received a cash injection amounting to MYR 3,500 thousand from TC. 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. 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 forego 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, with a total investment of MYR 7,000 thousand.

(Continued)

2. In November 2021, the Company participated in the cash injection of EHL with its initial proportion of shareholdings, whereby the Company and the strategic investors purchased new shares amounting to MYR 2,100 thousand and MYR 900 thousand respectively. As of December 31, 2021, the Company held 70% of EHL's equity, with a total investment of MYR 9,100 thousand.

3. On March 22, 2022, the board of directors of the Company approved a resolution for cash injection in its subsidiary EHL, who expects to issue 11,111 thousand new shares, with a par value of MYR 0.27 per share, a fundraise of MYR 3,000 thousand.

Note 2: In January 2020, ESKB received the cash injection of MYR 960 thousand 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, 2021 and 2020, the total amounts of TC's investment in ESKB each amounted to MYR 7,707 thousand.

Note 3: In May 2021, ESKW reduced its capital and returned the investment amount of MYR 3,000 thousand in shares to ESKB. As of December 31, 2021 and 2020, the total investment were MYR 3,000 thousand and MYR 6,000 thousand, respectively.

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.

(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.

(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.

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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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, other financial assets and guarantee deposit paid).

Loss allowances for bank balances, financial assets at amortized csot, other receivable, other financial assets and guarantee deposit paid 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.

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.

(Continued)

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.

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.

(Continued)

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.

(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.

(Continued)

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

| | |
|---|---|
| Buildings and construction | 2～50 years |
| Machinery and equipment | 3～10 years |
| Transportation equipment | 3～5 years |
| Office equipment | 3 years |
| Other equipment | 3 years |

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

(j) Lease－as a lessee

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.

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

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

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

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

－ fixed payments, including in-substance fixed payments;

－ variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

－ amounts expected to be payable under a residual value guarantee; and

－ payments for purchase or termination options that are reasonably certain to be exercised.

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, 2022; and
- there is no substantive change in other terms and conditions of the lease.

(Continued)

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.

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.

(Continued)

(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) Government grants and government assistance

The Group recognizes an unconditional government grant related to an operating assistance as profit or loss under other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) 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.

(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.

(p) 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.

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

(q) Income taxes

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

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.

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.

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

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary 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.

(s) 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.

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 to the carrying amounts of assets and liabilities within the next financial year is as follow:

(a) Subsequent measurements of 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.

(b) Impairment of non-financial assets

In the process of evaluating the impairment of non financial assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses, discount rates, and discounted cash flow of the specific asset groups, based on the operation mode of the assets. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years. Please refer to note 6(f) for further description of the key assumptions used to determine the recoverable amount.

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

(a) Cash and cash equivalents

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Cash | $ | 716 | 608 |
| Demand and checking deposits | | 198,658 | 237,265 |
| Cash and cash equivalents | **$** | **199,374** | **237,873** |

Please refer to note 6(u) for the disclosure of interest rate risks and sensitivity analysis of the Groups' financial assets and liabilities.

(b) Financial assets and liabilities

(i) Financial assets at fair value through profit or loss－current and non-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, 2021 and 2020.

Forward exchange contracts:

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Amount (in thousands)** | | **Currency** | **Maturity dates** | **Fair value of assets (liabilities)** |
| Forward exchange sold | USD | 4,800 | USD to MYR | 2022.1.5~2022.5.24 | **1,439** |
| Forward exchange sold | USD | 400 | USD to MYR | 2022.3.9~2022.4.5 | **(13)** |

| | 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** |

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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Detail on derivative financial liability generated due to the issuance of convertible bond by the Group is as follow:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Derivate financial liability | | |
| Corporate bonds payable- call and put option | $ 864 | 640 |

Please refer to note 6(t) for the amounts recognized in other gains and losses that resulted from remeasurement at fair value.

Please refer to note 6(l) for financial liabilities measured at fair value through profit or loss components from issuing unsecured convertible bonds.

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Restricted time deposits | $ 3,733 | 3,901 |

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.

1) For credit risk, please refer to note 6(u).

2) As of December 31, 2021 and 2020, 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.

(c) Accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts receivable | $ 69,232 | 121,455 |
| Less: loss allowance | (4,667) | (5,274) |
| | $ 64,565 | 116,181 |

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, 2021 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.

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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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, 2021 and 2020 were as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted average loss rate (%) | Loss allowance provision |
| Not yet due | $ 39,151 | 0.09 | 35 |
| Past due 1~30 days | 3,038 | 0.60 | 18 |
| Past due 31~60 days | 6 | 13.24 | 1 |
| Past due 61~90 days | 2 | 43.94 | 1 |
| Over 91 days | 978 | 100.00 | 978 |
| | $ 43,175 | | 1,033 |

| | 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 |

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 of December 31, 2021 and 2020 were as follow:

| | December 31, 2021 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted average loss rate (%) | Loss allowance provision |
| Not yet due | $ 11,654 | 1.07 | 125 |
| Past due 1~30 days | 8,893 | 3.26 | 290 |
| Past due 31~60 days | 1,876 | 8.70 | 163 |
| Past due 61~90 days | 500 | 20.34 | 102 |
| Over 210 days | 494 | 100.00 | 494 |
| | $ 23,417 | | 1,174 |

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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| | December 31, 2020 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted average loss rate (%) | Loss allowance provision |
| Not yet due | $ 6,604 | 1.29 | 85 |
| Past due 1~30 days | 5,465 | 3.93 | 215 |
| Past due 31~60 days | 1,696 | 9.89 | 167 |
| 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 |
| | **$ 16,169** | | **1,680** |

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its wood pellet manufacturing and sales, as of December 31, 2021 and 2020 were as follow:

| | December 31, 2021 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted average loss rate (%) | Loss allowance provision |
| Past due 1~30 days | $ 287 | 38.49 | 110 |
| Past due 31~60 days | 5 | 31.61 | 2 |
| Over 121 days | 2,348 | 100.00 | 2,348 |
| | **$ 2,640** | | **2,460** |

| | December 31, 2020 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted average loss rate (%) | Loss allowance provision |
| Not yet due | $ 2,631 | 1.29 | 34 |
| Past due 1~30 days | 3,464 | 3.93 | 136 |
| Past due 31~60 days | 79 | 9.89 | 8 |
| | **$ 6,174** | | **178** |

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

| | 2021 | 2020 |
|---|---|---|
| Balance as of January 1 | $ 5,274 | 5,747 |
| Impairment losses recognized (reversal gain) | (347) | 1,626 |
| Amounts written off | - | (1,852) |
| Foreign exchange loss | (260) | (247) |
| Balance as of December 31 | **$ 4,667** | **5,274** |

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**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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The accounts receivables of the Group were not discounted nor pledged as collaterals.

(d) Other receivables

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Other receivables | $ | **1,498** | **908** |

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

(e) Inventories

| | | December 31, 2021 | | |
|---|---|---|---|---|
| | | **Cost** | **Allowance for loss** | **Net receivables value** |
| Raw materials | $ | 106,662 | 11,510 | 95,152 |
| Work in process | | 66,481 | 747 | 65,734 |
| Semi-finished goods | | 66,767 | 7,880 | 58,887 |
| Finished goods | | 118,386 | 3,283 | 115,103 |
| | $ | **358,296** | **23,420** | **334,876** |

| | | 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** |

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

| | | 2021 | 2020 |
|---|---|---|---|
| Balance as of January 1 | $ | 6,494 | 10,331 |
| Losses recognized (reversed) | | 17,519 | (3,400) |
| Foreign currency translation effect | | (593) | (437) |
| Balance as of December 31 | $ | **23,420** | **6,494** |

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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For the years ended December 31, 2021 and 2020, in addition to the normal cost of goods sold, the following loss and revenue were included in the Group's operating costs:

| | 2021 | 2020 |
|---|---|---|
| Loss on market price decline and obsolete and slow-moving inventories (gain from price recovery of inventory) | $ 17,519 | (3,400) |
| Revenue from sale of scraps | (494) | (746) |
| Loss on inventory obsolescence | 660 | 4,479 |
| Loss on idle capacity | 45,430 | 12,606 |
| Physical count variance | 257 | 155 |
| | **$ 63,372** | **13,094** |

A fire incident broke out in 2021, wherein the Group recognized the losses on its inventories amounting to $22,177 thousand.

As of December 31, 2021 and 2020, 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, 2021 and 2020, were as follows:

| | Land | Buildings and construction | Machinery and equipment | Transportation Equipment | Office Equipment | Other facilities | Construction in progress and testing equipment | Total |
|---|---|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | | | |
| Balance on January 1, 2021 | $ 17,444 | 92,923 | 72,419 | 26,460 | 10,494 | 14,772 | 14,319 | 248,831 |
| Additions | - | 2,629 | 8,623 | 4,239 | 821 | 4,452 | 8,071 | 28,835 |
| Disposal (including loss on incident) | - | (16,578) | (6,417) | (4,083) | (720) | (815) | (2,247) | (30,860) |
| Reclassification (note 1) | - | 5,104 | 10,384 | - | - | 524 | (11,561) | 4,451 |
| Foreign currency translation effect | (878) | (4,539) | (3,832) | (1,333) | (529) | (806) | (633) | (12,550) |
| Balance at December 31, 2021 | **$ 16,566** | **79,539** | **81,177** | **25,283** | **10,066** | **18,127** | **7,949** | **238,707** |
| Balance at 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 (notes 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** |
| Depreciation and impairments loss: | | | | | | | | |
| Balance at January 1, 2021 | $ - | 40,261 | 28,935 | 17,218 | 7,936 | 8,815 | - | 103,165 |
| Depreciation | - | 2,276 | 6,774 | 2,501 | 1,089 | 3,300 | - | 15,940 |
| Impairment loss | - | - | 8,349 | - | - | 499 | - | 8,848 |
| Disposal (including loss on incident) | - | (4,083) | (3,216) | (3,267) | (582) | (679) | - | (11,827) |
| Foreign currency translation effect | - | (1,997) | (1,636) | (854) | (407) | (490) | - | (5,384) |
| Balance at December 31, 2021 | **$ -** | **36,457** | **39,206** | **15,598** | **8,036** | **11,445** | **-** | **110,742** |

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

| | Land | Buildings and construction | Machinery and equipment | Transportation Equipment | Office Equipment | Other facilities | Construction in progress and testing equipment | Total |
|---|---|---|---|---|---|---|---|---|
| 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** |
| Carrying amounts: | | | | | | | | |
| Balance at December 31, 2021 | **$ 16,566** | **43,082** | **41,971** | **9,685** | **2,030** | **6,682** | **7,949** | **127,965** |
| Balance at December 31, 2020 | **$ 17,444** | **52,662** | **43,484** | **9,242** | **2,558** | **5,957** | **14,319** | **145,666** |

Note: 1. The cost of $4,451 thousand and $47,663 thousand, respectively, was transferred from prepayments for equipment for the years ended December 31, 2021 and 2020.

Due to the continuous losses generated from the CGU of wood pellet manufacturing and sales, the Group tested the impairment of the aforementioned CGU on December 31, 2021.

The Group used value in use to calculate the recoverable amount as the basis to measure the impairment of property, plant and equipment. The difference between the recoverable amount and book value is recognized as loss on impairment and reported as other gains and losses. The calculation of value in use is based on the financial prediction of cash flow within the next five years and a discount rate of 8.48% before tax, so that it reflects the risk of specific industry related to the CGU.

On December 31, 2021, the Group estimated the recoverable amount to be $3,388 thousand, which is lower than the carrying amount of $8,848 thousand, resulting in the recognition of impairment loss.

A fire incident broke out in 2021, wherein the Group recognized the losses on its property, plant and equipment amounting to $15,627 thousand.

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, 2021 | $ 141 | 43,281 | 75,534 | 12,154 | 1,042 | 132,152 |
| Additions | - | 1,924 | - | - | - | 1,924 |
| Disposals (early termination and loss on incident) | - | (6,910) | (2,614) | - | - | (9,524) |
| Foreign currency translation effect | (7) | (2,101) | (3,759) | (611) | (52) | (6,530) |
| Balance at December 31, 2021 | **$ 134** | **36,194** | **69,161** | **11,543** | **990** | **118,022** |
| 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** |

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

| | Land | Buildings | Machinery and equipment | Transportation Equipment | Other equipment | Total |
|---|---|---|---|---|---|---|
| Accumulated depreciation and impairment losses: | | | | | | |
| Balance at January 1, 2021 | $ 63 | 10,882 | 5,740 | 7,661 | 1,042 | 25,388 |
| Depreciation | 45 | 9,438 | 6,981 | 1,324 | - | 17,788 |
| Impairment losses (note) | - | - | 4,640 | - | - | 4,640 |
| Disposals (early termination and loss on incident) | - | (3,429) | (980) | - | - | (4,409) |
| Foreign currency translation effect | (4) | (638) | (450) | (405) | (52) | (1,549) |
| Balance at December 31, 2021 | **$ 104** | **16,253** | **15,931** | **8,580** | **990** | **41,858** |
| 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** |
| Carrying amount: | | | | | | |
| Balance at December 31, 2021 | **$ 30** | **19,941** | **53,230** | **2,963** | **-** | **76,164** |
| Balance at December 31, 2020 | **$ 78** | **32,399** | **69,794** | **4,493** | **-** | **106,764** |

Note: On December 31, 2021, the Group estimated that the right of use assets - machinery and equipment on the CGU of wood pellet manufacturing and sales to be $973 thousand, which is lower than the carrying amount of $4,640 thousand, resulting in the recognition of impairment loss. Please refer to note 6(f) property, plant and equipment for details related to impairment loss.

A fire incident broke out in 2021, wherein the Group recognized the losses on its right of use assets amounting to $1,634 thousand.

(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2021 and 2020, were as follows:

| | Computers and Software |
|---|---|
| Cost: | |
| Balance at January 1, 2021 | $ 700 |
| Foreign currency translation effect | (35) |
| Balance at December 31, 2021 | **$ 665** |
| Balance at January 1, 2020 | **$ 732** |
| Foreign currency translation effect | (32) |
| Balance at December 31, 2020 | **$ 700** |

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

| | | Computers and Software |
|---|---|---|
| Amortization: | | |
| Balance at January 1, 2021 | $ | 543 |
| Amortization | | 108 |
| Foreign currency translation effect | | (29) |
| Balance at December 31, 2021 | $ | **622** |
| Balance at January 1, 2020 | $ | 409 |
| Amortization | | 152 |
| Foreign currency translation effect | | (18) |
| Balance at December 31, 2020 | $ | **543** |
| Carrying amount: | | |
| Balance at December 31, 2021 | $ | **43** |
| Balance at December 31, 2020 | $ | **157** |

(i) Short-term loans

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Secured bank loans | $ | **114,514** | **109,326** |
| Unused credit line | $ | **146,669** | **52,987** |
| Interest rate (%) | | **1.60~4.12** | **1.23~4.12** |

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

(j) Lease liabilities

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Current | $ | 18,698 | 22,603 |
| Non-current | | 44,806 | 65,330 |
| Total | $ | **63,504** | **87,933** |

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

The amounts recognized in profit or loss were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Interest on lease liabilities | $ | **4,292** | **4,021** |
| Expenses relating to short-term leases | $ | **1,968** | **548** |
| COVID-19-related rent concessions (recognized as other income) | $ | **566** | **1,187** |

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**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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The amounts recognized in the statement of cash flows for the Group was as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Total cash flows from operating activities | $ | (6,260) | (4,569) |
| Total cash flows from investing activities | | (17,965) | (18,156) |
| Total cash outflow for leases | **$** | **(24,225)** | **(22,725)** |

(i) Real estate leases

The Group leases buildings for its office space and warehouse. The leases of office typically run for a period of 3 years, and of warehouse for 2 to 5 years.

(ii) Other leases

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

Due to the Covid 19 pandemic outbreak, the rental payments for certain machinery and equipment, as well as the transportation equipment, were extended. The Group elects not to assess whether the rent concessions are lease modifications, wherein the effect of the changes in the lease liability is reflected in profit or loss.

The Group leases machinery and equipment and buildings, with monthly contracts. 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, 2021 | | | | |
|---|---|---|---|---|---|
| | **Currency** | **Interest rate (%)** | **Maturity date** | | **Amount** |
| Secured loans | MYR | 3.20~6.11 | 2022.7.1~2028.12.1 | $ | 20,035 |
| Secured loans from lease finance company | MYR | 3.60 | 2026.9.2 | | 3,288 |
| Secured loans from lease finance company | USD | 0.08~0.15 | 2022.5.25~2024.5.25 | | 40,643 |
| Subtotal | | | | | 63,966 |
| Less: current portion | | | | | 24,386 |
| Total | | | | **$** | **39,580** |
| Unused credit line | | | | **$** | **-** |

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

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Currency | Interest rate (%) | Maturity date | Amount |
| Secured loans | MYR | 4.85~6.10 | 2022.7.1~2028.6.1 | $ 10,516 |
| Secured loans from lease finance company | USD | 2.40 | 2022.6.28 | 18,326 |
| Subtotal | | | | 28,842 |
| Less: current portion | | | | 14,296 |
| Total | | | | **$ 14,546** |
| Unused credit line | | | | **$ -** |

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

(l) Corporate bonds payable

| | December 31, 2021 | | | December 31, 2020 |
|---|---|---|---|---|
| | First unsecured convertible bond | Second unsecured convertible bond | Total | First unsecured convertible bond |
| Total amount of convertible bonds | $ 202,000 | 120,000 | 322,000 | 202,000 |
| Less: Discount on issuing convertible bonds | 9,660 | 6,127 | 15,787 | 9,660 |
| Underwriting expense | 5,126 | 3,212 | 8,338 | 5,126 |
| Discounted present value of bond payable when issued | 187,214 | 110,661 | 297,875 | 187,214 |
| Amortization of discount on bonds payable | 9,750 | 418 | 10,168 | 5,195 |
| Less: Cumulative amount of put option exercised | 192,228 | - | 192,228 | - |
| Ending balance of bonds payable | **$ 4,736** | **111,079** | **115,815** | **192,409** |

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:

| | First unsecured convertible bond |
|---|---|
| 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** |

(Continued)

The Company decided to issue its second unsecured convertible bonds amounting to $102,000 thousand at par value, without any interest rate, at an exercise price of 101.31% of the face value, for a period of 3 years, to repay the principal amounts (including interests and compensation) of the put option executed by the bondholders of the first unsecured convertible bonds, based on the resolution approved during the board meeting held on August 26, 2021.

The Company issued its unsecured convertible bonds amounting to $121,578 thousand on November 11, 2021, with the approval of the FSC on its application on October 18, 2021.

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

| | Second unsecured convertible bond |
|---|---|
| Discounted present value using the effective interest rate method | $ 113,873 |
| Embedded derivative financial instruments (put option and call option) | 613 |
| Equity component (conversion option) | 7,092 |
| | **$ 121,578** |

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

First unsecured convertible bonds

1) Coupon rate: 0%

2) Issue period: 3 years (December 3, 2019, to December 3, 2022)

3) Repayment term:

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

4) Conversion period:

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

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

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

(Continued)

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, 2021 is NT$37.60 per share.

Second unsecured convertible bonds

1) Coupon rate: 0%

2) Issue period: 3 years (November 11, 2021 to November 11, 2024)

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 issuance date (February 12, 2022) until maturity (November 11, 2024), the 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 issuance date (February 12, 2022) until 40 days before maturity (October 2, 2024), 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.

6) Bondholders' put option:

Bondholders are entitled to exercise the put option beginning from the put date (November 11, 2023), with an exercise price of 101.0025% (which is 0.5% annual yield rate of the put option) of the face value of the bonds. Upon receiving the sell back request, the Company shall pay the amount to the bondholders by cheque or electronic transfer within 5 working days of the put date.

7) Conversion price and adjustment:

The conversion price at the issuance date was $22.80 (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.

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

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

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | First unsecured convertible bond | Second unsecured convertible bond | Total | First unsecured convertible bond |
| Balance as of January 1 | $ 640 | - | 640 | 640 |
| Add: Addition in this period | - | 613 | 613 | - |
| Valuation loss | 3,308 | 269 | 3,577 | - |
| Less: Underwriting expenses | - | (18) | (18) | - |
| Put option exercised | (3,948) | - | (3,948) | - |
| Balance as of December 31 | $ - | 864 | 864 | 640 |

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

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | First unsecured convertible bond | Second unsecured convertible bond | Total | First unsecured convertible bond |
| Balance as of January 1 | $ 8,916 | - | 8,916 | 8,916 |
| Add: Addition in this period | - | 7,092 | 7,092 | - |
| Less: Underwriting expenses | - | (200) | (200) | - |
| Put option exercised | (8,702) | - | (8,702) | - |
| Balance as of December 31 | $ 214 | 6,892 | 7,106 | 8,916 |

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.

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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The pension expenses from defined contribution plans of 2021 and 2020, were paid to the subsidiaries' local government organizations, the details are as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Operating costs | $ | 1,338 | 1,735 |
| Operating expenses | | 4,048 | 6,709 |
| | $ | **5,386** | **8,444** |

(n) Income taxes

(i) The components of income tax in the years 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Current tax expense (benefit) | | | |
| Current period | $ | 13,049 | 36,806 |
| Adjustment for prior periods | | (4,432) | (70) |
| | | 8,617 | 36,736 |
| Deferred tax benefit | | | |
| Origination and reversal of temporary differences | | (9,811) | (4,795) |
| Income tax expense (benefit) | $ | **(1,194)** | **31,941** |

Reconciliation of income tax expense (benefit) and profit before tax for 2021 and 2020 is as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Profit before income tax | $ | **(36,057)** | **86,679** |
| Income tax calculated by a statutory tax rate applied by subsidiaries | $ | (7,742) | 21,449 |
| Adjustment according to tax act | | 5,539 | 9,640 |
| Over provision in prior periods | | (4,432) | (70) |
| Current-year losses for which no deferred tax asset was recognized | | 5,441 | 922 |
| Total | $ | **(1,194)** | **31,941** |

(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, 2021 | December 31, 2020 |
|---|---|---|---|
| Deductible temporary differences | $ | 5,928 | - |
| Tax losses | | 8,263 | 5,265 |
| | $ | **14,191** | **5,265** |

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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According to Malaysia Finance Bill, which was released in November 2021, the net losses before 2018, as assessed by the tax authorities, allows to be offset against the taxable income before the income is taxed. The last deductible year is set on 2028. 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, 2021, were as follows:

| Year of loss | Unused amount | Year of expiry |
|---|---|---|
| ESKB: | | |
| 2019 | $ 3,132 | 2029 |
| 2020 | 3,751 | 2030 |
| 2021 | 1,380 | 2031 |
| | **$ 8,263** | |

2) Recognized deferred tax assets and liabilities

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

Deferred tax assets:

| | Provision of doubtful debts | Provision of inventory Obsolescence | Tax loss carryforward | Property Plant and Equipment useful life | Other | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2021** | $ - | 1,819 | 2,297 | 2,718 | 1,304 | 8,138 |
| Recognized in profit or loss | 538 | 3,953 | 3,038 | 518 | 1,433 | 9,480 |
| Foreign currency translation effect | (8) | (152) | (161) | (108) | (111) | (540) |
| **Balance at December 31, 2021** | **$ 530** | **5,620** | **5,174** | **3,128** | **2,626** | **17,078** |
| **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 | 867 | 3,308 |
| Foreign currency translation effect | (56) | (106) | (36) | (20) | (4) | (222) |
| **Balance at December 31, 2020** | **$ -** | **1,819** | **2,297** | **2,718** | **1,304** | **8,138** |

Deferred tax liabilities:

| | Property Plant and Equipment useful life | Other | Total |
|---|---|---|---|
| **Balance at January 1, 2021** | $ - | (1,539) | (1,539) |
| Recognized in profit or loss | (899) | 1,230 | 331 |
| Foreign currency translation effect | 36 | 25 | 61 |
| **Balance at December 31, 2021** | **$ (863)** | **(284)** | **(1,147)** |

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

| | Property Plant and Equipment useful life | Other | Total |
|---|---|---|---|
| **Balance at January 1, 2020** | $ (3,154) | - | (3,154) |
| Recognized in profit or loss | 3,026 | (1,539) | 1,487 |
| Foreign currency translation effect | 128 | - | 128 |
| **Balance at December 31, 2020** | **$ -** | **(1,539)** | **(1,539)** |

(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 2021 and 2020 was 24%. If the subsidiary meets the criteria, it would then be eligible to specific tax preferences.

2) United States

According to the Federal tax regulations and North Carolina tax regulations, the Federal tax rates for both 2021 and 2020 was 21%. The tax rate of North Carolina State for both years 2021 and 2020 were 2.5%.

The Group's subsidiaries have declared their income tax through the year of 2020 to their local tax agencies.

(o) Share capital and other equity

As of December 31, 2021 and 2020, the total value of authorized ordinary shares each amounted to $500,000 thousand, with a par value of $10 per share; and the total ordinary shares issued were 28,625 thousand and 23,625 thousand, respectively. All payments have been received as of the reporting date.

Reconciliations of shares outstanding in 2021 and 2020 were as follows:

Unit: thousand share

| | 2021 | 2020 |
|---|---|---|
| Balance on January 1 | 23,625 | 23,625 |
| Issued for cash | 5,000 | - |
| Balance at December 31 | **28,625** | **23,625** |

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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(i) Issuance of ordinary shares

A resolution was passed during the board of directors' meeting held on August 26, 2021 for the issuance of ordinary shares for cash, at a par value of $10 per share, amounting to 5,000 thousand shares, with a unit price of $16.25 per share. On October 18, 2021, the Company received the approval letter with Ruling No.1100359827 from the Financial Supervisory Commission for this capital increase, with the base date set on December 3, 2021. All issued shares were paid up upon issuance and the relevant statutory registration procedures have since been completed.

(ii) Capital surplus

The balance of capital surplus was as follows:

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Additional paid-in capital stock | $ | 54,395 | 23,630 |
| Gain or loss on entity's disposition of equity of the subsidiary | | 2,121 | 2,121 |
| Share-Based Payment | | 2,955 | 105 |
| Issuance of convertible bonds－stock warrant | | 7,106 | 8,916 |
| Stock warrant of convertible bonds－expired | | 8,702 | - |
| | **$** | **75,279** | **34,772** |

(iii) 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.

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.

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

1) Special reserve

In accordance with the regulation issued by the FSC, 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

Earnings distributions for 2020 and 2019 were decided by the shareholders on August 13, 2021 and June 18, 2020. The dividends distributed to shareholsers were as follows:

| | 2020 | 2019 |
|---|---|---|
| Cash dividends distributed to ordinary shareholders | $ 47,250 | 51,975 |

In accordance with the regulation of Financial Supervisory Commission, after reclassifying the undistributed earnings in 2021 as special earning reserved, there were no remaining earnings left to be distributed. Thus, the board of directors' meeting held on March 22, 2022 proposed that there will be no appropriation of earnings.

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

(p) Share-based payment

The Group's share-based payment transaction for 2021 was as follows:

| | New shares reserved for employee subscription |
|---|---|
| Grant date | November 9, 2021 |
| Number of shares granted | 500,000 |
| Contract term (year) | 0.082 |
| Recipients | All employees |
| Vesting conditions | Immediately vested |

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

(i) Determining the fair value of equity instruments granted

The Group used Black Scholes Option Pricing Model method in measuring the fair value of the share-based payment at the grant date as follows:

| | New shares reserved for employee subscription |
|---|---|
| Fair value at grant date | 5.70 |
| Exercise price | 16.25 |
| Expected life (years) | 0.082 |
| Expected dividend (%) | - |
| Risk-free interest rate (%) | 0.35 |

(ii) Details of the employee stock options are as follows:

| | 2020 | |
|---|---|---|
| | Weighted average exercise price | Number of options |
| Outstanding at January 1 | $ - | - |
| Granted during the year (number) | 16.25 | 500,000 |
| Exercised during the year (number) | 16.25 | (500,000) |
| Outstanding at December 31 | - | - |
| Exercisable at December 31 | - | - |

(iii) Employee expenses

The cash injection for share-based payment to the Group's employee in 2021 resulted in the expense of $2,850 thousand to be recognized.

(q) Earnings (deficits) per share

The calculation of basic and diluted earnings (deficits) per share was as follows:

| | 2021 | 2020 |
|---|---|---|
| Basic earnings (deficits) per share: | | |
| Net profit (loss) attributable to owners of partner | $ (25,827) | 61,387 |
| Weighted average number of common shares (thousand shares) | 24,022 | 23,625 |
| Basic earnings (deficits) per share (New Taiwan dollars) | $ (1.08) | 2.60 |

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

| | | 2021 | 2020 |
|---|---|---|---|
| Diluted earnings (deficits) per share: | | | |
| Net profit (loss) attributable to owners of partner | $ | (25,827) | 61,387 |
| Influence of dilutive expense | | - | 4,819 |
| Net profit (loss) attributable to owners of partner for calculating diluted EPS | $ | **(25,827)** | **66,206** |
| Weighted average number of common shares (thousand shares) | | 24,022 | 23,625 |
| Potential dilutive effect on common stock | | | |
| Influence of employee stock remuneration | | - | 210 |
| Conversion of convertible bonds | | - | 5,319 |
| Weighted-average number of common shares outstanding －diluted | | **24,022** | **29,154** |
| Diluted earnings (deficits) per share (New Taiwan dollars) | $ | **(1.08)** | **2.27** |

For the year ended December 31, 2021, the Company did not include its convertible bonds and the impact of its employee stock remuneration in the calculation of its diluted earnings (deficits) per share since those convertible bonds and influence of employee stock remuneration have antidilutive effect.

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

| | | 2021 | | | |
|---|---|---|---|---|---|
| | | **Department A** | **Department B** | **Department C** | **Total** |
| Primary geographical markets | | | | | |
| United States | $ | 720,406 | - | - | 720,406 |
| Malaysia | | 39,191 | 46,380 | 5,574 | 91,145 |
| Other | | 82,676 | - | - | 82,676 |
| | $ | **842,273** | **46,380** | **5,574** | **894,227** |
| Major products/services lines | | | | | |
| Furniture manufacturing and sales | $ | 843,606 | - | - | 843,606 |
| Rubber wood machining and sales | | - | 46,439 | - | 46,439 |
| Wood pellet manufacturing and sales | | - | - | 5,717 | 5,717 |
| Less: Sales returns and discount | | 1,333 | 59 | 143 | 1,535 |
| Net sales | $ | **842,273** | **46,380** | **5,574** | **894,227** |

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

| | 2020 | | | |
|---|---|---|---|---|
| | Department A | Department B | Department C | Total |
| Primary geographical markets | | | | |
| United States | $ 1,110,939 | - | - | 1,110,939 |
| Malaysia | 31,304 | 93,038 | 15,941 | 140,283 |
| Other | 8,628 | - | - | 8,628 |
| | $ 1,150,871 | 93,038 | 15,941 | 1,259,850 |
| Major products/services lines | | | | |
| Furniture manufacturing and sales | $ 1,151,897 | - | - | 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 | 3,303 | 97 | 4,426 |
| Net sales | $ 1,150,871 | 93,038 | 15,941 | 1,259,850 |

(ii) Remaining balances of contract

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|---|---|---|---|
| Accounts receivables | $ 69,232 | 121,455 | 175,994 |
| Less: Loss allowance | (4,667) | (5,274) | (5,747) |
| Total | $ 64,565 | 116,181 | 170,247 |
| Contract liabilities | $ 12,045 | 704 | 1,038 |

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were $704 thousand and $1,037 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

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

(s) 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.

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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For the year ended December 31, 2020, the Company's remunerations to its employees, as well as directors and supervisors, amounted to $5,442 thousand and $204 thousand, respectively. However, since the Company incurred losses in 2021, no remunerations were accrued for 2021. The estimated amounts mentioned above were 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 in current years. 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 amounts, as stated in the consolidated financial statements, are identical to those of the actual distribution for 2021 and 2020. Related information would be available at the Market Observation Post System.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Interest income | **$** | **527** | **901** |

(ii) Other income

The details of other income were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Settlement of insurance claim income | $ | 3,305 | 2,331 |
| COVID-19-related rent concessions | | 566 | 1,187 |
| Government grants | | 3,227 | - |
| Others | | 1,617 | 1,333 |
| Total | **$** | **8,715** | **4,851** |

**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:

| | 2021 | 2020 |
|---|---|---|
| Gains (losses) on disposals of property, plant and equipment | $ 385 | (1,276) |
| Gain of lease modification | 227 | 386 |
| Foreign exchange gain (loss) | 3,427 | (11,015) |
| Gain (loss) of financial assets (liabilities) at fair value through profit or loss | (4,619) | 5,570 |
| Impairment loss | (13,488) | - |
| Loss on incident | (39,438) | - |
| Others | (1,080) | (759) |
| Total | **$ (54,586)** | **(7,094)** |

(iv) Finance costs

The details of finance costs were as follows:

| | 2021 | 2020 |
|---|---|---|
| Interest expense: | | |
| Bank loans | $ (2,765) | (2,238) |
| Lease liabilities | (4,292) | (4,021) |
| Convertible bonds | (4,973) | (4,819) |
| Total | **$ (12,030)** | **(11,078)** |

(u) 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 44% and 63% of the total amount of accounts receivable as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, the Group's accounts receivable concentrated on three main customers were $28,428 thousand and $72,814 thousand, respectively.

(Continued)

**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, 2021** | | | | | |
| Non derivative financial liabilities | | | | | |
| Short-term loan | $ 114,514 | 114,776 | 114,776 | - | - |
| Accounts payable (include related party) | 95,487 | 95,487 | 95,487 | - | - |
| Other payable (include related party) | 43,244 | 43,244 | 43,244 | - | - |
| Long-term loan | 63,966 | 67,562 | 25,538 | 38,840 | 3,184 |
| Lease liabilities | 63,504 | 70,562 | 21,920 | 48,642 | - |
| Convertible bonds payable (include derivative financial liabilities) | 116,679 | 124,800 | 4,800 | 120,000 | - |
| Derivative financial liability | | | | | |
| Other forward exchange and option contract: | | | | | |
| Outflow | - | (11,078) | (11,078) | - | - |
| Inflow | 13 | 11,091 | 11,091 | - | - |
| | **$ 497,407** | **516,444** | **305,778** | **207,482** | **3,184** |

(Continued)

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

| | 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 | 109,421 | 109,421 | - | - |
| 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** | **582,683** | **496,219** | **83,625** | **2,839** |

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, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Foreign currency (in thousands) | Exchange rate | Amount | Foreign currency (in thousands) | Exchange rate | Amount |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 6,455 | 27.66 | 178,551 | 7,517 | 28.09 | 214,427 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 1,582 | 27.66 | 43,771 | 947 | 28.09 | 26,601 |

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, 2021 and 2020, would have decreased (increased) the net profit before tax for the years ended December 31, 2021 and 2020 by $337 thousand and $470 thousand, respectively.

(Continued)

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

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 gain (loss), including realized and unrealized, were $3,427 thousand and $(11,015) thousand for the years ended December 31, 2021 and 2020, 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 $1,785 thousand and $1,343 thousand for the years ended December 31, 2021 and 2020.

(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, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured of fair value through profit or loss | | | | | |
| Derivative financial assets | $ 1,439 | - | 1,439 | - | 1,439 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 199,374 | - | - | - | - |
| Financial assets measured at amortized cost | 3,733 | - | - | - | - |
| Accounts receivables | 64,565 | - | - | - | - |
| Other receivables | 1,498 | - | - | - | - |
| Other financial assets | 7,275 | - | - | - | - |
| Refundable deposits | 17,370 | - | - | - | - |
| Subtotal | 293,815 | - | - | - | - |
| Total | **$ 295,254** | **-** | **1,439** | **-** | **1,439** |

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

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Amount | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured of fair value through profit or loss | | | | | |
| Derivative financial liabilities | $ 877 | - | 877 | - | 877 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term loans | 114,514 | - | - | - | - |
| Accounts payable (include related parties) | 95,487 | - | - | - | - |
| Other payables (include related parties) | 43,244 | - | - | - | - |
| Long-term loan | 63,966 | - | - | - | - |
| Lease liabilities | 63,504 | - | - | - | - |
| Convertible bonds payable | 115,815 | - | - | - | - |
| Subtotal | 496,530 | - | - | - | - |
| Total | **$ 497,407** | **-** | **877** | **-** | **877** |

| | 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 | 908 | - | - | - | - |
| Refundable deposits | 16,831 | - | - | - | - |
| Subtotal | 375,694 | - | - | - | - |
| Total | **$ 378,469** | **-** | **2,775** | **-** | **2,775** |

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

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Amount | Level 1 | Level 2 | Level 3 | Total |
| 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** |

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), financial assets measured at amortized cost, other financial asset, 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.

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.

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

b) Derivative financial instruments

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

(v) 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.

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

(iii) Credit risk

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

1) Receivables and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the financial statement analysis and external ratings, when available.

2) Investments

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

3) Guarantees

For information on guarantees as of December 31, 2021 and 2020, 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, 2021 and 2020, the Group's unused credit line amounted to $146,669 thousand and $52,987 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.

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 December 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.

(w) 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, 2021 | December 31, 2020 |
|---|---|---|
| Total liabilities | $ 516,241 | 581,851 |
| Total equity | $ 369,181 | 383,064 |
| Debt-to-equity ratio | 139.83 % | 151.89 % |

(x) Non-cash financing activities

For the years ended December 31, 2021 and 2020 the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through leasing. Please refer to notes 6(j) for related information.

Reconciliation of liabilities from financing activities are as follows:

| | January 1, 2021 | Cash flows | Non-cash changes: Acquisition of contracts | Cancellation of contracts | COVID-19-related rent concessions | Issuance of bonds | Repayment of bonds | Amortization of discount | Translation effect | December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Long-term loans | $ 28,842 | 37,138 | - | - | - | - | - | - | (2,014) | 63,966 |
| Short-term loans | 109,326 | 5,188 | - | - | - | - | - | - | - | 114,514 |
| Lease liabilities | 87,933 | (17,965) | 1,924 | (3,708) | (566) | - | - | - | (4,114) | 63,504 |
| Convertible bonds payable | 192,409 | (78,028) | - | - | - | (7,487) | 3,948 | 4,973 | - | 115,815 |
| Total liabilities from activities | **$ 418,510** | **(53,667)** | **1,924** | **(3,708)** | **(566)** | **(7,487)** | **3,948** | **4,973** | **(6,128)** | **357,799** |

| | January 1, 2020 | Cash flows | Non-cash changes: 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** |

## (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) |

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

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

(b) Significant transactions with related parties

(i) Sales

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

| | 2021 | 2020 |
|---|---|---|
| Other related parties | $ - | 894 |

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

(ii) Purchase and Operating Cost

Purchase and commission related parties for processing

| | 2021 | 2020 |
|---|---|---|
| Other related parties | $ 30,683 | 15,284 |

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

(iii) Payables

The details of the Group's accounts payable to related parties from commission for processing and purchase are as follows:

| Account | Relationship | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Account payables | Other related parties | | |
| | Hock Guan Seng Sdn Bhd | $ 21,596 | 190 |
| Other payables | Other related parties | 1,639 | 219 |
| Total | | $ 23,235 | 409 |

(iv) Revenue from sale of scrap

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

| | 2020 |
|---|---|
| Living Nature Sdn Bhd | $ 215 |
| Other related parties | 68 |
| Total | $ 283 |

There was no sale of scrap to related parties during 2021.

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

(Continued)

(v) Guarantee

For the years ended December 31, 2021 and 2020, Eng Say Kaw, Eng Kai Pin, Eng Kai Jie, Yee Foo Chong and Tey Pek Kiang have become the joint guarantors by forward contracts, loans and providing credit guarantees to the Group and the leasing company.

(c) Management personnel compensation

Key management personnel compensation comprised:

| | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $ 15,626 | 20,115 |
| Post-employment benefits | 1,511 | 1,989 |
| | **$ 17,137** | **22,104** |

For the years ended December 31, 2021 and 2020, the costs of motor vehicles offered for management use by the Group were $20,496 thousand (MYR 3,039 thousand) and $20,171 thousand (MYR 2,953 thousand), respectively.

**(8) Pledged assets:**

| Pledged assets | Object | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Financial assets measured at amortized cost | | | |
| Restricted time deposit (under other non-current financial assets) | Long-term and short-term loans | $ 3,733 | 3,901 |
| Other current financial assets | | | |
| Refundable deposits | Long-term loans, current portion | 7,275 | - |
| Refundable deposits | Long-term loans | 8,253 | 7,335 |
| Property, plant and equipment: | | | |
| Land | Long-term and short-term loans | 16,566 | 17,444 |
| Building and constructions | Long-term and short-term loans | 34,399 | 50,087 |
| Machinery and equipment | Long-term loans | 14,446 | - |
| Total | | **$ 84,672** | **78,767** |

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

**(10) Losses Due to Major Disasters:**

In November 2021, a fire incident broke out in the second factory of TC, a subsidiary of the Group, that caused damage on a portion of its equipment and inventories, with an estimated loss on disaster amounting to $36,247 thousand. Though the related properties mentioned above were insured, its claim is still under negotiation with the insurance companies; and the related claiming procedures will be carried out after obtaining the investigation result of the fire incident. As of the reporting date, the insurance compensation has not been determined for the reason that the amount is highly subject to investigation. The Company will recognize the insurance income in the subsequent periods when the amount can be reasonably estimated.

**(11) Subsequent Events: None.**

**(12) Other:**

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

| Function / Account | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Operating cost | Operating expenses | Total | Operating cost | Operating expenses | Total |
| Personnel costs | | | | | | |
| Salaries | 77,722 | 39,520 | 117,242 | 108,657 | 53,039 | 161,696 |
| Health insurance | 820 | 401 | 1,221 | 1,202 | 454 | 1,656 |
| Pension | 1,338 | 4,048 | 5,386 | 1,735 | 6,709 | 8,444 |
| Other personnel expense | 2,042 | 696 | 2,738 | 2,037 | 779 | 2,816 |
| Depreciation | 17,867 | 15,861 | 33,728 | 20,605 | 11,488 | 32,093 |
| Amortization | 3 | 105 | 108 | 3 | 149 | 152 |

# 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, 2021:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| 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 4) | 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 (note 4) | Collateral Item | Collateral Value | Individual funding loan limits | Maximum limit of fund financing |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | TC | TIL | Other receivables | Yes | 16,604 (MYR2,500) | 16,604 (MYR2,500) | 16,604 (MYR2,500) | 2.7 | 2 | - | Operating capital | - | | - | 1,372,311 (Note 2) | 1,372,311 (Note 2) |
| 1 | TC | TCH | Other receivables | Yes | 13,283 (MYR2,000) | 3,653 (MYR550) | 3,653 (MYR550) | 2.7 | 2 | - | Operating capital | 3,709 | | - | 1,372,311 (Note 2) | 1,372,311 (Note 2) |
| 1 | TC | EHL | Other receivables | Yes | 46,491 (MYR7,000) | 39,850 (MYR6,000) | 39,850 (MYR6,000) | 2.7 | 2 | - | Operating capital | - | | - | 137,231 (Note 3) | 182,975 (Note 3) |
| 1 | TC | ESKB | Other receivables | Yes | 23,246 (MYR3,500) | 6,642 (MYR1,000) | 6,642 (MYR1,000) | 2.7 | 2 | - | Operating capital | - | | - | 1,372,311 (Note 2) | 1,372,311 (Note 2) |
| 2 | ESKW | ESKB | Other receivables | Yes | 3,321 (MYR500) | - | - | 3.0 | 2 | - | Operating capital | - | | - | 80,394 (Note 2) | 80,394 (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: Calculated with year end exchange rate (MYR:NTD＝1: 6.6416) and average exchange rate (MYR:NTD＝1: 6.7438).

(ii) Guarantees and endorsements for other parties:

| No. | Name of guarantor | Counter-party of guarantee and endorsement: Name | Counter-party of guarantee and endorsement: Relationship with the Company (note 1) | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | TC | EHL | 3 | 182,975 | 96,483 (MYR14,527) | 96,483 (MYR14,527) | 59,887 (MYR9,017) | - | 21.09 % | 228,719 | N | N | N |
| 1 | TC | ESKB | 1 | 182,975 | 5,776 (MYR870) | 5,776 (MYR870) | 5,776 (MYR870) | - | 1.26 % | 228,719 | N | N | N |
| 1 | TC | ESKW | 1 | 182,975 | 33,756 (USD500; MYR3,000) | 33,756 (USD500; MYR3,000) | 16,465 (USD2,479) | - | 7.38 % | 228,719 | 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: Calculated with year end exchange rate was (USD:NTD＝1:27.6623; MYR:NTD＝1:6.6416).

(iii) Securities held as of December 31, 2021 (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.

(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.

# TECHCENTIAL INTERNATIONAL LIMITED
## Notes to Consolidated Interim Financial Statements

(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 | The Company | 3 | Other receivables | 16,615 | Loans, no available comparisons. The mutual negotiable terms and conditions. | 1.88% |
| 1 | TC | EHL | 2 | Other receivable | 39,977 | Loans, no available comparisons. The mutual negotiable terms and conditions. | 4.52% |

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, 2021:

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | | Net income (losses) of investee (Note 1) | Share of profits/losses of investee (Notes 1 and 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | 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 % | 457,437 | 11,159 | 11,159 | Subsidiary |
| The Company | TCH | Malaysia | Furniture manufacturing and sales | 13,842 | 13,842 | 2,000,000 | 100.00 % | 525 | 2,161 | 2,161 | Subsidiary |
| The Company | EHL | Malaysia | Kitchen cabinet manufacturing and sales | 64,364 | 50,492 | 9,100,000 | 70.00 % | 24,629 | (30,120) | (21,084) | Subsidiary |
| TC | ESKB | Malaysia | Wood pellet manufacturing and sales | 56,884 | 56,884 | 8,000,012 | 100.00 % | 27,806 | (18,182) | (18,182) | Sub-subsidiary |
| TCH | TCH(US) | United States | Management Consultant | 3 | 3 | 100 | 100.00 % | 710 | (9) | (9) | Sub-subsidiary |
| ESKB | ESKW | Malaysia | Rubber wood processing and sales | 22,512 | 45,118 | 3,000,000 | 100.00 % | 26,798 | 3,912 | 3,912 | Sub-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.

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

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(d) Major shareholders:

Unit: share

| Shareholding / Shareholder's Name | Shares | Percentage |
|---|---|---|
| Eng Synergy Management Sdn. Bhd. | 10,344,000 | 36.13 % |
| Eng Say Kaw | 2,100,000 | 7.33 % |
| Surging Success Sdn. Bhd. | 1,890,000 | 6.60 % |
| Bank SinoPac as Custodian for Conceptscope Resources Sdn. Bhd. Investment Account | 1,881,000 | 6.57 % |
| Youlen Enterprise | 1,688,635 | 5.89 % |
| Only Inspiration Sdn. Bhd. | 1,654,000 | 5.77 % |
| Golden Encore | 1,494,000 | 5.21 % |

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. On January 1, 2021, the bases of measurement on the segments were different from those of the 2020 consolidated financial statements, wherein the changes resulted from the restructuring of the divisions within the Group. The Group is restating the related information from the prior year in accordance with IFRS 8, the operating segments and its operations, after the restructuring of its organization as follow:

(i) Segment A: manufacturing and sales of furniture

(ii) Segment B: manufacturing and sales of rubber wood

(iii) Segment C: manufacturing and sales of wood pallet

(Continued)

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The operating segments and the operations of the Group before the restructuring of its organization are as follow:

(i) Segment A: manufacturing and sales of furniture

(ii) Segment B: buying and selling of furniture

(iii) Segment C: processing and sales of rubber wood, as well as manufacturing and sales of wood pallet.

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.

(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:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **Segment A** | **Segment B** | **Segment C** | **Adjustments and eliminations** | **Total** |
| Revenue | | | | | |
| Revenue from external customers | $ 842,273 | 46,380 | 5,574 | - | 894,227 |
| Intersegment revenues | 41 | 13,184 | - | (13,225) | - |
| Interest revenue | 2,060 | 43 | - | (1,576) | 527 |
| Total revenue | **$ 844,374** | **59,607** | **5,574** | **(14,801)** | **894,754** |
| Interest Expense | **$ 12,614** | **325** | **667** | **(1,576)** | **12,030** |
| Depreciation and Amortization | **$ 30,227** | **1,118** | **2,491** | **-** | **33,836** |
| Reportable segment profit or loss | **$ (20,701)** | **4,132** | **(19,488)** | **-** | **(36,057)** |

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

| | 2020 | | | | |
|---|---|---|---|---|---|
| | **Segment A** | **Segment B** | **Segment C** | **Adjustments and eliminations** | **Total** |
| Revenue | | | | | |
| Revenue from external customers | $ 1,150,871 | 93,038 | 15,941 | - | 1,259,850 |
| Intersegment revenues | 958 | 14,388 | 126 | (15,472) | - |
| Interest revenue | 901 | - | - | - | 901 |
| Total revenue | $ **1,152,730** | **107,426** | **16,067** | **(15,472)** | **1,260,751** |
| Interest Expense | $ **11,322** | **1,258** | **1,046** | **(2,548)** | **11,078** |
| Depreciation and Amortization | $ **23,353** | **5,390** | **3,502** | **-** | **32,245** |
| Reportable segment profit or loss | $ **92,350** | **1,987** | **(7,658)** | **-** | **86,679** |

(c) Product and service information

Revenue from external customers of the Group was as follows:

| Products and Services | **2021** | **2020** |
|---|---|---|
| Furniture manufacturing and sales | $ 842,273 | 1,150,871 |
| Rubber wood processing and sales | 46,380 | 93,038 |
| Wood pellet manufacturing and sales | 5,574 | 15,941 |
| Total | $ **894,227** | **1,259,850** |

(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** | **2021** | **2020** |
|---|---|---|
| United States | $ 720,406 | 1,110,939 |
| Malaysia | 91,145 | 140,283 |
| Other | 82,676 | 8,628 |
| Total | $ **894,227** | **1,259,850** |

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**
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Non-current Assets

| Region | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Malaysia | $ 206,597 | 265,266 |

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 whose revenue exceeded 10% of the Group's operating revenue:

| | 2021 | 2020 |
|---|---|---|
| Customer A | $ 208,381 | 464,167 |
| Customer B | 171,858 | 138,427 |
| Customer C | 165,941 | 250,387 |
| Total | $ 546,180 | 852,981 |